

ANNUAL FINANCIAL REPORT

of

TEXAS SOUTHERN UNIVERSITY
(An Agency of State of Texas)

For the Year Ended
August 31, 2013

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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INTRODUCTORY SECTION

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TEXAS SOUTHERN UNIVERSITY
3100 CLEBURNE STREET • HOUSTON, TEXAS 77004
713-313-7011

VICE PRESIDENT
DIVISION OF ADMINISTRATION & FINANCE
OFFICE: 713-313-7302; FAX: 713-313-7070

November 15, 2013

The Honorable Glenn O. Lewis, Chairman
TSU Board of Regents
3100 Cleburne Street
Hannah Hall, Room 104
Houston, TX 77004

We are pleased to submit this independently audited Annual Financial Report for the fiscal year ended August 31, 2013 for Texas Southern University (“TSU”).

TSU’s administration is responsible for establishing and maintaining internal controls designed to ensure that the assets of the university are protected from loss, theft, or misuse. Management also ensures that adequate accounting processes are in place to allow for the preparation of financial statements, in conformity with governmental accounting standards. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe TSU’s accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned function.

TSU is one of the nation’s largest Historically Black Colleges and Universities and possesses an impressive array of undergraduate and graduate programs, a diverse faculty, 80-plus student organizations, and an alumni network comprised of educators, entrepreneurs, public servants, lawyers, pilots, artists and more. The campus encompasses 150 acres and serves as a cornerstone for developing the greatest potential in leaders from various socio-economic, cultural and racial backgrounds.

TSU is located in Houston, Texas-the seat of Harris County (the most populous county in the state), the fourth largest city in the US, and one of the fastest-growing and forward-moving cities in the world. Houston's economy is based on petrochemicals, shipping, refining, chemicals, space exploration, manufacturing, education, and tourism. As residents of this international city, TSU students are afforded numerous and unique opportunities and experiences.

TSU is situated in the heart of the city, in Houston's historic Third Ward, giving its students and faculty easy access to the Museum District, neighboring educational institutions (Houston Community College, the University of Houston, Rice University, and the University of St. Thomas), the Texas Medical Center, City Hall, downtown Houston, and all of the city's major freeways.

The preparation of this report was accomplished with the dedicated services of the entire accounting staff and the cooperation of other departments within Business Affairs. We would like to express our appreciation to all members within the Division of Administration and Finance, Internal Audit staff, and others who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Regents and the State of Texas for their continued interest and support in planning and conducting the financial operations of TSU in a responsible and professional manner.

This financial report is designed to provide a general overview of Texas Southern University's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Business Affairs, 3100 Cleburne Street, Suite 145, Houston, TX 77004-4501.

Sincerely,



Jim C. McShan
Vice President for Administration and Finance

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
BOARD OF REGENTS
August 31, 2013

Officers

Glenn O. Lewis, Chair
Dionicio Flores, Vice Chair
Curtistene McCowan, Second Vice Chair
(Vacant Feb. 1, 2013–Oct. 17, 2013) Secretary

Members

Dionicio Flores, Vice Chair	El Paso
Curtistene McCowan, Second Vice Chair	De Soto
Marilyn A. Rose	Houston
Terms Expire February 1, 2015	

Gary Bledsoe	Austin
Samuel L. Bryant	Austin
Richard Knight, Jr	Dallas
Terms Expire February 1, 2017	

Glenn O. Lewis, Chair	Fort Worth
Sarah Monty-Arnoni	Houston
Erik D. Salwen	Houston
Terms Expire February 1, 2019	

Faran Foy, Student Regent	Houston
Term Expires May 31, 2014	

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

UNIVERSITY ADMINISTRATION

August 31, 2013

University Administration

John M. Rudley, Ed.D	President
Sunny E. Ohia, Ph.D	Provost/Vice President for Academic Affairs and Research
Jim C. McShan, CPA	Vice President for Administration and Finance
William T. Saunders, J.D.	Vice President for Student Services and Dean of Students
Andrew C. Hughey, J.D.	General Counsel
Wendy H. Adair	Vice President for University Advancement
Charles F. McClelland, Ph.D	Director of Athletics
Janis J. Newman	Chief of Staff
Rasoul Saneifard, Ph.D	Chair, Faculty Assembly/Senate

Fiscal Administration

Altaf Rajan, CPA	Executive Director of Business Affairs
Gregory L. Williams	Executive Director of Procurement Services
Louis Edwards	Associate Vice President of Treasury and Budget
Lavonda Horn	Director of General Accounting

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Texas Southern University:

Report on the Financial Statements

We have audited the accompanying financial statements of Texas Southern University (TSU), an Agency of the State of Texas, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise TSU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TSU's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

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Basis for Adverse Opinion

As discussed in Note 1, the financial statements of TSU are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that is attributable to the transactions of TSU. Accounting principles generally accepted in the United States of America require that State of Texas's financial statements present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Texas.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the State of Texas as of August 31, 2013, or the changes in its financial position or cash flows thereof for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TSU as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TSU's basic financial statements. The introductory section, schedule of operating expenses, and the schedules identified as 1A, 1B, 2A, 2B, 2C, and 2D in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The schedule of operating expenses and schedules 1A, 1B, 2A, 2B, 2C, and 2D are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses and schedules 1A, 1B, 2A, 2B, 2C, and 2D are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013 on our consideration of TSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TSU's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 11, 2013

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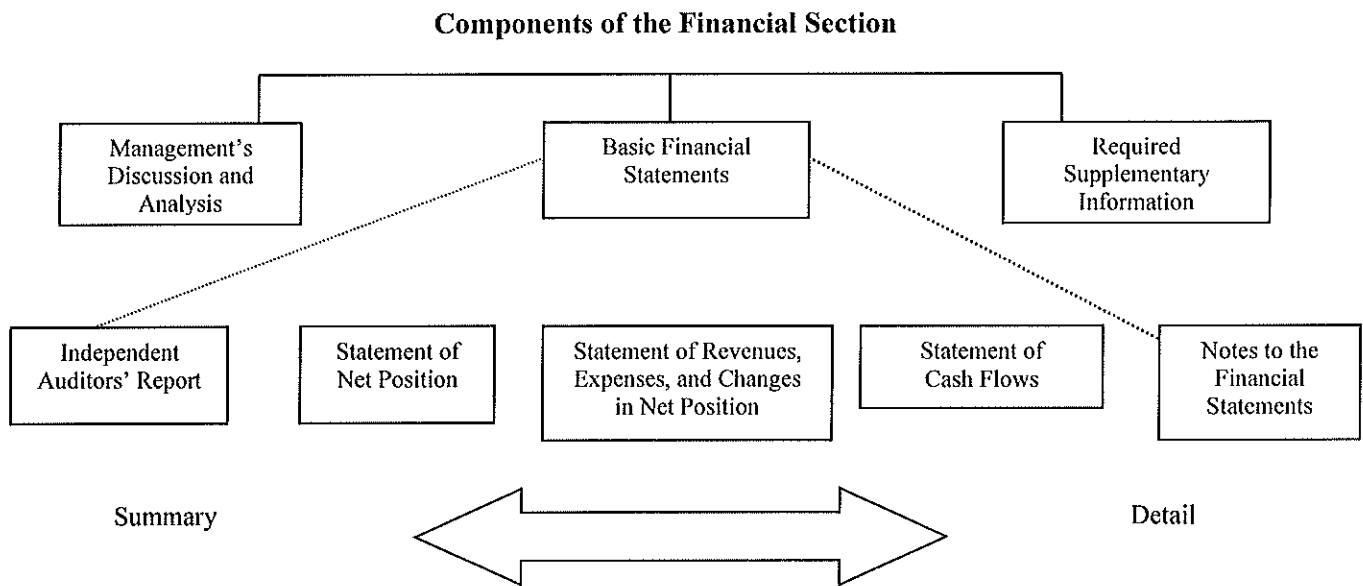
MANAGEMENT'S DISCUSSION
AND ANALYSIS

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TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 For the Year Ended August 31, 2013

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and TSU's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



TSU's basic financial statements include statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statement themselves.

Basic Financial Statements

The basic financial statements report information for TSU as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2013

The statement of net position presents information on all of TSU's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's customer base and the condition of TSU's infrastructure, need to be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net position presents information showing how TSU's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

FINANCIAL ANALYSIS OF TSU

As noted earlier, net position may serve over time as a useful indicator of TSU's financial position. Assets exceed liabilities by \$149,194,340.02 of August 31, 2013. The largest portion of TSU's net position (67 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2013

Condensed Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 71,252,098.12	\$ 83,608,154.19
Restricted assets	55,347,084.34	83,696,650.68
Capital assets, net	<u>264,233,942.53</u>	<u>244,004,780.65</u>
Total Assets	<u>390,833,124.99</u>	<u>411,309,585.52</u>
Current liabilities	85,919,331.82	96,362,406.21
Noncurrent liabilities	<u>155,719,453.15</u>	<u>166,840,235.85</u>
Total Liabilities	<u>241,638,784.97</u>	<u>263,202,642.06</u>
Net investment in capital assets	98,893,807.23	65,279,253.43
Restricted for:		
Debt service	-	2,817,865.97
Other	43,856,549.37	36,623,670.97
Unrestricted	<u>6,443,983.42</u>	<u>43,386,153.09</u>
Total Net Position	<u>\$ 149,194,340.02</u>	<u>\$ 148,106,943.46</u>

Unrestricted net position decreased by \$36,942,169.67 from \$43,386,153.09 to \$6,443,983.42 at year end. Unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of this decrease can be attributed to normal business operational and capital asset activities.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2013

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tuition and Fees - Pledged	\$ 81,397,020.62	\$ 82,526,344.76
Discount on Tuition and Fees	(15,273,937.00)	(20,716,408.45)
Auxiliary Enterprises -Pledged	10,815,680.07	11,919,226.85
Other Sales of Goods and Services - Pledged	151,693.51	226,208.38
Federal Revenue	18,157,394.10	15,223,606.69
Federal Pass-Through Revenue	3,797,870.98	3,363,800.01
State Revenue	1,454,594.01	1,233,369.85
State Pass-Through Revenue	5,824,187.11	7,705,766.37
Other Contracts and Grants - Pledged	1,768,517.33	894,336.29
Other Operating Revenue	4,031,398.96	4,783,422.89
Total Operating Revenues	<u>112,124,419.69</u>	<u>107,159,673.64</u>
OPERATING EXPENSES		
Salaries and Wages	93,242,586.63	89,577,892.90
Payroll Related Costs	21,489,828.95	21,188,258.73
Professional Fees and Services	6,460,585.98	6,818,234.33
Travel	3,543,705.86	3,438,617.13
Materials and Supplies	10,001,207.16	11,768,528.56
Communication and Utilities	6,762,927.79	6,213,944.62
Repairs and Maintenance	3,819,340.42	4,488,254.99
Rentals and Leases	2,232,169.64	2,457,481.80
Printing and Reproductions	727,692.20	716,404.32
Federal Pass-Through Expense	4,185.55	125,864.42
Bad Debt Expense	2,217,028.30	2,175,210.81
Scholarships	27,433,810.95	26,616,254.54
Other Operating Expenses	11,259,151.93	10,682,430.20
Depreciation and Amortization	14,433,985.77	17,327,229.47
Total Operating Expenses	<u>203,628,207.13</u>	<u>203,594,606.82</u>
Operating (Loss)	<u>\$ (91,503,787.44)</u>	<u>\$ (96,434,933.18)</u>

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2013

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

	2013	2012
NONOPERATING REVENUES (EXPENSES)		
Legislative Revenue	\$ 52,143,547.00	\$ 52,541,654.00
Additional Appropriations	9,442,808.68	9,512,275.38
Gifts	532,336.17	2,112,119.55
Federal Revenue Nonoperating	21,355,398.30	24,866,074.13
Interest Income	1,384,173.10	1,681,053.78
Investing Activities Expenses	(214,000.01)	(277,319.40)
Interest Expense and Fiscal Charges	(7,317,521.95)	(7,630,160.26)
Net Increase (Decrease) Fair Value	4,482,329.80	3,283,765.71
Other Nonoperating Revenue/Expense	2,325,889.75	10,208,611.28
Total Nonoperating Revenues (Expenses)	84,134,960.84	96,298,074.17
(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	(7,368,826.60)	(136,859.01)
OTHER REVENUES, EXPENSES, AND TRANSFERS		
Capital appropriations (HEAF)	8,894,700.00	8,894,700.00
Contributions to Permanent and Term Endowments	344,893.54	151,336.76
Transfer Out	(765,504.28)	(705,031.41)
Lapses	(17,866.10)	(52,072.48)
Total Other Revenues, Expenses, and Transfers	8,456,223.16	8,288,932.87
Change in Net Position	1,087,396.56	8,152,073.86
Beginning Net Position	148,106,943.46	139,954,869.60
Ending Net Position	\$ 149,194,340.02	\$ 148,106,943.46

For the year ended August 31, 2013, total revenue was \$213,012,629.93. Total revenue decreased by \$7,346,561.62 (or 3 percent). TSU's total net position increased by \$1,087,396.56 (or 1 percent). This primary increase in net position was due to additional awards received for Other Contracts and Grants in fiscal year 2013.

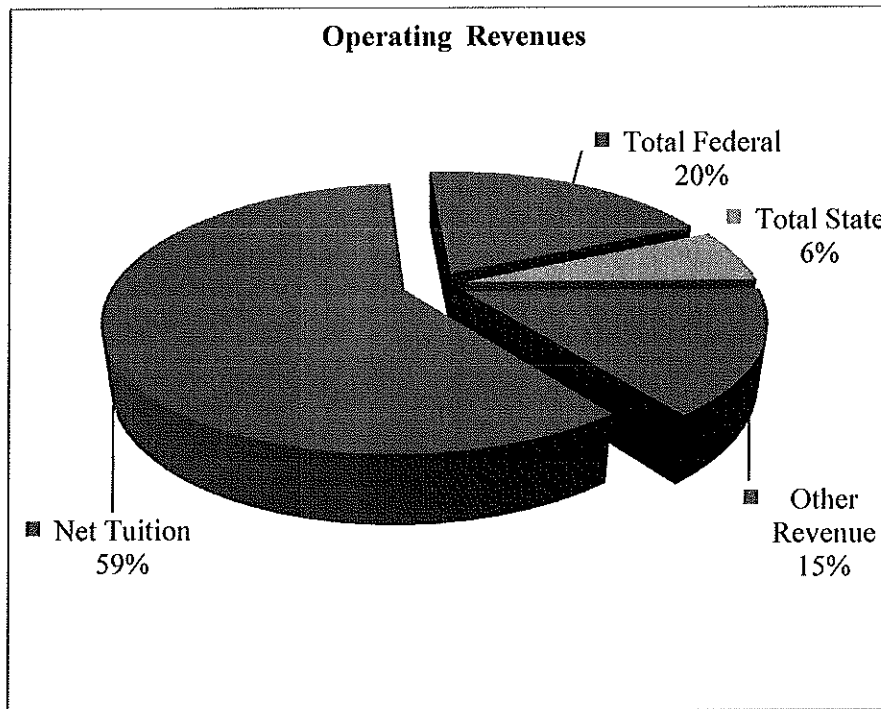
TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2013

Expenses totaled \$211,925,233.37 for the year ended August 31, 2013. This represents a decrease of \$281,884.52 from last year. The majority of this decrease can be attributed to a reduction in the amount of interest expense and fiscal charges.

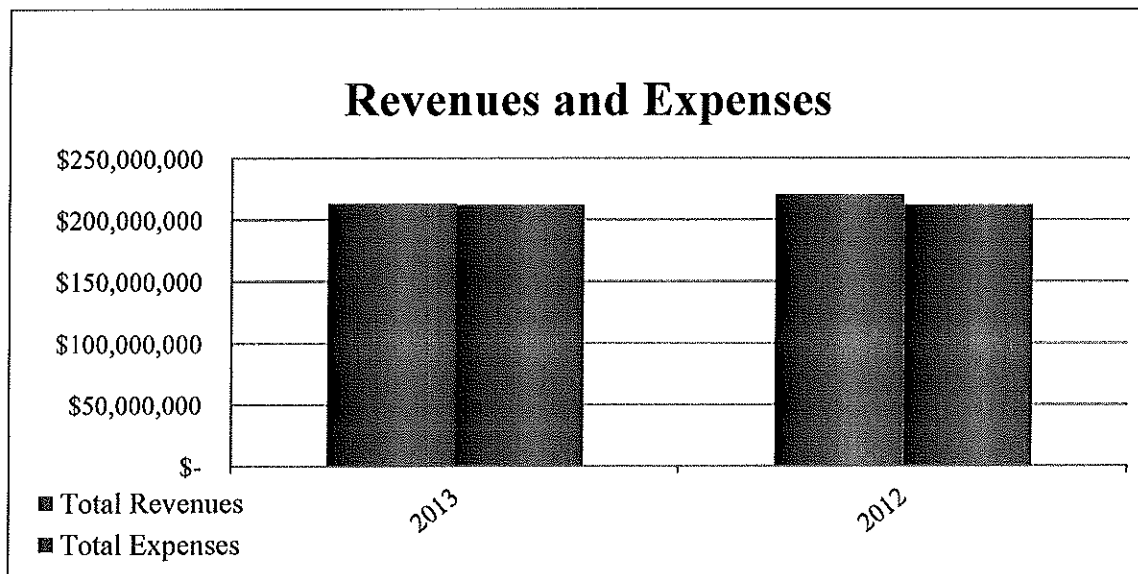
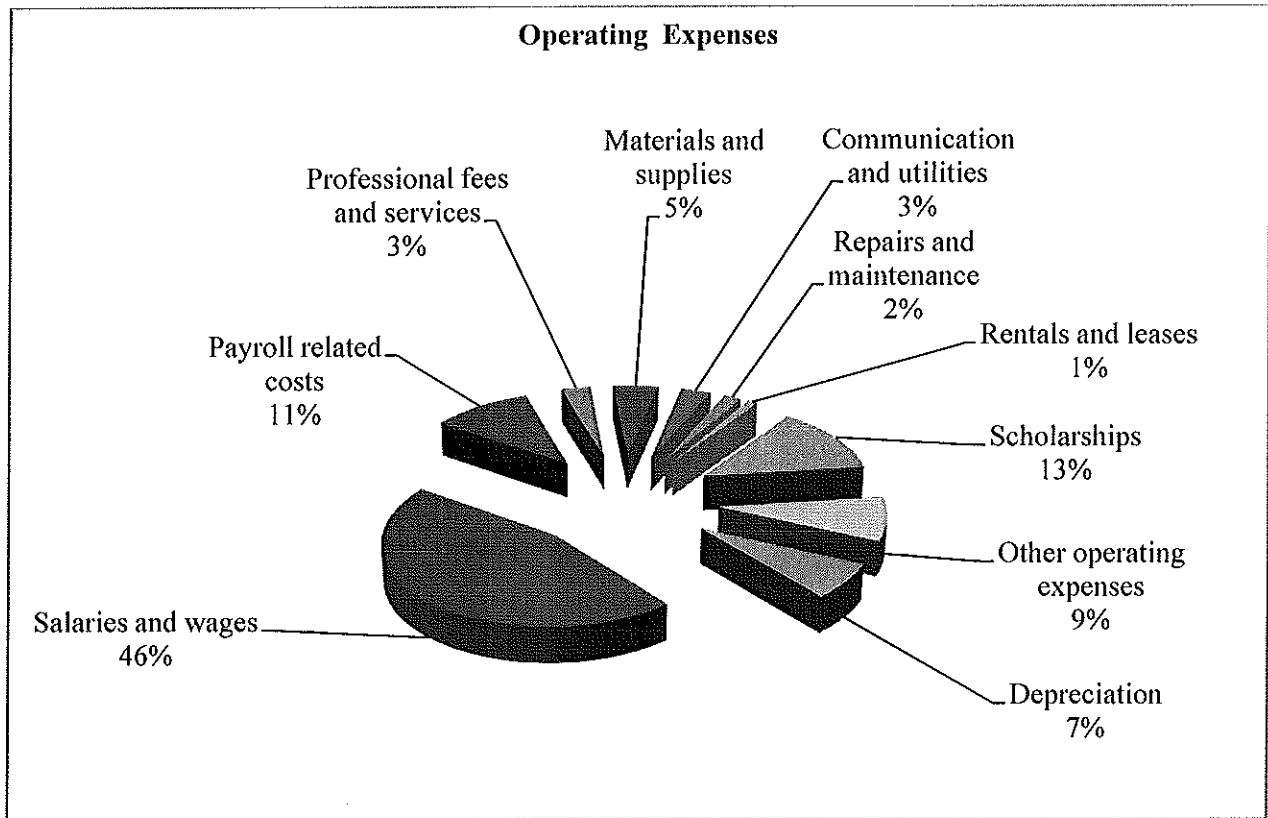
Key elements to these changes are as follows:

- Operating revenues increased by \$4,964,746.05 (5 percent) primarily due to federal revenue and other grants and contracts.
- Non-operating revenues decreased by \$12,311,307.24 (11 percent) primarily due to the close-out of existing bonds to purchase auxiliary properties in FY12.
- Operating expenses less depreciation increased by \$2,926,844.01 (2 percent) as a result of an increase in salaries and wages.
- Depreciation expense decreased \$2,893,243.70 (17 percent) due to significant amount of library book deletions.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.



TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended August 31, 2013



TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2013

CAPITAL ASSETS

At year end, TSU had invested \$264,233,942.53 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$20,229,161.88.

Major capital asset events during the current year include the following:

- Building improvements completed at a cost of \$12,567,558.96.
- Various building renovations and equipment were added as construction in progress at a total cost of \$34,663,147.65.
- Construction has commenced on the new residential housing unit estimated to cost \$55 million.

More detailed information about TSU's capital assets is presented in note 2 to the financial statements.

LONG-TERM DEBT

TSU's revenue bonds carry the rating of "Baa1" with Moody's Investors Service. At year end, TSU had \$94,281,387.50 in revenue bonds outstanding versus \$101,709,725.46 last year. TSU had \$9,240,594.93 in general obligation bonds outstanding compared to \$14,261,189.86 last year. Also, at year end, TSU had \$61,818,152.87 in notes payable to the Department of Education. This includes \$774,437.01 in advances drawn on \$55 million dollars in financing obtained to build an 800 bed Housing Unit.

More detailed information about TSU's long-term liabilities is presented in note 5 to the financial statements.

ECONOMIC FACTORS

TSU's revenue declined in fiscal year 2013 due to reductions in State funding across the board including decreases in State and additional appropriations. In addition to State funding, TSU received less Federal grant awards for scholarships to students.

CONTACTING TSU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, alumni, citizens, taxpayers, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Texas Southern University Finance Department, 3100 Cleburne Street, Houston, Texas 77004.

BASIC FINANCIAL STATEMENTS

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION

August 31, 2013

ASSETS	<u>Total</u>
Current Assets	
Cash and Cash Equivalents	
Cash on Hand	\$ 2,160.00
Cash in Bank	17,545,795.44
Cash in Transit/Reimburse from Treasury	15,926.96
Cash in State Treasury	1,940,729.08
Restricted:	
Cash in Bank-Restricted	443,543.63
Cash Equivalent	9,027,284.37
Short-Term Investments	3,869,270.57
Legislative Appropriations	4,966,122.96
Receivables:	
Federal	7,761,001.55
Other Intergovernmental	4,926,625.98
Accounts, Net	19,542,230.41
Other	680,613.42
Due From Other Agencies	43,767.07
Consumable Inventories	487,026.68
Total Current Assets	<u>71,252,098.12</u>
Non-Current Assets	
Restricted:	
Investments	43,516,021.85
Loans and Contracts	1,672,978.34
Prepaid Cost	8,683,105.09
Deferred Charges	1,474,979.06
Total Non-Current Restricted Assets	<u>55,347,084.34</u>
Capital Assets:	
Land	17,132,192.60
Construction in Progress	27,904,450.00
Historical Treasures and Works of Art	2,829,312.50
Total Non-Depreciable or Non-Amortizable	<u>47,865,955.10</u>
Capital Assets Depreciable:	
Buildings and Building Improvements	390,315,079.05
Infrastructure	6,528,360.95
Equipment	26,626,781.95
Library Books	29,999,875.21
Less: Accumulated Depreciation	<u>(237,102,109.73)</u>
Total Depreciable or Amortizable, Net	<u>216,367,987.43</u>
Total Non-Current Assets	<u>319,581,026.87</u>
TOTAL ASSETS	<u>\$ 390,833,124.99</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF NET POSITION (Continued)

August 31, 2013

LIABILITIES	<u>Total</u>
Current Liabilities	
Accounts Payable	\$ 6,907,337.26
Payroll Payable	6,654,375.13
Interest Payable	1,824,630.52
Escheat Payable	343,689.49
Unearned Revenues	45,804,381.00
Student Refunds Payable	31,505.07
Other Payables	6,505,724.28
Notes and Loans Current Payable	2,150,985.59
Revenue Bonds Current Payable, Net	8,991,577.13
General Obligation Bonds Current Payable, Net	5,225,594.93
Employees' Compensable Leave	1,479,531.42
Total Current Liabilities	<u>85,919,331.82</u>
Non-Current Liabilities	
Notes and Loans Payable	59,667,167.28
Revenue Bonds Payable, Net	85,289,810.37
General Obligation Bonds Payable, Net	4,015,000.00
Employees' Compensable Leave	3,953,995.68
Arbitrage Payable	69,610.71
Due to Perkins Loan Program	2,723,869.11
Total Non-Current Liabilities	<u>155,719,453.15</u>
TOTAL LIABILITIES	<u>241,638,784.97</u>
NET POSITION	
Net investment in capital assets	98,893,807.23
Restricted For:	
Other Restricted	2,152,045.06
Funds Held as Permanent Investments:	
Endowments	41,704,504.31
Unrestricted	6,443,983.42
TOTAL NET POSITION	<u>\$ 149,194,340.02</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended August 31, 2013

	<u>Total</u>
OPERATING REVENUES	
Tuition and Fees - Pledged	\$ 81,397,020.62
Discount on Tuition and Fees	(15,273,937.00)
Auxiliary Enterprises -Pledged	10,815,680.07
Other Sales of Goods and Services - Pledged	151,693.51
Federal Revenue	18,157,394.10
Federal Pass-Through Revenue	3,797,870.98
State Revenue	1,454,594.01
State Pass-Through Revenue	5,824,187.11
Other Contracts and Grants - Pledged	1,768,517.33
Other Operating Revenue	4,031,398.96
Total Operating Revenues	<u>112,124,419.69</u>
OPERATING EXPENSES	
Salaries and Wages	93,242,586.63
Payroll Related Costs	21,489,828.95
Professional Fees and Services	6,460,585.98
Travel	3,543,705.86
Materials and Supplies	10,001,207.16
Communication and Utilities	6,762,927.79
Repairs and Maintenance	3,819,340.42
Rentals and Leases	2,232,169.64
Printing and Reproductions	727,692.20
Federal Pass-Through Expense	4,185.55
Bad Debt Expense	2,217,028.30
Scholarships	27,433,810.95
Other Operating Expenses	11,259,151.93
Depreciation and Amortization	14,433,985.77
Total Operating Expenses	<u>203,628,207.13</u>
Operating (Loss)	<u>\$ (91,503,787.44)</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

For the year ended August 31, 2013

NONOPERATING REVENUES (EXPENSES)	<u>Total</u>
Legislative Revenue	\$ 52,143,547.00
Additional Appropriations	9,442,808.68
Gifts	532,336.17
Federal Revenue Nonoperating	21,355,398.30
Interest Income	1,384,173.10
Investing Activities Expenses	(214,000.01)
Interest Expense and Fiscal Charges	(7,317,521.95)
Net Increase (Decrease) Fair Value	4,482,329.80
Other Nonoperating Revenue/Expense	2,325,889.75
Total Nonoperating Revenues	<u>84,134,960.84</u>
(Loss) Before Other Revenues, Expenses, Gains/Losses and Transfers	<u>(7,368,826.60)</u>
OTHER REVENUES, EXPENSES, GAINS/LOSSES AND TRANSFERS	
Capital Appropriations (HEAF)	8,894,700.00
Contributions to Permanent and Term Endowments	344,893.54
Transfer Out	(765,504.28)
Lapses in Appropriations	(17,866.10)
Total Other Revenues, Expenses, Gains/Losses and Transfers	<u>8,456,223.16</u>
Change in Net Position	<u>1,087,396.56</u>
Beginning Net Position	<u>148,106,943.46</u>
Ending Net Position	<u><u>\$ 149,194,340.02</u></u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2013

	<u>2013</u>
<u>Cash Flows from Operating Activities</u>	
Proceeds from tuition and fees	\$ 64,548,891.99
Proceeds from auxiliary enterprises	10,815,680.07
Proceeds from federal grants and contracts	21,945,263.93
Proceeds from state grants and contracts	8,158,502.53
Proceeds from other revenues	4,170,776.88
Payments to employees for salaries and wages	(93,610,414.47)
Payments for employee related costs	(21,525,332.78)
Payments for other expenses	(69,675,254.92)
Net Cash (Used) by Operating Activities	<u>(75,171,886.77)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Receipts from state appropriations	73,738,049.22
Proceeds from federal grants and contracts	21,355,398.30
Receipts from gifts and endowments	1,477,229.71
Net Cash Provided by Noncapital Financing Activities	<u>96,570,677.23</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(34,663,147.65)
Principal paid on capital debt	(77,262,402.29)
Interest and fiscal agent fees paid	(8,003,276.20)
Loan receipts	63,129,437.01
Net Cash (Used) by Capital and Related Financing Activities	<u>(56,799,389.13)</u>
<u>Cash Flows from Investing Activities</u>	
Sale of investments	14,663,813.18
Payments received on notes receivable	177,267.17
Interest received	1,170,173.09
Net Cash Provided by Investing Activities	<u>16,011,253.44</u>
Net (Decrease) in Cash and Cash Equivalents	(19,389,345.23)
Beginning cash and cash equivalents	48,364,781.71
Ending Cash and Cash Equivalents	<u>\$ 28,975,436.48</u>
Unrestricted cash and cash equivalents	\$ 19,504,611.48
Restricted cash and cash equivalents	9,470,828.00
Ending Cash and Cash Equivalents	<u>\$ 28,975,439.48</u>

See Notes to Financial Statements.

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended August 31, 2013

	<u>2013</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (loss)	\$ (91,503,787.44)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	14,433,985.77
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	1,667,437.36
Due from federal government	(10,001.15)
Other receivables	(590,251.15)
Inventories	(286,252.00)
Prepaid items	8,382,042.51
Increase (Decrease) in:	
Accounts payable	(1,650,565.50)
Salaries payable	(461,700.16)
Due to state	(35,503.83)
Escheat payable	(63,223.70)
Deferred revenue	(1,190,581.77)
Student refunds payable	(2,361,907.58)
Other current liabilities	(1,595,450.15)
Compensated absences	93,872.02
Net Cash (Used) by Operating Activities	<u><u>\$ (75,171,886.77)</u></u>

See Notes to Financial Statements.

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TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the "Comptroller") requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements.

A. Reporting Entity

TSU is an agency of the State of Texas (the "State"). TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. No component units have been identified which should be presented within TSU's report.

B. Financial Statement Presentation

These financial statements include implementation of (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of TSU's activities.

Statement No. 34 established standards for external financial reporting for all public colleges and universities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2013

- **Unrestricted** - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

D. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

E. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

TSU’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Balance in State Appropriations

This item represents the balance of general revenue funds at August 31, 2013 as calculated in the Texas Comptroller’s General Revenue Reconciliation.

3. Current Receivables – Other

Other receivables include year-end accruals. All receivables are shown net of an allowance for uncollectible accounts.

4. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

5. Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements. Restricted assets are utilized first where applicable.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

6. Inventories and Prepaid Costs

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid costs.

7. Capital Assets

Capital assets are defined by the State as follows:

<u>Class of Asset</u>	<u>Threshold</u>
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	\$100,000
Facilities and Other Improvements	\$100,000
Infrastructure-Depreciable	\$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	\$5,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	\$100,000
Internally Generated Computer Software	\$1,000,000
Other Computer Software	\$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	\$100,000
Other Intangible Capital Assets	\$100,000
Construction in Progress	Capitalize all

These assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Land use rights	10 years
Capital leases	5 years

8. Accounts Payable

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

TEXAS SOUTHERN UNIVERSITY
(An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2013

9. Compensated Absences

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

10. Bonds Payable – General Obligation Bonds

General obligation bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter) in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains (losses) on bond refunding activities, if applicable.

11. Bonds Payable – Revenue Bonds

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter) in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains (losses) on bond refunding activities, if applicable.

12. Net Position

The difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is net position.

F. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Operating versus Non-operating Revenues

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriations, gifts, or investment related earnings.

H. Restricted versus Unrestricted Resources

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to unrestricted sources, unless such items were specifically budgeted for use from a restricted source.

I. Economic Dependency

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2013 is as follows:

	Balance 9/1/2012	Adjusted	Reclassify Completed CIP	Additions	Deletions	Balance 8/31/2013
Non-depreciable or Non-amortizable Assets						
Land and Land Improvements	\$ 16,948,833.71	\$ -	\$ -	\$ 183,358.89	\$ -	\$ 17,132,192.60
Construction in Progress	11,453,355.30	-	(12,576,558.96)	29,493,783.14	(466,129.48)	27,904,450.00
Other Tangible Capital Assets	2,868,943.42	-	-	-	(39,630.92)	2,829,312.50
Total Non-depreciable/amortizable	31,271,132.43	-	(12,576,558.96)	29,677,142.03	(505,760.40)	47,865,955.10
Depreciable Assets						
Buildings and Building Improvement	360,923,605.62	-	12,576,558.96	325,444.00	-	373,825,608.58
Infrastructure	6,528,360.95	-	-	-	-	6,528,360.95
Facilities and Other Improvements	15,474,896.47	-	-	-	-	15,474,896.47
Furniture and Equipment	22,031,018.44	(16,180.34)	-	2,683,603.01	(359,427.52)	24,339,013.59
Vehicle, Boats and Aircraft	1,786,824.58	-	-	176,720.95	(155,681.55)	1,807,863.98
Other Capital Assets	30,542,755.22	-	-	3,148,139.09	(2,676,445.10)	31,014,449.21
Total Depreciable Assets	437,287,461.28	(16,180.34)	12,576,558.96	6,333,907.05	(3,191,554.17)	452,990,192.78
Less Accumulated Depreciation for:						
Buildings and Building Improvement	(182,499,280.40)	-	-	(9,870,460.92)	-	(192,369,741.32)
Infrastructure	(1,478,159.71)	-	-	(312,191.52)	-	(1,790,351.23)
Facilities and Other Improvements	(10,654,354.07)	-	-	(278,893.20)	-	(10,933,247.27)
Furniture and Equipment	(13,500,229.27)	(802.92)	-	(2,028,951.95)	358,352.56	(15,171,631.58)
Vehicle, Boats, and Aircraft	(1,179,069.24)	-	-	(161,859.19)	140,467.15	(1,200,461.28)
Other Capital Assets	(15,447,535.66)	(39,630.92)	-	(1,757,474.13)	1,979,033.19	(15,265,607.52)
Total Accumulated Depreciation	(224,758,628.35)	(40,433.84)	-	(14,409,830.91)	2,477,852.90	(236,731,040.20)
Depreciable Assets, Net	212,528,832.93	(56,614.18)	12,576,558.96	(8,075,923.86)	(713,701.27)	216,259,152.58
Intangible Capital Assets- Amortizable						
Computer Software - Intangible	479,904.38	-	-	-	-	479,904.38
Total Intangible Capital Assets	479,904.38	-	-	-	-	479,904.38
Less Accumulated Amortization for:						
Computer Software - Intangible	(275,089.09)	-	-	(95,980.44)	-	(371,069.53)
Total Accumulated Amortization	(275,089.09)	-	-	(95,980.44)	-	(371,069.53)
Intangible Capital Assets	204,815.29	-	-	(95,980.44)	-	108,834.85
Activities Capital Assets - Net	\$ 244,004,780.65	\$ (56,614.18)	\$ -	\$ 21,505,237.73	\$ (1,219,461.67)	\$ 264,233,942.53

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

Construction commitments outstanding at year end were as follows:

Bldg No.	Project Description/ Project Manager	Overall Project Budget	Total Spent To Date	Remaining Balance
163	New Technology Building	\$31,500,000.00	\$ 23,529,461.07	\$ 7,970,538.93
193	New Student Housing Project	55,000,000.00	3,283,977.31	51,716,022.69
TOTAL		<u>\$86,500,000.00</u>	<u>\$ 26,813,438.38</u>	<u>\$59,686,561.62</u>

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits of Cash in Bank

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, TSU's deposits may not be returned to it. As of August 31, 2013, TSU's deposits were fully collateralized.

	Amount
Cash and cash equivalents per statement of cash flows	\$ 28,975,439.48
Less:	
Cash on hand	2,160.00
Cash in transit	15,926.96
Cash in treasury	1,940,729.08
Total Cash in Bank	<u>\$ 27,016,623.44</u>
Unrestricted cash in bank:	\$ 17,545,795.44
Restricted cash in bank:	9,470,828.00
Total Cash in Bank	<u>\$ 27,016,623.44</u>

B. Investments

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

- Direct obligations of the U.S. Government or its agencies and instrumentalities
- Obligations of this State, or its agencies or its instrumentalities
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements or reverse repurchase agreements
- Bankers' acceptance notes
- Commercial paper
- Mutual funds
- Investment pools
- Cash management and fixed income funds exempt from federal income taxation
- Negotiable certificates of deposit
- Corporate bonds rated in one of the two highest categories
- Common or convertible preferred stock

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

Foreign government bonds
 Foreign corporate bonds

As of August 31, 2013, TSU had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Government Agency Obligations	\$ 6,553,452.19
U.S. Treasury Securities	2,962,732.53
Equity	26,406,739.19
Corporate Obligations	5,433,908.05
International Obligations	2,132,160.50
Fixed Income Money Market Funds	12,923,584.33
Total Fair Value	<u>\$ 56,412,576.79</u>

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2013:

Investment Ratings

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>AA+</u>	<u>AA-</u>	<u>A</u>
U.S. Treasury Securities	\$ 2,962,732.53	\$ -	\$ -	\$ -	\$ -
U.S. Government Agency Obligations	\$ 3,869,270.57	\$ -	\$ 220,972.22	\$ -	\$ -
Corporate Obligations	\$ 1,832,555.38	\$ 306,875.51	\$ 179,000.05	\$ 213,063.98	\$ 176,685.43

Investment Ratings

<u>Investment Type</u>	<u>A+</u>	<u>A-</u>	<u>BBB</u>	<u>BBB+</u>	<u>BBB-</u>
Corporate Obligations	\$ -	\$ 895,240.98	\$ 700,843.87	\$ 523,382.99	\$ 525,436.69
International Obligations	\$ -	\$ -	\$ 123,581.97	\$ -	\$ -

Unrated

<u>Investment Type</u>	
U.S. Government Agency Obligations	\$ 2,463,209.40
Equity	\$ 26,406,739.19
Corporate Obligations	\$ 80,823.17
International Equity	\$ 2,008,578.53
Fixed Income Money Market Funds	\$ 12,923,584.33

Concentration of credit risk – investments. TSU's investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds.

Interest rate risk-investments. For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU's interest rate risk.

Investment Type	Fair Value	Investment Maturities (in Years)				
		Stocks	Less Than 1	1 to 5	6 to 10	More than 10
Agency Discount Securities	\$ 3,869,270.57	\$ -	\$ 3,869,270.57	\$ -	\$ -	\$ -
Agencies	2,684,181.62	-	439,982.40	-	26,928.43	2,217,270.79
Treasuries	2,962,733.33	-	-	2,430,297.70	18,824.68	513,610.95
Common Stock	26,406,739.19	26,406,739.19	-	-	-	-
Corporate Obligations	5,433,907.25	-	-	1,855,743.61	1,557,677.57	2,020,486.07
Foreign Obligations	2,132,160.50	2,008,578.53	-	123,581.97	-	-
Money Market Funds	12,923,584.33	-	12,923,584.33	-	-	-
Total	\$ 56,412,576.79	\$ 28,415,317.72	\$ 17,232,837.30	\$ 4,409,623.28	\$ 1,603,430.68	\$ 4,751,367.81

NOTE 4: SHORT-TERM DEBT

TSU does not have any short-term debt.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

During the year ended August 31, 2013, the following changes occurred in the long-term liabilities:

<u>Long-Term Liabilities</u>	<u>Balance 9/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 8/31/2013</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
General Obligation Bonds Payable						
Series 2004 Const. Approp.	\$ 2,555,000.00	-	\$ 1,250,000.00	\$ 1,305,000.00	\$ 1,305,000.00	\$ -
Series 2005 Const. Approp.	11,585,000.00	-	3,710,000.00	7,875,000.00	3,860,000.00	4,015,000.00
Premiums	121,189.86	-	60,594.93	60,594.93	60,594.93	-
Total general obligation bonds	<u>14,261,189.86</u>	<u>-</u>	<u>5,020,594.93</u>	<u>9,240,594.93</u> *	<u>5,225,594.93</u>	<u>4,015,000.00</u>
Revenue Bonds Payable						
Series 1998 A-1	8,260,000.00	-	8,260,000.00	-	-	-
Series 1998 A-2 Improvement	5,235,000.00	-	5,235,000.00	-	-	-
Series 1998 B Improvement	8,415,000.00	-	8,415,000.00	-	-	-
Series 2002	29,955,000.00	-	29,955,000.00	-	-	-
Series 2003	19,055,000.00	-	19,055,000.00	-	-	-
Series 2004	865,000.00	-	425,000.00	440,000.00	440,000.00	-
Series 2011	28,325,000.00	-	960,000.00	27,365,000.00	1,005,000.00	26,360,000.00
Series 2013	-	62,355,000.00	-	62,355,000.00	7,545,000.00	54,810,000.00
Premiums & discounts	1,599,725.46	4,373,380.80	1,851,718.76	4,121,387.50	1,577.13	4,119,810.38
Total revenue bonds	<u>101,709,725.46</u>	<u>66,728,380.80</u>	<u>74,156,718.76</u>	<u>94,281,387.50</u> *	<u>8,991,577.13</u>	<u>85,289,810.38</u>
Note Payable						
Note Payable	360,162.00	-	360,162.00	-	-	-
HBCU Loan 2011-4	63,145,279.70	-	2,101,563.84	61,043,715.86	2,150,985.59	58,892,730.27
HBCU Loan 2012-10	-	774,437.01	-	774,437.01	-	774,437.01
Total notes payable	<u>63,505,441.70</u>	<u>774,437.01</u>	<u>2,461,725.84</u>	<u>61,818,152.87</u> *	<u>2,150,985.59</u>	<u>59,667,167.28</u>
Other Liabilities:						
Compensated Absences	5,339,655.08	131,096.54	37,224.52	5,433,527.10	1,479,531.42	3,953,955.68
Total other liabilities	<u>5,339,655.08</u>	<u>131,096.54</u>	<u>37,224.52</u>	<u>5,433,527.10</u>	<u>1,479,531.42</u>	<u>3,953,955.68</u>
Total	<u>\$ 184,816,012.10</u>	<u>\$ 67,633,914.35</u>	<u>\$ 81,676,264.05</u>	<u>\$ 170,773,662.40</u>	<u>\$ 17,847,689.07</u>	<u>\$ 152,925,933.34</u>
Long-term Debt Due in More Than One Year				<u>\$ 152,925,933.34</u>		
*Debt associated with capital assets				<u>\$ 165,340,135.30</u>		

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2014	\$ 8,990,000.00	\$ 2,160,353.75
2015	7,940,000.00	4,181,437.50
2016	8,270,000.00	3,853,237.50
2017	8,245,000.00	3,511,337.50
2018	7,845,000.00	3,093,262.50
2019-2023	33,450,000.00	9,891,306.28
2024-2028	10,565,000.00	3,711,268.76
2029-2030	4,855,000.00	496,800.00
Total	\$ 90,160,000.00	\$ 30,899,003.79

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending Aug. 31	General Obligations Bonds	
	Principal	Interest
2014	\$ 5,165,000.00	\$ 290,000.00
2015	4,015,000.00	80,300.00
2016	-	-
2017	-	-
2018	-	-
Total	\$ 9,180,000.00	\$ 370,300.00

A. Notes and Loans Payable

1. Student Housing-Wheeler and Sampson Streets

On September 27, 2012, pursuant to the Board resolution made on July 6, 2012, TSU secured financing to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets. The financing of this project is through the U.S. Department of Education's Historically Black Colleges and Universities loan program initiative. The amount of the loan is not to exceed \$55,000,000.00. As of August 31, 2013, the total amount of proceeds advanced under this loan is \$774,437.01. Pursuant to the terms of the loan agreement, the last day to advance funds is March 1, 2015. Interest will be capitalized through March 1, 2015. The interest rate will be fixed for each advance equal to U.S. Treasury yields prevailing at the dates at each advance plus 22.5 basis points (.225%). Scheduled payment dates are May 1st and November 1st of each year. The first principal payment date is November 1, 2016 and the maturity date is May 1, 2034. The debt service is secured by Housing rental revenues.

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

Estimated loan debt requirements are as follows:

Year Ending Aug. 31	Principal	Interest	Total Estimated Annual amount
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	51,969.71	51,969.71
2017	30,373.76	21,595.90	51,969.66
2018	37,072.27	14,897.39	51,969.66
2019-2023	196,958.47	62,889.23	259,847.70
2024-2028	217,845.60	42,002.70	259,848.30
2029-2033	240,995.99	18,852.31	259,848.30
2034	51,190.92	778.83	51,969.75
	<u>\$ 774,437.01</u>	<u>\$ 212,986.07</u>	<u>\$ 987,423.08</u>

2. Parking Garage

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the East and West parking garages from the Central Houston Parking, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Central Houston Parking has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$33,307,026.59. The debt service is secured by parking revenues.

3. Student Housing - Tierwester Oaks and Richfield Manor Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the Tierwester Oaks and Richfield Manor Apartments from the Houston Student Housing II, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing II has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$21,442,969.78. The debt service is be secured by housing rental revenues.

4. Student Housing – The University Courtyard Apartments

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the University Courtyard apartments from the Houston Student Housing, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the Trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$9,817,505.80. The debt service is be secured by Housing rental revenues.

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

Estimated loan debt requirements are as follows:

Year Ending Aug. 31	Principal	Interest	Total Estimated Annual amount
2014	\$ 2,150,985.59	\$ 1,414,872.37	\$ 3,565,857.96
2015	2,201,343.56	1,364,514.40	3,565,857.96
2016	2,246,104.13	1,319,753.83	3,565,857.96
2017	2,309,686.53	1,256,171.43	3,565,857.96
2018	2,360,474.69	1,205,383.27	3,565,857.96
2019-2023	12,657,962.90	5,171,326.90	17,829,289.80
2024-2028	14,216,972.70	3,612,317.10	17,829,289.80
2029-2033	15,972,011.57	1,857,278.23	17,829,289.80
2034-2035	6,928,174.19	203,541.48	7,131,715.67
	<u>\$61,043,715.86</u>	<u>\$17,405,159.01</u>	<u>\$78,448,874.87</u>

B. Compensated Absences

A State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

C. Arbitrage Liability

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly a substantial liability to TSU could result. TSU periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations and the arbitrage liability is adjusted accordingly.

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

NOTE 6: BONDED INDEBTEDNESS

Revenue Bonds, Series 2004

Purpose	To restore TSU facilities and related infrastructure damaged by Tropical Storm Allison
Amount of Issue	\$3,500,000; all authorized have been issued
Issue Date	04-14-2004
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2011

Purpose	To construct the new Leonard Spearman Technology Building
Amount of Issue	\$31,500,000; all authorized have been issued
Issue Date	11-01-2010
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

Revenue Bonds, Series 2013

Purpose	On August 28, 2013 TSU defeased \$64,485,000 of outstanding revenue bonds. The transaction refunded bonds 1998A-1, 1998A-2, 1998B, 2002 and 2003 series. The new issue reduced the average long-term fixed interest rate from 5.0% to 3.26% resulting in net present value savings of \$4,280,754
Amount of Issue	\$62,355,000; all authorized have been issued
Issue Date	08-28-2013
Type of Bond	Revenue Bond – Self Supporting
Reporting	Business-type Activities
Source of Revenue	Pledged Revenues
Change in Debt	None

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2013

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2004

Purpose	To finance the construction and equipping of buildings, including the School of Public Affairs, Science Building, and a campus radio station
Amount of Issue	\$11,100,000; all authorized have been issued
Issue Date	07-27-2004
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2005

Purpose	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs; to finance the performance of major repair or rehabilitation of buildings; to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and to finance the payment of certain costs related to the issuance of the bonds
Amount of Issue	\$30,935,000; all authorized have been issued
Issue Date	08-01-2005
Type of Bond	General Obligation Bond – Non Self Supporting
Reporting	Business-type Activities
Source of Revenue	Constitutional Appropriations
Change in Debt	None

NOTE 7: DERIVATIVES

TSU does not have any derivatives.

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

NOTE 8: LEASES

Operating Leases

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

<u>Fund Type</u>	<u>Amount</u>
Proprietary Fund	\$ 891,577.65

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

<u>Year Ending</u> <u>Aug. 31</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u>
2014	\$ 1,266,863.20
2015	1,266,863.20
2016	495,763.20
2017	470,213.20
2018	78,942.90
Total	<u><u>\$ 3,578,645.70</u></u>

Capital Leases

Capital leases are used to finance the purchase of property and are capitalized at the present value of future minimum lease payments. As of August 31, 2013, TSU had not entered into any material contractual agreements that could be deemed capital lease obligations.

NOTE 9: RETIREMENT PLANS

A. Teacher Retirement System

The State of Texas has joint contributory retirement plans for substantially all of its employees. One of the primary plans in which TSU participates is a cost-sharing, multi-employer, public employee retirement system administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, TSU may be required to make contributions in lieu of the State.

All TSU personnel employed in a position on a half time or greater basis for four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling six percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2013 were \$1,982,778.37, which equaled the amount of the required contributions for the year.

TRS does not separately account for each of its component government agencies since the retirement system itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the retirement system's annual financial report, which may be found on the TRS website at www.trs.state.tx.us.

B. Optional Retirement Program

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are six percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

	<u>Year Ended</u> <u>Aug. 31, 2013</u>
Employee Contributions	\$ 2,209,312.02
Employer Contributions	2,423,087.71
Total	\$ 4,632,399.73

NOTES 10 and 11: RETIREMENT PLANS

These notes are not applicable to TSU.

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

TSU's continuance is not subject to review.

NOTE 14: RESTATEMENT OF NET POSITION

TSU does not have any restatement of net position.

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2013

NOTE 15: CONTINGENCIES AND COMMITMENTS

A. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

B. Lawsuits

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

C. Perkins Loan

TSU is recording maximum liability – Due to Perkins Loan Program for \$2.7 million. The actual liability could be significantly less than this amount and the final number will be known when the Perkins Loan close out process is complete and final numbers are provided by Department of Education.

NOTE 16: SUBSEQUENT EVENTS

None.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

TSU is exposed to a variety of civil claims resulting from the performance of its duties. It is TSU's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. TSU assumes substantially all risks associated with tort and liability claims due to the performance of its duties.

TSU has commercial insurance policies for general liability, directors and officers, and commercial property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. Currently, TSU is not involved in any risk pools with other government entities.

TSU has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical malpractice. Employee health and medical malpractice plans are funded.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other State agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2013.

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2013

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$20,000 / \$40,000 bodily injury and \$15,000 property damage. However, TSU has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage, the extent of the waivers of State sovereign immunity specified in the tort claims act.

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

NOTE 19: THE FINANCIAL REPORTING ENTITY

A. Related Parties

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net position.

NOTE 21: N/A

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
NOTES TO FINANCIAL STATEMENTS, Continued
 For the Year Ended August 31, 2013

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation (Depreciation)</u>	<u>Reported in Net Position</u>
True Endowments	\$ 6,306,495.00	Restricted for expendable
Term Endowments	3,601,223.00	Restricted for expendable
Total	<u>\$ 9,907,718.00 *</u>	

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the cost of managing the investment fund. The university all inclusive spending rate of 7%, which includes 5% spending rate, 1.5% university advancement assessment and 0.5% costs of managing the investment fund. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of Endowment Fund earnings with the most recent year removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

*There was a fair market value increase of \$ 4,482,329.80 for fiscal year 2013.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

TSU does not have any special and extraordinary items to report during the year ended August 31, 2013.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Aggregate receivables and other payables as reported on the statement of net position as of August 31, 2013, are detailed as follows:

<u>Receivables</u>	<u>Balance</u>
Student Accounts	\$ 27,214,942.44
Third Party Accounts	1,903,491.06
Less Allowance	(9,576,203.09)
Total	<u>\$ 19,542,230.41</u>

<u>Other Payables</u>	<u>Balance</u>
Escheat payable	\$ 343,689.49
Student refund payable	31,505.07
Other payables	6,505,724.28
Due to Perkins loan	2,723,869.11
Total	<u>\$ 9,604,787.95</u>

TEXAS SOUTHERN UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2013

NOTE 25: TERMINATION BENEFITS

There were no non-routine, widespread voluntary or involuntary termination arrangements that involved a substantial number of individual employees or group of employees meeting the criteria for liability recognition.

NOTE 26: SEGMENT INFORMATION

TSU does not have any segments requiring segment reporting.

SUPPLEMENTARY INFORMATION

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TEXAS SOUTHERN UNIVERSITY

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SCHEDULE OF OPERATING EXPENSES

For the Year Ended August 31, 2013

Expenses by Natural Classification

	<u>2013</u>
Salaries and wages	\$ 93,242,586.63
Payroll related costs	21,489,828.95
Professional fees and services	6,460,585.98
Travel	3,543,705.86
Materials and supplies	10,001,207.16
Communication and utilities	6,762,927.79
Repairs and maintenance	3,819,340.42
Rentals and leases	2,232,169.64
Printing and reproductions	727,692.20
Federal pass through expenditures	4,185.55
Bad debt expense	2,217,028.30
Scholarships	27,433,810.95
Other operating expenses	11,259,151.93
Depreciation	14,433,985.77
Total Operating Expenses by Natural Class	\$ 203,628,207.13

Expenses by NACUBO Classification

	<u>2013</u>
Instruction	\$ 78,257,913.97
Research	6,548,363.81
Public service	1,055,038.09
Academic support	9,575,298.84
Student services	12,377,458.30
Institutional support	31,434,055.39
Operation and maintenance of plant	18,570,134.06
Scholarships and fellowships	15,036,414.05
Auxiliary	16,339,544.85
Depreciation	14,433,985.77
Total Operating Expenses by NACUBO Class	\$ 203,628,207.13

TEXAS SOUTHERN UNIVERSITY
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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 August 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non-State Entities Amount	
U.S. Department of Defense						
U.S. Department of Defense	12.000	VIRGINIA TECH UNIVERSITY/INITE 2012			23,186.57	
<u>Direct Programs:</u>						
Basic and Applied Scientific Research	12.300					1,091.50
<u>Pass-Through From:</u>						
Basic and Applied Scientific Research	12.300					
<i>Pass-Through From:</i>						
<i>University of Texas at Austin</i>			721.00	12,908.50		
Totals - U.S. Department of Defense				12,908.50	23,186.57	1,091.50
U.S. Department of Housing and Urban Development						
<u>Direct Programs:</u>						
Historically Black Colleges and Universities Program	14.520					173,882.77
Totals - U.S. Department of Housing and Urban Dev						173,882.77
U.S. Department of Transportation						
U.S. Department of Transportation	20.000	DDEHBC-05X-00103,154, 155,159				30,972.68
Totals - U.S. Department of Transportation						30,972.68
National Endowment For The Humanities						
Museum Grants for African American History and Culture	45.309					3,317.00
Grants to States	45.310					18,434.48
National Leadership Grants	45.312					78,312.03
Totals - National Endowment For The Humanities						100,063.51
National Science Foundation						
Education and Human Resources	47.076	ILLINOIS STATE UNIVERSITY/ 11C128.06			4,492.59	
<u>Direct Programs:</u>						
Education and Human Resources	47.076					1,011.30
<u>Pass-Through From:</u>						
Education and Human Resources	47.076					
<i>Pass-Through From:</i>						
<i>University of Houston</i>			730.00	181,555.17		
Totals - National Science Foundation				181,555.17	4,492.59	1,011.30
Nuclear Regulatory Commission						
<u>Direct Programs:</u>						
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008					66,043.75
Totals - Nuclear Regulatory Commission						66,043.75
U.S. Department of Education						
Higher Education Institutional Aid	84.031					11,033,278.82
Totals - U.S. Department of Education						11,033,278.82
U.S. Department of Health and Human Services						
Geriatric Education Centers	93.969	BAYLOR/6D31HP088821-03-01			20,021.13	
<u>Direct Programs:</u>						
Health Careers Opportunity Program	93.822					7,821.56
Totals - U.S. Department of Health and Human Services					20,021.13	7,821.56

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
23,186.57				23,186.57	23,186.57
1,091.50				1,091.50	1,091.50
12,908.50				12,908.50	12,908.50
37,186.57		-	-	37,186.57	37,186.57
173,882.77				173,882.77	173,882.77
173,882.77		-	-	173,882.77	173,882.77
30,972.68				30,972.68	30,972.68
30,972.68		-	-	30,972.68	30,972.68
3,317.00				3,317.00	3,317.00
18,434.48				18,434.48	18,434.48
78,312.03				78,312.03	78,312.03
100,063.51		-	-	100,063.51	100,063.51
4,492.59				4,492.59	4,492.59
1,011.30				1,011.30	1,011.30
181,555.17				181,555.17	181,555.17
187,059.06		-	-	187,059.06	187,059.06
66,043.75				66,043.75	66,043.75
66,043.75		-	-	66,043.75	66,043.75
11,033,278.82				11,033,278.82	11,033,278.82
11,033,278.82		-	-	11,033,278.82	11,033,278.82
20,021.13				20,021.13	20,021.13
7,821.56				7,821.56	7,821.56
27,842.69		-	-	27,842.69	27,842.69

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 August 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non-State Entities Amount	
U.S. Department of Homeland Security						
<u>Pass-Through From:</u>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036					
<i>Pass-Through From:</i>						
Department of Public Safety			405.00	3,278,478.08		
Totals - U.S. Department of Homeland Security				3,278,478.08		
Research & Development Cluster						
U.S. Department of Agriculture						
<u>Direct Programs:</u>						
Forestry Research	10.652					120,260.94
Totals - U.S. Department of Agriculture						120,260.94
U.S. Department of Defense						
Basic, Applied, Advanced Research in Science and Engineering	12.630	ACADEMY OF APPLIED SCIENCES/13-57,13-58			3,900.00	
Air Force Defense Research Sciences Program	12.800	CLARKSON AEROSPACE CORP/ 12-S56701802C1			93,203.99	
<u>Direct Programs:</u>						
Military Medical Research and Development	12.420					(1,731.37)
Basic, Applied, and Advanced Research in Science and Engineering	12.630					78,506.58
Totals - U.S. Department of Defense					97,103.99	76,775.21
U.S. Department of Transportation						
University Transportation Centers Program	20.701	UNIVERSITY OF IDAHO/ K1.K900-SB-003			273,430.14	
<u>Direct Programs:</u>						
Metropolitan Transportation Planning	20.505					48,477.25
<u>Pass-Through From:</u>						
University Transportation Centers Program	20.701					
<i>Pass-Through From:</i>						
Texas A&M Transportation Institute			727.00	261,346.12		
Totals - U.S. Department of Transportation				261,346.12	273,430.14	48,477.25
National Aeronautics and Space Administration						
<u>Direct Programs:</u>						
National Aeronautics and Space Administration	43.000	NNX10AQ16A				62,459.70
National Aeronautics and Space Administration	43.000	NNX10AQ16A				120,307.02
National Aeronautics and Space Administration	43.000	NNX11AD38G				9,498.23
National Aeronautics and Space Administration	43.000	NNX11AJ73G				197,350.90
National Aeronautics and Space Administration	43.000	NSIT 2011-2013				39,488.18
National Aeronautics and Space Administration	43.000	NSIT2011-2013				18,158.29
National Aeronautics and Space Administration	43.000	UNCF-SP-NNX13AK89A				18,393.51
Education	43.008					4,185.55
<i>Pass-Through To:</i>						
Texas A&M Engineering Experiment Station						
<u>Pass-Through From:</u>						
Education	43.008					
<i>Pass-Through From:</i>						
University of Texas at Brownsville			747.00	28,836.16		
Totals - National Aeronautics and Space Administration				28,836.16		469,841.38

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
3,278,478.08				3,278,478.08	3,278,478.08
3,278,478.08		-	-	3,278,478.08	3,278,478.08
120,260.94			33,804.07	86,456.87	120,260.94
120,260.94		-	33,804.07	86,456.87	120,260.94
3,900.00				3,900.00	3,900.00
93,203.99				93,203.99	93,203.99
(1,731.37)				(1,731.37)	(1,731.37)
78,506.58				78,506.58	78,506.58
173,879.20		-	-	173,879.20	173,879.20
273,430.14				273,430.14	273,430.14
48,477.25				48,477.25	48,477.25
261,346.12				261,346.12	261,346.12
583,253.51		-	-	583,253.51	583,253.51
62,459.70			62,459.70		62,459.70
120,307.02			27,489.01	92,818.01	120,307.02
9,498.23				9,498.23	9,498.23
197,350.90			100,364.57	96,986.33	197,350.90
39,488.18				39,488.18	39,488.18
18,158.29				18,158.29	18,158.29
18,393.51				18,393.51	18,393.51
4,185.55					4,185.55
	712.00	4,185.55			
28,836.16				28,836.16	28,836.16
498,677.54		4,185.55	190,313.28	304,178.71	498,677.54

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 August 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non-State Entities Amount	
National Science Foundation						
<u>Direct Programs:</u>						
Mathematical and Physical Sciences	47.049					57,619.86
Computer and Information Science and Engineering	47.070					22,662.29
Education and Human Resources	47.076					1,177,591.37
Totals - National Science Foundation						1,257,873.52
U.S. Department of Health and Human Services						
U.S. Department of Health and Human Services	93.000	WESTAT CORP/8821S001			79,206.10	
Health Careers Opportunity Program	93.822	CHARLES DREW UNIVERSITY/U5MD008149			2,486.24	
<u>Direct Programs:</u>						
National Center for Research Resources	93.389					1,144,973.96
Academic Research Enhancement Award	93.390					151,052.19
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779					40,950.04
Cardiovascular Diseases Research	93.837					232,335.94
Allergy, Immunology and Transplantation Research	93.855					13,364.42
Biomedical Research and Research Training	93.859					100,079.99
Totals - U.S. Department of Health and Human Services					81,692.34	1,682,756.54
U.S. Department of Homeland Security						
Centers for Homeland Security	97.061	THE RUTGERS UNIVERSITY/ 475338014443			35,736.18	
Centers for Homeland Security		UNIVERSITY OF NORTH CAROLINA/UNCCH -36456			46,147.25	
<u>Direct Programs:</u>						
Centers for Homeland Security	97.061					236,752.65
Scientific Leadership Awards	97.062					27,405.62
Totals - U.S. Department of Homeland Security					81,883.43	264,158.27
Highway Planning and Construction Cluster						
U.S. Department of Transportation						
<u>Direct Programs:</u>						
Highway Planning and Construction	20.205					15,797.54
<u>Pass-Through From:</u>						
Highway Planning and Construction	20.205					
<i>Pass-Through From:</i>						
<i>Texas Department of Transportation</i>			601.00	34,746.95		
Totals - U.S. Department of Transportation				34,746.95		15,797.54
Student Financial Assistance Cluster						
U.S. Department of Education						
<u>Direct Programs:</u>						
Federal Supplemental Educational Opportunity Grants	84.007					809,287.18
Federal Work-Study Program	84.033					812,890.67
Federal Pell Grant Program	84.063					20,455,111.12
Federal Direct Student Loans	84.268					93,867,091.00
Academic Competitiveness Grants	84.375					(375.00)
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					91,000.00
Totals - U.S. Department of Education						116,035,004.97

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
57,619.86				57,619.86	57,619.86
22,662.29				22,662.29	22,662.29
1,177,591.37				1,177,591.37	1,177,591.37
1,257,873.52		-	-	1,257,873.52	1,257,873.52
79,206.10				79,206.10	79,206.10
2,486.24				2,486.24	2,486.24
1,144,973.96				1,144,973.96	1,144,973.96
151,052.19			49,569.34	101,482.85	151,052.19
40,950.04				40,950.04	40,950.04
232,335.94				232,335.94	232,335.94
13,364.42				13,364.42	13,364.42
100,079.99				100,079.99	100,079.99
1,764,448.88		-	49,569.34	1,714,879.54	1,764,448.88
35,736.18				35,736.18	35,736.18
46,147.25				46,147.25	46,147.25
236,752.65			7,000.00	229,752.65	236,752.65
27,405.62				27,405.62	27,405.62
346,041.70		-	7,000.00	339,041.70	346,041.70
15,797.54				15,797.54	15,797.54
34,746.95				34,746.95	34,746.95
50,544.49		-	-	50,544.49	50,544.49
809,287.18				809,287.18	809,287.18
812,890.67				812,890.67	812,890.67
20,455,111.12				20,455,111.12	20,455,111.12
93,867,091.00				93,867,091.00	93,867,091.00
(375.00)				(375.00)	(375.00)
91,000.00				91,000.00	91,000.00
116,035,004.97		-	-	116,035,004.97	116,035,004.97

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 August 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		Direct Program Amount
				Pass-Through From Agencies or Universities Amount	Pass-Through From Non-State Entities Amount	
<u>TRIO Cluster</u>						
U.S. Department of Education						
<u>Direct Programs:</u>						
TRIO_Talent Search	84.044					419,811.55
TRIO_Upward Bound	84.047					455,334.13
TRIO_Educational Opportunity Centers	84.066					412,590.51
TRIO_McNair Post-Baccalaureate Achievement	84.217					29,055.23
Totals - U.S. Department of Education						1,316,791.42
Total Expenditures of Federal Awards				\$ 3,797,870.98	\$ 581,810.19	\$ 132,701,902.93

Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
		Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
419,811.55				419,811.55	419,811.55
455,334.13				455,334.13	455,334.13
412,590.51				412,590.51	412,590.51
29,055.23				29,055.23	29,055.23
1,316,791.42				1,316,791.42	1,316,791.42
<u>\$ 137,081,584.10</u>		<u>\$ 4,185.55</u>	<u>\$ 280,686.69</u>	<u>\$ 136,796,711.86</u>	<u>\$ 137,081,584.10</u>

SEFA Note 2 Reconciliations

Note 2 Amount

Federal revenue	\$ 39,512,792.40
Federal pass-through revenue	3,797,870.98
Federal direct student loans	93,867,091.00
Federal grants from Texas A&M Research	(96,170.28)
Total Pass-through and expenditures	<u>\$ 137,081,584.10</u>

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES

For the Year Ended August 31, 2013

Pass Through From:

University of Texas System (Agency# 720.0002)	\$ 12,628.64
Texas State Board of Public Accountancy (Agency# 457.0001)	16,137.00
Texas Higher Education Coordinating Board (Agency# 781.0008)	5,735,065.80
Texas Higher Education Coordinating Board (Agency# 781.0017)	8,000.00
Texas Higher Education Coordinating Board (Agency# 781.0023)	62,659.35
Texas Higher Education Coordinating Board (Agency# 781.0026)	10,000.00
Texas Higher Education Coordinating Board (Agency# 781.0028)	(102,000.00)
Texas Higher Education Coordinating Board (Agency# 781.0029)	71,696.32
Texas Higher Education Coordinating Board (Agency# 781.0039)	10,000.00
Total Pass Through From Other Agencies	\$ 5,824,187.11

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION
 For the Year Ended August 31, 2013

Business-Type Activities

Description	Interest Rate	Maturity Dates		First Call Date	Original Issue
		First Year	Last Year		
General Obligation Bonds- Non Self Supporting					
Series 2004 Constitutional Appropriation	3.00-4.00%	2004	2014	n/a	\$ 11,100,000.00
Series 2005 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	30,935,000.00
Revenue Bonds- Self Supporting					
Series 2004	2.50-3.70%	2006	2014	n/a	3,500,000.00
Series 2011	4.00-6.75%	2011	2030	5/1/2021	31,500,000.00
Series 2013	2.00-5.00%	2013	2023	n/a	62,355,000.00
Total General Bonded Debt					\$ 139,390,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2013

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
General Obligation Bonds- Non Self Supporting						
Series 2004 Constitutional Appropriation	\$ 2,555,000.00	-	\$ 1,250,000.00	\$ -	\$ 1,305,000.00	\$ 1,305,000.00
Series 2005 Constitutional Appropriation	11,585,000.00	-	3,710,000.00	-	7,875,000.00	3,860,000.00
Revenue Bonds- Self Supporting						
Series 1998 A-1 Refunding	8,260,000.00	-	1,220,000.00	7,040,000.00	-	-
Series 1998 A-2 Improvement	5,235,000.00	-	1,015,000.00	4,220,000.00	-	-
Series 1998 B Improvement	8,415,000.00	-	530,000.00	7,885,000.00	-	-
Series 2002	29,955,000.00	-	2,325,000.00	27,630,000.00	-	-
Series 2003	19,055,000.00	-	1,345,000.00	17,710,000.00	-	-
Series 2004	865,000.00	-	425,000.00	-	440,000.00	440,000.00
Series 2011	28,325,000.00	-	960,000.00	-	27,365,000.00	1,005,000.00
Series 2013	-	62,355,000.00	-	-	62,355,000.00	7,545,000.00
Total General Bonded Debt	\$ 114,250,000.00	\$ 62,355,000.00	\$ 12,780,000.00	\$ 64,485,000.00	\$ 99,340,000.00	\$ 14,155,000.00

TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

SCHEDULE 2C - DEBT SERVICE REQUIREMENTS

For the Year Ended August 31, 2013

Year Ending Aug. 31	Series 2004 Revenue Bonds			Series 2011 Revenue Bonds			Series 2013 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 440,000.00	\$ 16,280.00	\$ 456,280.00	\$ 1,005,000.00	\$ 1,669,237.50	\$ 2,674,237.50	\$ 7,545,000.00	\$ 474,836.25	\$ 8,019,836.25
2015	-	-	-	1,060,000.00	1,618,987.50	2,678,987.50	6,880,000.00	2,562,450.00	9,442,450.00
2016	-	-	-	1,110,000.00	1,565,987.50	2,675,987.50	7,160,000.00	2,287,250.00	9,447,250.00
2017	-	-	-	1,165,000.00	1,510,487.50	2,675,487.50	7,080,000.00	2,000,850.00	9,080,850.00
2018	-	-	-	1,230,000.00	1,446,412.50	2,676,412.50	6,615,000.00	1,646,850.00	8,261,850.00
2019-2023	-	-	-	7,235,000.00	6,151,306.28	13,386,306.28	26,215,000.00	3,740,000.00	29,955,000.00
2024-2028	-	-	-	9,705,000.00	3,676,868.76	13,381,868.76	860,000.00	34,400.00	894,400.00
2029-2033	-	-	-	4,855,000.00	496,800.00	5,351,800.00	-	-	-
Total	\$ 440,000.00	\$ 16,280.00	\$ 456,280.00	\$ 27,365,000.00	\$ 18,136,087.54	\$ 45,501,087.54	\$ 62,355,000.00	\$ 12,746,636.25	\$ 75,101,636.25

Year Ending Aug. 31	Series 2004 Constitutional Appropriation Bonds			Series 2005 Constitutional Appropriation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,305,000.00	\$ 52,200.00	\$ 1,357,200.00	\$ 3,860,000.00	\$ 237,800.00	\$ 4,097,800.00
2015	-	-	-	4,015,000.00	80,300.00	4,095,300.00
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
Total	\$ 1,305,000.00	\$ 52,200.00	\$ 1,357,200.00	\$ 7,875,000.00	\$ 318,100.00	\$ 8,193,100.00

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2D - ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
 For the Year Ended August 31, 2013

Business-Type Activities

	<u>Application of Funds</u>	
	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds		
Constitutional Appropriation Bonds, Series 2004 and 2005	\$ 4,960,000.00	\$ 491,200.00
Total	\$ 4,960,000.00	\$ 491,200.00

	<u>Pledged and Other Sources and Related Expenditures for FY 2013</u>			
	<u>Net Available for Debt Service</u>		<u>Debt Service</u>	
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenses/ Expenditures and Capital Outlay</u>	<u>Principal</u>	<u>Interest</u>
Revenue Bonds				
BOND SERIES 1998A1,A2, B, 2002, 2003, 2004, 2011, 2013	\$ 106,187,317.31	\$ 80,637,066.27	\$ 7,820,000.00	\$ 5,222,844.39
Total	\$ 106,187,317.31	\$ 80,637,066.27	\$ 7,820,000.00	\$ 5,222,844.39

TEXAS SOUTHERN UNIVERSITY
 (An Agency of the State of Texas)
SCHEDULE 2F - EARLY EXTINGUISHMENT AND REFUNDING
 For the Year Ended August 31, 2013

Business-Type Activities

<u>Description of Issue</u>	<u>Category</u>	<u>Amount Extinguished or Refunded</u>
Series 1998 A-1	Current Refunding	\$ 7,040,000.00
Series 1998 A-2 Improvement	Current Refunding	4,220,000.00
Series 1998 B Improvement	Current Refunding	7,885,000.00
Series 2002	Current Refunding	27,630,000.00
Series 2003	Current Refunding	17,710,000.00
Total		\$ 64,485,000.00