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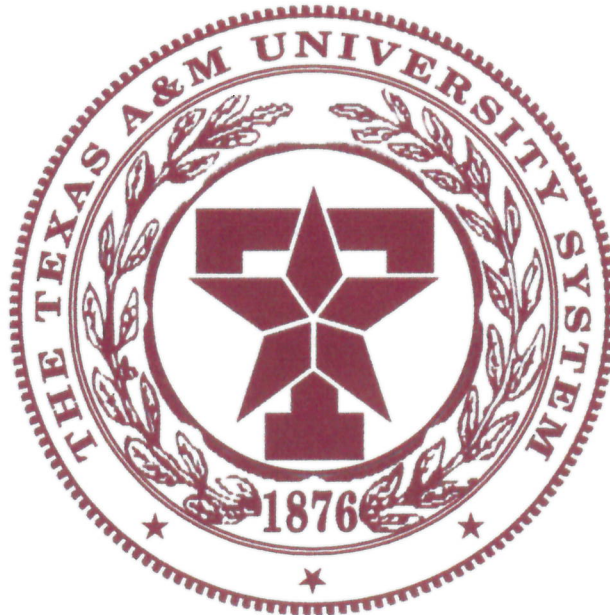
# ANNUAL FINANCIAL REPORT

of

**Texas A&M University System Offices**

*For the Year Ended August 31, 2014*

*With Comparative Totals for the Year Ended August 31, 2013*



**John Sharp, Chancellor**

**Billy Hamilton, Executive Vice Chancellor and Chief Financial Officer**

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

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EXHIBIT III  
TEXAS A&M UNIVERSITY SYSTEM OFFICES  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
	<u>                    </u>	<u>                    </u>
Assets and Deferred Outflows	\$	\$
Current Assets		
Cash & Cash Equivalents [Schedule Three]	904,146,406.33	616,738,037.61
Investments		
Derivative Instruments	107,608.30	1,041,606.85
Restricted		
Cash & Cash Equivalents [Schedule Three]	310,427,633.92	92,374,785.10
Investments		
Legislative Appropriations	79,432.33	95,400.21
Receivables, Net [Note 24]		
Federal	15,359,184.91	9,633,911.76
Other Intergovernmental		
Interest and Dividends	6,831,380.07	6,210,889.36
Gifts	273,133.33	519,600.00
Self-Insured Health and Dental	23,035,132.09	21,875,180.41
Student		
Investment Trades	49,225,905.94	42,967,601.13
Accounts	833,179.36	7,196,034.31
Other	1,002,239.50	1,028,428.70
Due From Other Agencies	1,115,194.14	992,680.72
Due From Other Members	34,033,188.76	35,662,136.05
Due From Other Funds	154,136.15	
Consumable Inventories	19,283.92	14,783.75
Merchandise Inventories		
Loans and Contracts		
Interfund Receivable [Note 12]	29,005,000.00	23,160,000.00
Other Current Assets	1,004,514.50	1,024,334.00
	<u>                    </u>	<u>                    </u>
Total Current Assets	\$ 1,376,652,553.55	\$ 860,535,409.96
Non-Current Assets		
Restricted		
Cash & Cash Equivalents [Schedule Three]	\$	\$
Assets Held By System Offices	2,328,221.70	6,323,067.49
Investments [Note 3]		
Loans, Contracts and Other		
Gifts Receivable	296,466.67	519,600.00
Loans and Contracts		
Assets Held By System Offices	238,633,471.81	221,550,852.70
Investments [Note 3]	3,580,024,727.62	2,966,017,753.75
Interfund Receivable [Note 12]	821,412,528.29	709,159,493.83
Capital Assets, Non-Depreciable [Note 2]		
Land and Land Improvements	1,355,862.00	1,355,862.00
Construction In Progress	436,369,652.83	195,965,451.35
Other Tangible Capital Assets	230,000.25	230,000.25
Land Use Rights		
Other Intangible Capital Assets		
Capital Assets, Depreciable [Note 2]		
Buildings and Building Improvements		
Infrastructure		
Facilities and Other Improvements		
Furniture and Equipment	1,004,559.04	1,071,842.27
Vehicles, Boats, and Aircraft	9,417,444.09	9,417,444.09
Other Capital Assets	58,371.50	57,019.85
Intangible Capital Assets, Amortized [Note 2]		
Land Use Rights		
Computer Software	1,424,019.57	1,424,019.57
Other Intangible Capital Assets		
Accumulated Depreciation/Amortization	(9,650,729.02)	(9,454,702.46)
Assets Held In Trust		
Other Non-Current Assets		
	<u>                    </u>	<u>                    </u>
Total Non-Current Assets	\$ 5,082,904,596.35	\$ 4,103,637,704.69
Deferred Outflows of Resources		
Derivative Instruments [Note 7]	\$	\$
Government Acquisition [Note 28]		
	<u>                    </u>	<u>                    </u>
Total Deferred Outflows of Resources	\$	\$
	<u>                    </u>	<u>                    </u>
Total Assets and Deferred Outflows	\$ 6,459,557,149.90	\$ 4,964,173,114.65

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EXHIBIT III  
TEXAS A&M UNIVERSITY SYSTEM OFFICES  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
	<u>                    </u>	<u>                    </u>
Liabilities		
Current Liabilities		
Payables		
Accounts	\$ 1,834,969.05	\$ 11,539,872.50
Payroll	1,826,711.93	2,093,488.58
Investment Trades	54,412,380.11	53,064,711.62
Self-Insured Health and Dental	25,270,531.97	28,331,712.32
Other	1,526,933.41	1,389,970.12
Interfund Payable [Note 12]		
Due to Other Agencies		
Due to Other Funds	154,136.15	
Due to Other Members	197,938,800.46	151,376,469.04
Funds Held for Investment	4,170,804,094.96	3,392,740,832.51
Unearned Revenue	1,297,635.01	528,997.36
Employees' Compensable Leave	262,427.00	226,149.00
Claims and Judgments	2,445,000.00	2,249,000.00
Notes and Loans Payable [Note 5]	4,752,333.34	728,333.34
Bonds Payable [Note 6]	148,081,823.37	135,355,610.02
Capital Lease Obligations		
Liabilities Payable From Restricted Assets	47,844,187.97	16,103,915.67
Funds Held for Others	3,487,871.75	2,827,051.67
Other Current Liabilities	231,589.87	60,000.00
Total Current Liabilities	<u>\$ 4,662,171,426.35</u>	<u>\$ 3,798,616,113.75</u>
Non-Current Liabilities		
Interfund Payable [Note 12]	\$	\$
Employees' Compensable Leave	1,887,925.08	1,807,955.08
Other Post Employment Benefits [Note 11]	859,766,188.00	719,224,595.00
Claims and Judgments	6,590,000.00	6,015,000.00
Notes and Loans Payable [Note 5]	116,667,333.30	14,596,666.64
Bonds Payable [Note 6]	2,697,638,739.25	2,358,406,144.93
Assets Held In Trust		
Liabilities Payable From Restricted Assets	17,123,803.31	1,410,706.82
Funds Held for Others	68,891,978.80	
Capital Lease Obligations		
Other Non-Current Liabilities	550,000.00	8,060,000.00
Total Non-Current Liabilities	<u>\$ 3,769,115,967.74</u>	<u>\$ 3,109,521,068.39</u>
Total Liabilities	<u>\$ 8,431,287,394.09</u>	<u>\$ 6,908,137,182.14</u>
Net Position		
Net Investment In Capital Assets	\$ (2,231,934,718.66)	\$ (2,215,119,854.96)
Restricted for		
Debt Service		
Capital Projects	(104,811,777.50)	(47,720,088.63)
Education	2,170,081.10	1,719,648.48
Endowment and Permanent Funds		
Nonexpendable		
Expendable	53,238.94	47,090.78
Unrestricted	362,792,931.93	317,109,136.84
Total Net Position [Exhibit IV]	<u>\$ (1,971,730,244.19)</u>	<u>\$ (1,943,964,067.49)</u>
Total Liabilities and Net Position	<u>\$ 6,459,557,149.90</u>	<u>\$ 4,964,173,114.65</u>

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EXHIBIT IV  
 TEXAS A&M UNIVERSITY SYSTEM OFFICES  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Operating Revenues		
Tuition and Fees-Pledged	\$	\$
Discounts and Allowances		
Net Tuition and Fees - Non-Pledged		
Net Hospitals and Clinics		
Net Professional Fees	533,945.00	278,906.10
Net Auxiliary Enterprises		
Net Other Sales of Goods and Services	1,058,570.76	1,386,133.77
Discounts and Allowances-Sales		
Interest Revenue		
Federal Revenue - Operating	37,041,779.84	16,948,402.59
Federal Pass Through Revenue		138,553.44
State Grant Revenue		
State Pass Through Revenue	2,300,000.00	
Other Grants and Contracts - Operating	393,587.73	576,891.92
Other Operating Revenue	549,009.16	359,849.69
Total Operating Revenues	<u>\$ 41,876,892.49</u>	<u>\$ 19,688,737.51</u>
Operating Expenses		
Instruction	\$ 45,959.56	\$ 52,022.25
Research	32,413,728.31	8,213,264.31
Public Service	170,921.43	599,076.10
Hospitals and Clinics		
Academic Support		
Student Services		
Institutional Support	169,832,912.70	151,069,898.20
Operation & Maintenance of Plant	2,838,397.34	4,292.46
Scholarships & Fellowships	766,411.00	774,310.00
Auxiliary		
Depreciation/Amortization	373,372.88	396,032.91
Total Operating Expenses [Schedule IV-1]	<u>\$ 206,441,703.22</u>	<u>\$ 161,108,896.23</u>
Total Operating Income [Loss]	<u>\$ (164,564,810.73)</u>	<u>\$ (141,420,158.72)</u>
Nonoperating Revenues [Expenses]		
Legislative Revenue	\$ 2,402,528.96	\$ 2,415,181.31
Federal Revenue Non-Operating		
Federal Pass Through Non-Operating		
State Pass Through Non-Operating		
Gifts	583,922.90	261,628.30
Land Income	5,364,198.00	1,598,216.65
Investment Income	64,521,653.53	92,609,580.69
Investing Activities Expense	(239,538.03)	(241,427.80)
Interest Expense and Fiscal Charges	(113,885,525.54)	(101,487,190.27)
Borrower Rebates and Agent Fees	(2,566,413.84)	(1,987,357.49)
Gain [Loss] On Sale or Disposal of Capital Assets	(4,872.12)	1,447.02
Net Increase [Decrease] In Fair Value	23,354,289.18	501,113.72
Settlement of Claims		(115,240.00)
Other Nonoperating Revenues	6,377,148.42	57,125.52
Other Nonoperating [Expenses]	(1,790,913.33)	(6,069,099.39)
Total Nonoperating Revenues [Expenses]	<u>\$ (15,883,521.87)</u>	<u>\$ (12,456,021.74)</u>
Income [Loss] Before Other Revenues and Transfers	<u>\$ (180,448,332.60)</u>	<u>\$ (153,876,180.46)</u>

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EXHIBIT IV  
 TEXAS A&M UNIVERSITY SYSTEM OFFICES  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
	<u>                    </u>	<u>                    </u>
Other Revenues and Transfers		
Capital Contributions	\$	\$
Capital Appropriations [Higher Education Fund]		
Additions to Permanent and Term Endowments		
Special Items		
Extraordinary Items		
Transfers In		
Transfers From Other State Agencies	420,498,566.30	223,351,040.10
Mandatory Transfers From Other Members	121,903,470.57	109,374,356.50
Nonmandatory Transfers From Other Members	44,057,299.80	39,833,029.87
Nonmandatory Transfers From Members/Agencies-Cap Assets		10,870.50
Transfers Out		
Transfers to Other State Agencies		(24,860,347.04)
Mandatory Transfers to Other Members		
Nonmandatory Transfers to Other Members	(270,251,127.80)	(222,574,709.39)
Nonmandatory Transfers to Members/Agencies - Cap Assets	(231,583,479.04)	(368,119,889.09)
Legislative Transfers - In	68,057,426.07	65,962,491.22
Legislative Transfers - Out		
Legislative Appropriations Lapsed		
	<u>                    </u>	<u>                    </u>
Total Other Revenues and Transfers	\$ 152,682,155.90	\$ (177,023,157.33)
Change In Net Position	\$ (27,766,176.70)	\$ (330,899,337.79)
Net Position, Beginning of Year	\$ (1,943,964,067.49)	\$ (1,613,064,729.70)
Restatement		
	<u>                    </u>	<u>                    </u>
Net Position, Beginning of Year, Restated	\$ (1,943,964,067.49)	\$ (1,613,064,729.70)
Net Position, End of Year	\$ (1,971,730,244.19)	\$ (1,943,964,067.49)
	<u>                    </u>	<u>                    </u>

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SCHEDULE IV-1  
 TEXAS A&M UNIVERSITY SYSTEM OFFICES  
 NACUBO FUNCTION TO NATURAL CLASSIFICATION MATRIX  
 FOR THE YEAR ENDED AUGUST 31, 2014

	INSTRUCTION	RESEARCH	PUBLIC SERVICE	HOSPITALS & CLINICS	ACADEMIC SUPPORT
Natural Classification	\$	\$	\$	\$	\$
Cost of Goods Sold					
Salaries & Wages	(120.00)	335,577.16			
Payroll Related Costs	(9.36)	77,224.99			
Professional Fees & Services	4,002.56	3,637.50	16,850.00		
Travel	22,053.63	5,545.02	43,091.52		
Materials & Supplies	6,809.88	(291,109.17)	30.00		
Communication & Utilities					
Repairs & Maintenance					
Rentals & Leases	500.00	1,020.57			
Printing & Reproduction			1,892.67		
Federal Pass-Through		32,870,510.95			
State Pass-Through			91,875.00		
Depreciation & Amortization					
Bad Debt Expense					
Interest			142.83		
Scholarships					
Claims & Losses					
Net Change In OPEB Obligation					
Other Operating Expenses	12,722.85	(588,678.71)	17,039.41		
Total Operating Expenses	\$ 45,959.56	\$ 32,413,728.31	\$ 170,921.43	\$	\$



NACUBO FUNCTION

STUDENT SERVICES	INSTITUTIONAL SUPPORT	OPERATION & MAINTENANCE OF PLANT	SCHOLARSHIPS & FELLOWSHIPS	AUXILIARY	DEPRECIATION & AMORTIZATION	TOTAL	PRIOR YEAR
\$	\$	\$	\$	\$	\$	\$	\$
	11,752,065.04					12,087,522.20	12,789,241.95
	3,506,958.15					3,584,173.78	2,664,620.52
	9,811,435.83	2,289,166.41				12,125,092.30	4,284,190.81
	236,223.29					306,913.46	427,027.89
	292,782.35					8,513.06	602,937.79
	1,078,221.27					1,078,221.27	1,241,641.82
	588,015.22					588,015.22	392,141.81
	890,748.79					892,269.36	1,108,051.19
	29,433.53					31,326.20	81,586.57
	171,791.08		763,711.00			32,870,510.95	2,808,400.34
					373,372.88	1,027,377.08	1,187,566.92
						373,372.88	396,032.91
	1,499.95	961.12				2,603.90	958.22
	400.00		2,700.00			3,100.00	3,600.00
		541,200.00				541,200.00	13,751,166.63
	140,541,593.00					140,541,593.00	115,346,566.00
	931,745.20	7,069.81				379,898.56	4,023,164.86
<u>\$</u>	<u>\$ 169,832,912.70</u>	<u>\$ 2,838,397.34</u>	<u>\$ 766,411.00</u>	<u>\$</u>	<u>\$ 373,372.88</u>	<u>\$ 206,441,703.22</u>	<u>\$ 161,108,896.23</u>

[Exhibit IV]

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EXHIBIT V  
TEXAS A&M UNIVERSITY SYSTEM OFFICES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
Cash Flows From Operating Activities	\$	\$
Proceeds Received From Tuition and Fees		
Proceeds Received From Customers	1,598,974.40	1,886,184.67
Proceeds From Sponsored Programs	30,070,964.10	13,691,212.92
Proceeds From Auxiliary Enterprises		
Proceeds From Loan Programs		
Proceeds From Other Operating Revenues	549,009.16	359,721.29
Payments to Suppliers for Goods and Services	(29,437,797.88)	(7,318,897.76)
Payments to Employees - Salaries & Benefits	(15,822,224.55)	(16,720,931.73)
Payments for Loans Provided		
Payments for Other Operating Expenses	(25,105,773.13)	(13,291,412.64)
Net Cash Provided [Used] By Operating Activities	<u>\$ (38,146,847.90)</u>	<u>\$ (21,394,123.25)</u>
Cash Flows From Noncapital Financing Activities		
Proceeds From State Appropriations	\$ 2,418,496.84	\$ 2,609,457.30
Proceeds From Gifts	1,053,522.90	261,628.30
Proceeds From Endowments		
Proceeds - Transfers From Other Funds	302,238,000.34	223,726,921.89
Proceeds From Other Grant Receipts		
Proceeds From Capital Contributions		
Proceeds From Other Noncapital Financing Activities	13,206,925.68	1,629,996.64
Payments of Interest		
Payments - Transfers to Other Funds		
Payments for Grant Disbursements		
Payments for Other Noncapital Financing Uses	(1,449,113.79)	(5,363,173.99)
Other Noncapital Transfers From/To System	(162,635,108.83)	(141,993,271.84)
Transfers Between Fund Groups		
Net Cash Provided [Used] By Noncapital Financing Activities	<u>\$ 154,832,723.14</u>	<u>\$ 80,871,558.30</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	\$	\$
Proceeds From Debt Issuance	758,865,913.82	476,105,303.19
Proceeds From State Grants and Contracts		
Proceeds From Federal Grants and Contracts		
Proceeds From Gifts		
Proceeds From Interfund Loans		
Proceeds From Other Capital & Related Financing Activities		
Payments for Additions to Capital Assets	(417,772,745.40)	(268,646,209.11)
Payments of Principal On Debt Issuance	(300,812,439.49)	(512,570,060.34)
Payments for Capital Leases		
Payments for Interest On Debt Issuance	(113,885,525.54)	(101,487,190.27)
Payments for Interfund Loans		
Payments of Other Costs On Debt Issuance	(2,555,710.94)	(2,037,068.41)
Transfer of Capital Debt Proceeds From System [Nonmandatory]	(43,333,190.93)	(25,213,856.26)
Intrasystem Transfers for Capital Debt [Mandatory]	189,960,896.64	175,336,847.72
Intrasystem Transfers for Construction Proceeds [Non-Mand]	15,208,171.64	26,995,354.11
Net Cash Provided [Used] By Capital and Related Financing Act.	<u>\$ 85,675,369.80</u>	<u>\$ (231,516,879.37)</u>
Cash Flows From Investing Activities		
Proceeds From Sales and Maturities of Investments	\$ 2,596,943,188.11	\$ 3,258,925,420.10
Sales and Purchases of Investments Held By System	498,683,920.16	26,435,746.30
Proceeds From Interest and Investment Income	20,705,543.13	23,765,564.90
Payments to Acquire Investments	(2,813,232,678.90)	(3,465,208,654.12)
Net Cash Provided [Used] By Investing Activities	<u>\$ 303,099,972.50</u>	<u>\$ (156,081,922.82)</u>
Increase [Decrease] In Cash and Cash Equivalents	<u>\$ 505,461,217.54</u>	<u>\$ (328,121,367.14)</u>
Cash and Cash Equivalents, Beginning of Year Restatement	<u>\$ 709,112,822.71</u>	<u>\$ 1,037,234,189.85</u>
Restated Beginning Cash and Cash Equivalents	<u>\$ 709,112,822.71</u>	<u>\$ 1,037,234,189.85</u>
Cash and Cash Equivalents, End of Year [Sch Three]	<u><u>\$ 1,214,574,040.25</u></u>	<u><u>\$ 709,112,822.71</u></u>

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EXHIBIT V  
 TEXAS A&M UNIVERSITY SYSTEM OFFICES  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL	PRIOR YEAR TOTAL
	<u>          </u>	<u>          </u>
Reconciliation of Operating Income [Loss] to Net Cash Provided [Used] By Operating Activities	\$	\$
Operating Income [Loss]	(164,564,810.73)	(141,420,158.72)
Adjustments to Reconcile Operating Income [Loss] to Net Cash Provided [Used] By Operating Activities		
Depreciation and Amortization	373,372.88	396,032.91
Bad Debt Expense		
Operating Income [Loss] Classification Differences		
Changes In Assets and Liabilities		
Accounts Receivable, Net	(537,709.56)	(12,756,295.62)
Due From Other Agencies/Funds	40,018.08	410,681.69
Due From System Members	(26,949.66)	174,262.55
Inventories	(4,500.17)	1,426.83
Prepaid Expenses	19,819.50	(120,003.50)
Loans and Contracts		
Other Assets		
Payables	(16,953,853.29)	1,867,941.76
Due to Other Agencies/Funds		
Due to System Members	12,784,528.49	1,213,664.40
Unearned Revenue	(144,424.17)	76,508.84
Deposits		(128.40)
Compensated Absence Liability	116,248.08	(547,445.99)
Other Post Employment Benefits Liability	140,541,593.00	115,346,566.00
Self Insured Accrued Liability	(2,290,180.35)	6,462,824.00
Other Liabilities	(7,500,000.00)	7,500,000.00
Total Adjustments	<u>\$ 126,417,962.83</u>	<u>\$ 120,026,035.47</u>
Net Cash Provided [Used] By Operating Activities	<u>\$ (38,146,847.90)</u>	<u>\$ (21,394,123.25)</u>
Non-Cash Transactions		
Donation of Capital Assets	\$	\$
Net Change In Fair Value of Investments	23,354,289.18	501,113.72
Refunding of Long Term Debt	76,965,000.00	344,385,000.00
Amortization of Bond Premiums and Discounts	16,833,298.48	8,538,150.81
Other	(231,589,546.64)	(368,109,018.59)

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

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Schedule 2A  
Texas A&M University System Offices  
Schedule of Miscellaneous Bond Information  
For the Year Ended August 31, 2014

Description	Bonds Issued to Date	Range of Interest Rates	Maturities			
			First Year	Last Year	First Call Date	
Revenue Bonds - Self Supporting						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 92,520,000.00	3.55 - 5.5%	7/1/1999	7/1/2028	7/1/2008	(1) (2)
Permanent University Fund Refunding Bonds, Series 2003 Revenue Bonds	102,645,000.00	5.25%	7/1/2012	7/1/2018	7/1/2013	(1)
Permanent University Fund Bonds, Series 2006 Revenue Bonds	165,940,000.00	4.5 - 5.0%	7/1/2007	7/1/2036	7/1/2016	(1)
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	218,895,000.00	2.5 - 5.5%	7/1/2010	7/1/2034	7/1/2019	(1) (2)
Permanent University Fund Bonds, Series 2011 Revenue Bonds	87,145,000.00	2.0 - 5.0%	7/1/2012	7/1/2031	7/1/2021	(1)
Permanent University Fund Bonds, Series 2012A Revenue Bonds	70,680,000.00	4.0 - 5.0%	7/1/2013	7/1/2024	7/1/2022	(1)
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	125,750,000.00	0.579 - 3.575%	7/1/2013	7/1/2032	Make Whole	(2) (3)
Permanent University Fund Bonds, Series 2013 Revenue Bonds	208,465,000.00	3.0 - 5.0%	7/1/2014	7/1/2033	7/1/2023	(1)
Revenue Financing System Bonds, Series 2005A Tuition Revenue Bonds	148,895,000.00	4.0 - 5.25%	5/15/2006	5/15/2025	5/15/2015	(1)
Revenue Financing System Bonds, Series 2005B Revenue Bonds	275,755,000.00	4.0 - 5.25%	5/15/2006	5/15/2029	5/15/2015	(1) (2)
Revenue Financing System Bonds, Series 2008 Revenue Bonds	164,900,000.00	4.5 - 5.0%	5/15/2008	5/15/2037	5/15/2018	(1) (2)
	4,615,000.00			5/15/2027		
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds	251,735,000.00	3.0 - 5.0%	5/15/2010	5/15/2029	5/15/2019	(1)
Revenue Financing System Bonds, Series 2009B Revenue Bonds	78,085,000.00	2.25 - 5.0%	5/15/2010	5/15/2039	5/15/2019	(1) (2)
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds	54,240,000.00	2.0 - 5.0%	5/15/2010	5/15/2029	11/15/2019	(1)
Revenue Financing System Bonds, Series 2009D Revenue Bonds	320,760,000.00	4.0 - 5.0%	5/15/2011	5/15/2040	11/15/2019	(1) (2)
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	95,065,000.00	1.5 - 5.0%	8/2/2010	5/15/2029	5/15/2020	(1)
Revenue Financing System Bonds, Series 2010B Revenue Bonds	146,120,000.00	3.0 - 5.0%	5/15/2011	5/15/2039	5/15/2020	(1) (2)
Revenue Financing System Bonds, Series 2011A Revenue Bonds	16,605,000.00	2.5 - 4.0%	5/15/2011	5/15/2021	5/15/2020	(1)
	5,730,000.00			5/15/2017		
Revenue Financing System Bonds, Series 2011B Revenue Bonds	105,365,000.00	3.0 - 5.5%	5/15/2012	5/15/2041	5/15/2020	(1) (2)
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	40,955,000.00	2.0 - 5.0%	5/15/2014	5/15/2022	5/15/2022	
Revenue Financing System Bonds, Series 2013B Revenue Bonds	265,405,000.00	3.0 - 5.0%	5/15/2014	5/15/2043	5/15/2023	(1) (2)
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	239,965,000.00	0.38 - 4.972%	5/15/2014	5/15/2043	5/15/2023	(1) (2)
Revenue Financing System Bonds, Series 2013D Revenue Bonds	94,365,000.00	1.875 - 5.0%	5/15/2016	5/15/2028	5/15/2023	(1)
	<u>\$ 3,380,600,000.00</u>					

(1) Option for Partial Redemption

(2) Mandatory Redemption Required

(3) Subject to redemption prior to maturity on any business day at the "Make Whole Redemption Price"

UNAUDITED

Schedule 2B  
**Texas A&M University System Offices**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2014

Description	Bonds Outstanding September 1, 2013	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2014	Amounts Due Within One Year
<b>Revenue Bonds - Self Supporting</b>						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 28,795,000.00	\$	\$	\$	\$ 28,795,000.00	\$ -
Permanent University Fund Refunding Bonds, Series 2003 Revenue Bonds	76,965,000.00			76,965,000.00	-	-
Permanent University Fund Bonds, Series 2006 Revenue Bonds	115,920,000.00		1,230,000.00		114,690,000.00	1,290,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	212,860,000.00		630,000.00		212,230,000.00	650,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	82,375,000.00		2,045,000.00		80,330,000.00	2,085,000.00
Permanent University Fund Bonds, Series 2012A Revenue Bonds	70,680,000.00				70,680,000.00	-
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	120,310,000.00		5,395,000.00		114,915,000.00	5,420,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	-	208,465,000.00	19,675,000.00		188,790,000.00	19,560,000.00
Revenue Financing System Bonds, Series 2005A Tuition Revenue Bonds	94,175,000.00		11,385,000.00		82,790,000.00	11,550,000.00
Revenue Financing System Bonds, Series 2005B Revenue Bonds	177,805,000.00		13,890,000.00		163,915,000.00	14,580,000.00
Revenue Financing System Bonds, Series 2008 Revenue Bonds	121,660,000.00		8,720,000.00		112,940,000.00	8,220,000.00
Tuition Revenue Bonds	3,715,000.00		190,000.00		3,525,000.00	200,000.00
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds	206,205,000.00		8,850,000.00		197,355,000.00	9,255,000.00
Revenue Financing System Bonds, Series 2009B Revenue Bonds	68,700,000.00		2,650,000.00		66,050,000.00	2,715,000.00
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds	38,635,000.00		1,725,000.00		36,910,000.00	1,775,000.00
Revenue Financing System Bonds, Series 2009D Revenue Bonds	291,160,000.00		10,835,000.00		280,325,000.00	10,905,000.00
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	84,550,000.00		2,420,000.00		82,130,000.00	6,480,000.00
Revenue Financing System Bonds, Series 2010B Revenue Bonds	140,540,000.00		2,635,000.00		137,905,000.00	12,980,000.00
Revenue Financing System Bonds, Series 2011A Revenue Bonds	13,350,000.00		1,495,000.00		11,855,000.00	1,555,000.00
Tuition Revenue Bonds	3,335,000.00		1,230,000.00		2,105,000.00	1,055,000.00
Revenue Financing System Bonds, Series 2011B Revenue Bonds	101,545,000.00		2,035,000.00		99,510,000.00	2,140,000.00
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	40,955,000.00		7,150,000.00		33,805,000.00	3,165,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	265,405,000.00		23,915,000.00		241,490,000.00	12,105,000.00
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	-	239,965,000.00	1,590,000.00		238,375,000.00	1,360,000.00
Revenue Financing System Bonds, Series 2013D Revenue Bonds	-	94,365,000.00			94,365,000.00	-
	<u>\$ 2,359,640,000.00</u>	<u>\$ 542,795,000.00</u> <sup>[a]</sup>	<u>\$ 129,690,000.00</u>	<u>\$ 76,965,000.00</u>	<u>\$ 2,695,780,000.00</u>	<u>\$ 129,045,000.00</u>
			(Schedule 2D)		(Schedule 2C)	(Schedule 2C)

UNAUDITED

Schedule 2B - Concluded  
**Texas A&M University System Offices**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2014

	<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Gain (Loss) on Refunding</u>	<u>Net Bonds Outstanding August 31, 2014</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds - Self Supporting	<u>\$ 149,940,562.62</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,845,720,562.62</u> (Exhibit III)	<u>\$ 148,081,823.37</u>
[a] Bonds Issued or Converted				[b]	
Permanent University Fund Bonds, Series 2013	\$ 208,465,000.00				
Revenue Financing System Bonds, Taxable Series 2013C	239,965,000.00				
Revenue Financing System Bonds, Series 2013D	<u>94,365,000.00</u>				
Total, Bonds Issued or Converted	<u>\$ 542,795,000.00</u>				
[b] Bonds Payable per Exhibit III					
Current Bonds Payable				\$ 148,081,823.37	
NonCurrent Bonds Payable				<u>2,697,638,739.25</u>	
Total Bonds Payable				<u>\$ 2,845,720,562.62</u>	

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UNAUDITED

Schedule 2C  
Texas A&M University System Offices  
Schedule of Debt Service Requirements  
For the Year Ended August 31, 2014

Description	Year Ended August 31,					
	2015	2016	2017	2018	2019	
<b>Revenue Bonds - Self Supporting</b>						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,235,000.00
	Interest	1,583,725.00	1,583,725.00	1,583,725.00	1,583,725.00	1,583,725.00
Permanent University Fund Bonds, Series 2006						
Revenue Bonds	Principal	1,290,000.00	1,345,000.00	1,410,000.00	1,475,000.00	0.00
	Interest	5,673,550.00	5,615,500.00	5,554,975.00	5,491,525.00	5,425,150.00
Permanent University Fund Bonds, Series 2009AB						
Revenue Bonds	Principal	650,000.00	670,000.00	690,000.00	715,000.00	5,550,000.00
	Interest	10,634,256.28	10,614,756.28	10,592,981.28	10,568,831.28	10,543,806.28
Permanent University Fund Bonds, Series 2011						
Revenue Bonds	Principal	2,085,000.00	2,145,000.00	1,720,000.00	1,780,000.00	2,490,000.00
	Interest	3,680,250.00	3,617,700.00	3,553,350.00	3,501,750.00	3,448,350.00
Permanent University Fund Bonds, Series 2012A						
Revenue Bonds	Principal	0.00	0.00	0.00	0.00	10,335,000.00
	Interest	3,511,500.00	3,511,500.00	3,511,500.00	3,511,500.00	3,511,500.00
Permanent University Fund Bonds, Taxable Series 2012B						
Revenue Bonds	Principal	5,420,000.00	5,465,000.00	5,545,000.00	5,625,000.00	5,720,000.00
	Interest	3,047,288.76	3,005,229.56	2,937,518.20	2,857,725.66	2,760,413.16
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	19,560,000.00	20,550,000.00	21,660,000.00	22,735,000.00	7,785,000.00
	Interest	8,772,900.00	7,794,900.00	6,767,400.00	5,684,400.00	4,547,650.00
Revenue Financing System Bonds, Series 2005A						
Tuition Revenue Bonds	Principal	11,550,000.00	11,465,000.00	10,990,000.00	5,265,000	5,480,000
	Interest	3,896,743.77	3,319,243.74	2,745,993.76	2,169,019	1,958,419
Revenue Financing System Bonds, Series 2005B						
Revenue Bonds	Principal	14,580,000.00	14,875,000.00	15,615,000.00	14,480,000.00	14,990,000.00
	Interest	7,518,906.27	6,789,906.28	6,046,156.28	5,226,368.78	4,647,168.78
Revenue Financing System Bonds, Series 2008						
Revenue Bonds	Principal	8,220,000.00	8,420,000.00	8,840,000.00	7,455,000.00	7,115,000.00
	Interest	5,558,700.00	5,147,700.00	4,726,700.00	4,284,700.00	3,911,950.00
Tuition Revenue Bonds	Principal	200,000.00	210,000.00	220,000.00	230,000.00	240,000.00
	Interest	174,475.00	164,475.00	153,975.00	142,975.00	131,475.00
Revenue Financing System Bonds, Series 2009A						
Tuition Revenue Bonds	Principal	9,255,000.00	9,720,000.00	10,145,000.00	10,655,000.00	11,155,000.00
	Interest	9,693,700.00	9,230,950.00	8,801,950.00	8,294,700.00	7,791,950.00
Revenue Financing System Bonds, Series 2009B						
Revenue Bonds	Principal	2,715,000.00	2,790,000.00	2,875,000.00	2,620,000.00	2,705,000.00
	Interest	3,062,000.00	2,980,550.00	2,896,850.00	2,810,600.00	2,725,450.00
Revenue Financing System Bonds, Series 2009C						
Tuition Revenue Bonds	Principal	1,775,000.00	1,850,000.00	1,915,000.00	2,000,000.00	2,075,000.00
	Interest	1,759,725.00	1,688,725.00	1,614,725.00	1,538,125.00	1,458,125.00
Revenue Financing System Bonds, Series 2009D						
Revenue Bonds	Principal	10,905,000.00	10,050,000.00	10,450,000.00	10,965,000.00	11,500,000.00
	Interest	13,840,287.50	13,295,037.50	12,893,037.50	12,388,500.00	11,840,250.00
Revenue Financing System Bonds, Series 2010A						
Tuition Revenue Bonds	Principal	6,480,000.00	6,735,000.00	7,005,000.00	6,810,000.00	7,140,000.00
	Interest	3,854,975.00	3,595,775.00	3,326,375.00	3,001,925.00	2,685,875.00
Revenue Financing System Bonds, Series 2010B						
Revenue Bonds	Principal	12,980,000.00	13,660,000.00	7,195,000.00	7,560,000.00	7,940,000.00
	Interest	6,895,250.00	6,246,250.00	5,563,250.00	5,203,500.00	4,825,500.00
Revenue Financing System Bonds, Series 2011A						
Revenue Bonds	Principal	1,555,000.00	1,620,000.00	1,685,000.00	1,680,000.00	1,730,000.00
	Interest	434,562.50	372,362.50	307,562.50	240,162.50	172,962.50
Tuition Revenue Bonds	Principal	1,055,000.00	785,000.00	265,000.00		
	Interest	84,200.00	42,000.00	10,600.00		
Revenue Financing System Bonds, Series 2011B						
Revenue Bonds	Principal	2,140,000.00	2,280,000.00	2,510,000.00	2,730,000.00	2,905,000.00
	Interest	5,000,812.54	4,893,812.56	4,768,412.56	4,630,362.56	4,480,212.56



UNAUDITED

Schedule 2C  
Texas A&M University System Offices  
Schedule of Debt Service Requirements  
For the Year Ended August 31, 2014

Description							Total
		2020-2024	2025-2029	2030-2034	2035-2039	2040-2043	Requirements
<b>Revenue Bonds - Self Supporting</b>							
<b>Permanent University Fund Bonds, Series 1998</b>							
Revenue Bonds	Principal	\$ 13,170,000.00	\$ 13,390,000.00	\$	\$	\$	\$ 28,795,000.00
	Interest	5,932,850.00	1,890,075.00				15,741,550.00
<b>Permanent University Fund Refunding Bonds, Series 2006</b>							
Revenue Bonds	Principal	0.00	39,170,000.00	50,000,000.00	20,000,000.00		114,690,000.00
	Interest	27,125,750.00	23,675,150.00	12,500,000.00	1,500,000.00		92,561,600.00
<b>Permanent University Fund Series 2009AB</b>							
Revenue Bonds	Principal	30,430,000.00	79,800,000.00	93,725,000.00			212,230,000.00
	Interest	48,418,987.62	36,329,475.00	13,380,200.00			151,083,294.02
<b>Permanent University Fund Bonds, Series 2011</b>							
Revenue Bonds	Principal	22,675,000.00	31,420,000.00	16,015,000.00			80,330,000.00
	Interest	14,965,750.00	9,045,500.00	1,207,500.00			43,020,150.00
<b>Permanent University Fund Bonds, Series 2012A</b>							
Revenue Bonds	Principal	60,345,000.00					70,680,000.00
	Interest	9,345,500.00					26,903,000.00
<b>Permanent University Fund Bonds, Taxable Series 2012B</b>							
Revenue Bonds	Principal	30,530,000.00	34,085,000.00	22,525,000.00			114,915,000.00
	Interest	11,839,789.00	7,451,736.20	1,629,663.76			35,529,364.30
<b>Permanent University Fund Bonds, Series 2013</b>							
Revenue Bonds	Principal	40,340,000.00	28,770,000.00	27,390,000.00			188,790,000.00
	Interest	16,501,500.00	8,962,650.00	2,793,000.00			61,824,400.00
<b>Revenue Financing System Bonds, Series 2005A</b>							
Tuition Revenue Bonds	Principal	30,960,000.00	7,080,000.00				82,790,000.00
	Interest	6,221,400.06	353,999.98				20,664,818.79
<b>Revenue Financing System Bonds, Series 2005B</b>							
Revenue Bonds	Principal	59,295,000.00	30,080,000.00				163,915,000.00
	Interest	14,776,012.58	3,682,875.00				48,687,393.97
<b>Revenue Financing System Bonds, Series 2008</b>							
Revenue Bonds	Principal	36,720,000.00	25,195,000.00	6,390,000.00	4,585,000.00		112,940,000.00
	Interest	13,986,500.00	5,243,612.50	1,952,725.00	418,725.00		45,231,312.50
Tuition Revenue Bonds	Principal	1,405,000.00	1,020,000.00				3,525,000.00
	Interest	463,875.00	98,175.00				1,329,425.00
<b>Revenue Financing System Bonds, Series 2009A</b>							
Tuition Revenue Bonds	Principal	64,395,000.00	82,030,000.00				197,355,000.00
	Interest	30,340,500.00	12,704,250.00				86,858,000.00
<b>Revenue Financing System Bonds, Series 2009B</b>							
Revenue Bonds	Principal	15,545,000.00	19,850,000.00	7,450,000.00	9,500,000.00		66,050,000.00
	Interest	11,608,000.00	7,312,000.00	3,528,750.00	1,471,250.00		38,395,450.00
<b>Revenue Financing System Bonds, Series 2009C</b>							
Tuition Revenue Bonds	Principal	11,985,000.00	15,310,000.00				36,910,000.00
	Interest	5,683,250.00	2,371,750.00				16,114,425.00
<b>Revenue Financing System Bonds, Series 2009D</b>							
Revenue Bonds	Principal	66,415,000.00	79,660,000.00	49,750,000.00	25,855,000.00	4,775,000.00	280,325,000.00
	Interest	50,296,750.00	32,313,500.00	14,193,500.00	4,655,750.00	238,750.00	165,955,362.50
<b>Revenue Financing System Bonds, Series 2010A</b>							
Tuition Revenue Bonds	Principal	26,105,000.00	21,855,000.00				82,130,000.00
	Interest	8,564,625.00	3,192,125.00				28,221,675.00
<b>Revenue Financing System Bonds, Series 2010B</b>							
Revenue Bonds	Principal	31,140,000.00	18,680,000.00	17,780,000.00	20,970,000.00		137,905,000.00
	Interest	18,367,750.00	12,579,250.00	7,855,750.00	3,247,000.00		70,783,500.00
<b>Revenue Financing System Bonds, Series 2011A</b>							
Revenue Bonds	Principal	3,585,000.00					11,855,000.00
	Interest	184,762.50					1,712,375.00
Tuition Revenue Bonds	Principal						2,105,000.00
	Interest						136,800.00
<b>Revenue Financing System Bonds, Series 2011B</b>							
Revenue Bonds	Principal	17,605,000.00	22,110,000.00	23,280,000.00	17,990,000.00	5,960,000.00	99,510,000.00
	Interest	19,787,187.80	14,617,162.80	9,223,881.30	3,850,000.00	450,500.00	71,702,344.68

UNAUDITED

Schedule 2C  
**Texas A&M University System Offices**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2014

Description	Year Ended August 31,					
	2015	2016	2017	2018	2019	
<b>Revenue Bonds - Self Supporting</b>						
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	\$ 3,165,000.00	\$ 3,250,000.00	\$ 3,375,000.00	\$ 3,510,000.00	\$ 3,655,000.00
	Interest	1,451,000.00	1,356,050.00	1,226,050.00	1,091,050.00	950,650.00
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	12,105,000.00	12,590,000.00	6,630,000.00	6,955,000.00	7,290,000.00
	Interest	11,583,800.00	11,099,600.00	10,470,100.00	10,138,600.00	9,790,850.00
Revenue Financing System Bonds, Taxable Series 2013C						
Revenue Bonds	Principal	1,360,000.00	5,250,000.00	1,240,000.00	0.00	0.00
	Interest	11,428,974.80	11,420,570.00	11,365,025.00	11,342,953.00	11,342,953.00
Revenue Financing System Bonds, Series 2013D						
Revenue Bonds	Principal	0.00	505,000.00	4,750,000.00	6,255,000.00	6,565,000.00
	Interest	4,702,468.76	4,702,468.76	4,693,000.00	4,455,500.00	4,142,750.00
Total		256,889,051.18	258,318,787.18	242,841,212.08	231,658,497.54	231,277,135.00
Less Interest		(127,844,051.18)	(122,088,787.18)	(116,111,212.08)	(110,158,497.54)	(104,677,135.00)
Total Principal		<u>\$ 129,045,000.00</u>	<u>\$ 136,230,000.00</u>	<u>\$ 126,730,000.00</u>	<u>\$ 121,500,000.00</u>	<u>\$ 126,600,000.00</u>
		(Schedule 2B)				

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Schedule 2C  
**Texas A&M University System Offices**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2014

Description		2020-2024	2025-2029	2030-2034	2035-2039	2040-2043	Total Requirements
<b>Revenue Bonds - Self Supporting</b>							
Revenue Financing System Bonds, Series 2013A							
Tuition Revenue Bonds	Principal	\$ 16,850,000.00	\$	\$	\$	\$	\$ 33,805,000.00
	Interest	1,911,450.00					7,986,250.00
Revenue Financing System Bonds, Series 2013B							
Revenue Bonds	Principal	41,700,000.00	48,760,000.00	52,325,000.00	37,975,000.00	15,160,000.00	241,490,000.00
	Interest	43,100,500.00	32,320,500.00	19,520,250.00	7,770,450.00	1,545,600.00	157,340,250.00
Revenue Financing System Bonds, Taxable Series 2013C							
Revenue Bonds	Principal	0.00	10,795,000.00	62,200,000.00	78,990,000.00	78,540,000.00	238,375,000.00
	Interest	56,714,765.00	56,714,765.00	48,478,293.00	31,687,550.40	9,999,189.20	260,495,038.40
Revenue Financing System Bonds, Series 2013D							
Revenue Bonds	Principal	38,230,000.00	38,060,000.00				94,365,000.00
	Interest	15,435,750.00	4,873,750.00				43,005,687.52
Total		1,090,998,204.56	922,852,301.48	565,093,513.06	270,465,725.40	116,669,039.20	4,187,063,466.68
Less Interest		(431,573,204.56)	(275,732,301.48)	(136,263,513.06)	(54,600,725.40)	(12,234,039.20)	(1,491,283,466.68)
Total Principal		<u>\$ 659,425,000.00</u>	<u>\$ 647,120,000.00</u>	<u>\$ 428,830,000.00</u>	<u>\$ 215,865,000.00</u>	<u>\$ 104,435,000.00</u>	<u>\$ 2,695,780,000.00</u>

(Schedule 2B)

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

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Schedule 2D  
 Texas A&M University System Offices  
 Analysis of Funds Available for Debt Service  
 For the Year Ended August 31, 2014

Description	Pledged Revenues	Operating Expenses From Pledged Revenues	Debt Service	
			Principal	Interest
Permanent University Fund Bonds	\$ 421,368,692.57	\$ 183,221,700.59	\$ 28,975,000.00	\$ 33,478,707.06
Revenue Financing System Bonds	2,329,681,616.01	1,013,004,133.99	100,715,000.00	87,038,814.66
	\$ 2,751,050,308.58	\$ 1,196,225,834.58	\$ 129,690,000.00	\$ 120,517,521.72
			(Schedule 2B)	
[a] Debt Service-Interest Expense and Fiscal Charges (Exhibit IV)		\$ 114,553,764.53		
Less:				
Interest on Permanent University Notes/Bonds	\$ 6,643.04			
Interest on Revenue Financing System Commercial Paper	85,430.40			
Other Interest Expense (non-bonds)	648,345.84			
Interest Expense on Defeased Bonds	1,851,970.31			
Subtotal		(2,592,389.59)		
Plus Capitalized Interest Expense		8,556,146.78		
Total, Debt Service-Interest		\$ 120,517,521.72		
				[a]

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Schedule 2E

**Texas A&M University System Offices**

Schedule of Defeased Bonds Outstanding

For the Year Ended August 31, 2014

<u>Description of Issues</u>	<u>Calendar Year Refunded</u>	<u>Par Value Outstanding August 31, 2014</u>
The Texas A&M University System		
Permanent University Fund Bonds,		
Series 2003	2013	\$ -
Series 2004	2012	-
Total		<u>\$ -</u>

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Schedule 2F

**Texas A&M University System Offices**  
Schedule of Early Extinguishment and Refunding  
For the Year Ended August 31, 2014

<u>Description</u>	<u>Category</u>	<u>Amount Extinguished or Refunded</u>	<u>Refunding Issue Par Value</u>	<u>Cash Flow Increase (Decrease)</u>	<u>Economic Gain/ (Loss)</u>
Revenue Bonds - Self Supporting					
Permanent University Fund Bonds, Series 2003 Revenue Bonds	Current Refunding	\$ 76,965,000.00	\$ 71,440,000.00	\$ 8,942,319.44	\$ 8,354,301.66

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

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SCHEDULE THREE  
 TEXAS A&M UNIVERSITY SYSTEM OFFICES  
 SCHEDULE OF CASH & CASH EQUIVALENTS  
 FOR THE YEAR ENDED AUGUST 31, 2014

	CURRENT YEAR TOTAL
Cash & Cash Equivalents	
Current Assets	
Cash On Hand	
Petty Cash Department Working Fund	\$ 200.00
Total Cash On Hand	\$ 200.00
Cash In Bank	\$ 2,627,492.67
Cash In State Treasury	
Fund 0047	232,983,032.91
Total Cash In State Treasury	\$ 232,983,032.91
Reimbursements Due From State Treasury	\$ 29,329.87
Assets Held By System Offices-Current	11,212,819.54
Cash Equivalents	657,293,531.34
Total Current Cash and Cash Equivalents [Exhibit III]	\$ 904,146,406.33
Restricted	
Assets Held By System Offices-Current	\$ 310,427,633.92
Total Restricted Cash and Cash Equivalents [Exhibit III]	\$ 310,427,633.92
Total Cash & Cash Equivalents [Exhibit V]	\$ 1,214,574,040.25

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SCHEDULE N-2  
 TEXAS A&M UNIVERSITY SYSTEM OFFICES  
 NOTE 2 - CAPITAL ASSETS  
 FOR THE YEAR ENDED AUGUST 31, 2014

	BALANCE 9-1-13	ADJUSTMENTS	COMPLETED CIP
Non-Depreciable/Non-Amortizable Assets			
Land and Land Improvements	\$ 1,355,862.00	\$	\$
Construction In Progress	195,965,451.35		(201,153.47)
Other Tangible Capital Assets	230,000.25		
Total Non-Depreciable/Non-Amortizable Assets	<u>\$ 197,551,313.60</u>	<u>\$</u>	<u>\$ (201,153.47)</u>
Depreciable Assets			
Buildings	\$	\$	\$ 89,157.65
Furniture and Equipment	1,071,842.27		111,995.82
Vehicles, Boats and Aircraft	9,417,444.09		
Other Capital Assets	57,019.85		
Total Depreciable Assets at Historical Cost	<u>\$ 10,546,306.21</u>	<u>\$</u>	<u>\$ 201,153.47</u>
Less Accumulated Depreciation for			
Furniture and Equipment	\$ (791,734.46)	\$	\$
Vehicles, Boats and Aircraft	(7,220,169.02)		
Other Capital Assets	(21,529.41)		
Total Accumulated Depreciation	<u>\$ (8,033,432.89)</u>	<u>\$</u>	<u>\$</u>
Depreciable Assets, Net	<u>\$ 2,512,873.32</u>	<u>\$</u>	<u>\$ 201,153.47</u>
Amortizable Assets - Intangible			
Computer Software	\$ 1,424,019.57	\$	\$
Total Intangible Assets at Historical Cost	<u>\$ 1,424,019.57</u>	<u>\$</u>	<u>\$</u>
Less Accumulated Amortization for			
Computer Software	\$ (1,421,269.57)	\$	\$
Total Accumulated Amortization	<u>\$ (1,421,269.57)</u>	<u>\$</u>	<u>\$</u>
Amortizable Assets, Net	<u>\$ 2,750.00</u>	<u>\$</u>	<u>\$</u>
Capital Assets, Net	<u>\$ 200,066,936.92</u>	<u>\$</u>	<u>\$</u>

<u>INC-INTERAGENCY TRANSACTIONS</u>	<u>DEC-INTERAGENCY TRANSACTIONS</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 8-31-14</u>
\$	\$ (231,583,479.04)	\$ 472,188,833.99	\$	\$ 1,355,862.00 436,369,652.83 230,000.25
<u>\$</u>	<u>\$ (231,583,479.04)</u>	<u>\$ 472,188,833.99</u>	<u>\$</u>	<u>\$ 437,955,515.08</u>
\$	\$ (163,879.00)	\$ 116,095.77	\$ (89,157.65) (131,495.82)	\$ 1,004,559.04 9,417,444.09 58,371.50
<u>\$</u>	<u>\$ (163,879.00)</u>	<u>\$ 118,128.41</u>	<u>\$ (221,334.46)</u>	<u>\$ 10,480,374.63</u>
\$	\$ 163,879.00	\$ (86,258.28) (281,127.36) (3,237.24)	\$ 13,432.40 34.92	\$ (700,681.34) (7,501,296.38) (24,731.73)
<u>\$</u>	<u>\$ 163,879.00</u>	<u>\$ (370,622.88)</u>	<u>\$ 13,467.32</u>	<u>\$ (8,226,709.45)</u>
<u>\$</u>	<u>\$</u>	<u>\$ (252,494.47)</u>	<u>\$ (207,867.14)</u>	<u>\$ 2,253,665.18</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,424,019.57</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,424,019.57</u>
<u>\$</u>	<u>\$</u>	<u>\$ (2,750.00)</u>	<u>\$</u>	<u>\$ (1,424,019.57)</u>
<u>\$</u>	<u>\$</u>	<u>\$ (2,750.00)</u>	<u>\$</u>	<u>\$ (1,424,019.57)</u>
<u>\$</u>	<u>\$</u>	<u>\$ (2,750.00)</u>	<u>\$</u>	<u>\$</u>
<u><u>\$</u></u>	<u><u>\$ (231,583,479.04)</u></u>	<u><u>\$ 471,933,589.52</u></u>	<u><u>\$ (207,867.14)</u></u>	<u><u>\$ 440,209,180.26</u></u>

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

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System Office of Budgets and Accounting  
**THE TEXAS A&M UNIVERSITY SYSTEM**

November 20, 2014

John Sharp  
Chancellor  
The Texas A&M University System  
301 Tarrow  
College Station, Texas 77845

Dear Mr. Sharp,

We are submitting herewith the Annual Financial Report of The Texas A&M University System for the fiscal year ended August 31, 2014.

This report has been prepared in conformity with *Texas Government Code* §2101.011, and in accordance with the Annual Financial Reporting Requirements of the Texas Comptroller of Public Accounts.

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

Respectfully submitted,

Teresa Bass, CPA  
Comptroller

Joseph Duron, CPA  
Executive Director, Budgets & Accounting



# **The Texas A&M University System**

## **Board of Regents**

Phil Adams	Term Expires February 1, 2015
Jim Schwertner	Term Expires February 1, 2015
John D. White	Term Expires February 1, 2015
Elaine Mendoza	Term Expires February 1, 2017
Judy Morgan	Term Expires February 1, 2017
Cliff Thomas	Term Expires February 1, 2017
Anthony Buzbee	Term Expires February 1, 2019
Morris Foster	Term Expires February 1, 2019
Charles Schwartz	Term Expires February 1, 2019
Colton L. Buckley (Student Regent)	Term Expires May 31, 2015

## **Officers of the Board**

Phil Adams	Chairman
Cliff Thomas	Vice Chairman

## **Administrative Officers**

John Sharp	Chancellor
Billy C. Hamilton	Executive Vice Chancellor and Chief Financial Officer
Joseph Duron	Executive Director, Budgets & Accounting
Teresa L. Bass	Comptroller

# **The Texas A&M University System**

## **Chief Executive Officers**

Texas A&M University	Mark A. Hussey, Interim President
Texas A&M University at Galveston	Robert Smith III, Chief Executive Officer, Texas A&M University at Galveston, and Vice President, Texas A&M University
Texas A&M Health Science Center	Brett P. Giroir, Executive Vice President and Chief Executive Officer
Prairie View A&M University	George C. Wright, President
Tarleton State University	F. Dominic Dottavio, President
Texas A&M International University	Ray M. Keck III, President
Texas A&M University - Central Texas	Marc A. Nigliazzo, President
Texas A&M University - Commerce	Dan R. Jones, President
Texas A&M University - Corpus Christi	Flavius Killebrew, President
Texas A&M University - Kingsville	Steven H. Tallant, President
Texas A&M University - San Antonio	Maria Hernandez Ferrier, President
Texas A&M University - Texarkana	Emily Cutrer, President
West Texas A&M University	J. Patrick O'Brien, President



# The Texas A&M University System

## Chief Executive Officers

Texas A&M AgriLife Research	Craig Nessler, Director
Texas A&M AgriLife Extension Service	Douglas L. Steele, Director
Texas A&M Forest Service	Tom G. Boggus, Director
Texas A&M Veterinary Medical Diagnostic Laboratory	Bruce L. Akey, Interim Director
Texas A&M Engineering Experiment Station	M. Katherine Banks, Director, Vice Chancellor and Dean of Engineering
Texas A&M Engineering Extension Service	Gary Sera, Director
Texas A&M Transportation Institute	Dennis L. Christiansen, Director
Texas A&M University System Offices	John Sharp, Chancellor
Texas A&M System Sponsored Research Services	Leo J. Pattera, Executive Director
Texas A & M System Technology Commercialization	Billy Hamilton, Executive Director and Chief Financial Officer
Texas A&M Research Foundation	Leo J. Pattera, President and Chief Executive Officer

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The Texas A&M University System  
Combined Statements

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# The Texas A&M University System

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The Texas A&M University System  
Combined Statements

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### **The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014**

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Texas A&M University System presents its financial statements for fiscal year 2014, with comparative data to fiscal year 2013. The emphasis of discussion will be on the current year. The financial statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The statements as presented are for the combined Texas A&M University System (A&M System). The A&M System is composed of twelve institutions of higher education, seven agencies, a comprehensive health science center, a service unit for sponsored research services, a service unit for technology commercialization, and the System administrative offices. The report also includes the Texas A&M Research Foundation which is a blended component unit.

The member institutions of higher education offer a broad range of undergraduate and graduate degrees. With locations in Canyon, College Station, Commerce, Corpus Christi, Fort Worth, Galveston, Killeen, Kingsville, Laredo, Prairie View, San Antonio, Stephenville, and Texarkana, the A&M System strives to meet the education needs of Texas.

The agencies of the A&M System include both engineering and agricultural research and extension agencies. The agencies provide research, public service, and instruction to benefit the state.

The A&M Health Science Center includes a college of medicine, a college of dentistry, a school of rural public health, a school of nursing, a pharmacy school and research divisions.

The A&M System educates approximately 138,741 students and reaches another 22 million people through service and outreach programs each year. With over 24,000 faculty and staff, the A&M System has a physical presence in 250 of the state's 254 counties and a programmatic presence in every Texas county.

#### ***Overview of the Financial Statements and Financial Analysis***

The A&M System presents its financial statements for fiscal year 2014. The statements are prepared in accordance with Governmental Accounting Standards Board pronouncements, the requirements of the Texas Comptroller of Public Accounts, and the guidelines from the National Association of College and University Business Officers.

#### ***Statement of Net Position***

The Statement of Net Position presents a snapshot of assets, deferred outflows of resources, liabilities and net position (assets plus deferred outflows minus liabilities) for the A&M System as of the end of the fiscal year. Current and non-current presentation is discussed in the notes to the financial statements.

Readers of the Statement of Net Position are able to determine the assets available to continue the operations of the system. They are also able to determine the amount the system owes to

## UNAUDITED

### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

vendors, investors, and lending institutions. The statement provides a picture of net position and the availability for use by the A&M System.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the system's equity in property, plant and equipment owned by the system less the related debt. The second category, Restricted, is divided into two categories, expendable and non-expendable. Expendable restricted resources are available for use by the A&M System, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of the non-expendable restricted resources is available for investment purposes and the earnings are used to support the institutions or agencies. In 2014, balances were analyzed to ensure only the corpus was reported for the Non-Expendable restricted net position, which consist of endowment funds. The third category, Unrestricted, is available for any lawful purpose. Although Unrestricted Net Position is not subject to externally imposed stipulations, it has been internally designated for various academic and research programs and initiatives.

#### Statement of Net Position (in millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets and Deferred Outflows</b>			
Current Assets	\$ 1,840	\$ 1,538	\$ 1,809
Capital Assets, Net	4,155	3,744	3,618
Other Assets and Deferred Outflows	<u>4,997</u>	<u>3,796</u>	<u>3,326</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 10,992</u>	<u>\$ 9,078</u>	<u>\$ 8,753</u>
<b>Liabilities</b>			
Current Liabilities	\$ 1,183	\$ 1,173	\$ 1,299
Non-Current Liabilities	<u>4,026</u>	<u>3,333</u>	<u>3,221</u>
<b>Total Liabilities</b>	<u>\$ 5,209</u>	<u>\$ 4,506</u>	<u>\$ 4,520</u>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 1,462	\$ 1,308	\$ 1,284
Restricted			
Expendable	1,157	493	481
Non-Expendable	372	420	405
Unrestricted	<u>2,792</u>	<u>2,351</u>	<u>2,063</u>
<b>Total Net Position</b>	<u>\$ 5,783</u>	<u>\$ 4,572</u>	<u>\$ 4,233</u>

## UNAUDITED

### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

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The Statement of Net Position indicates a significant increase in total assets of 21%. This increase in assets is mostly attributable to an increase of \$778 million in cumulative cash equivalents and investment balances. Cash Equivalents increased by \$212 million due to additional bond proceeds held in current investments. The fair market value of investments increased by \$293 million and the realized gains totaled \$87 million. This asset increase is also attributable to an increase of \$533 million in Gift Receivables, which is mostly attributable to the present value Gift Receivable from the 12<sup>th</sup> Man Foundation for the Kyle Field Stadium Redevelopment project. There was an increase of \$411 million in net capital assets, from \$3.744 billion in 2013 to \$4.155 billion in 2014. Of the \$411 million, there was a \$298 million increase in Construction in Progress assets and a \$194 million increase in Buildings and Building Improvements. Several large building projects were completed including Texas A&M University- San Antonio Academic Building & Military Relations Facility totaling \$52 million, West Texas A&M University Underclassman Residence Hall totaling \$27 million and Texas A&M University-Central Texas University Multipurpose & Library Building totaling \$25 million.

Total liabilities increased \$702.9 million from the previous year. Notes, Loans and Bonds increased \$458 million, primarily attributable to the Kyle Field Stadium Redevelopment project. In 2014, the Kyle Field Stadium Redevelopment project incurred \$254 million in construction costs using debt funding. Liabilities Payable from Restricted Assets increased by \$46 million due to these additional construction accruals.

Funds Held for Others increased by \$91 million, the majority of this increase was attributable to \$69 million increase in investments on behalf of Stephen F. Austin University and Midwestern State University. Texas Statutes were changed to allow these universities to invest with other institutions. The Texas A&M System is able to assist with these universities' long-term investing goals.

Accounts Payable decreased \$76 million, from the 2013 amount of \$191.9 million to \$115.9 million in 2014. The 40% decrease in Accounts Payable was primarily due to the payment of large federal bills which were outstanding at the end of the previous fiscal year related to large fire seasons in 2011 and 2012 for Texas A&M Forest Service. This decrease in Accounts Payable was offset by a \$141 million increase in Other Postemployment Benefits (OPEB), which increased the total recognized OPEB liability to \$859.8 million. This accrued liability is being amortized over 30 years.

**UNAUDITED**

**The Texas A&M University System  
Management's Discussion and Analysis  
For the Year Ended August 31, 2014**

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The final section of the statement reports the net position of the A&M System. Total net position increased 26.5% from the 2013 amount of \$4.572 billion to \$5.783 billion in 2014. Unrestricted Net Position increased 19% to \$2.792 billion. Although these balances are defined as unrestricted, they do contain internal restrictions, as defined in the table below.

**Unrestricted Net Position  
(in millions)**

<b>Reserved For</b>	
Accounts Receivable	\$ 1,011
Encumbrances	159
Capital Projects	341
Unrealized Gain on Investments	313
Retirement of Indebtedness	255
Inventories	24
Higher Education Fund	25
Available University Fund	30
Self-Insured Plans	54
Prepaid Expenses and Other Reserves	51
Other State Funds	126
<b>Unreserved</b>	
Allocated	183
Funds Functioning as Endowments	<u>220</u>
<b>Total Unrestricted Net Position</b>	<b><u>\$ 2,792</u></b>



## UNAUDITED

### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

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#### *Statement of Revenues, Expenses and Changes in Net Position*

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as operating or non-operating. The Governmental Accounting Standards Board requires that state appropriations (Legislative Revenue) and federal Pell Grants be reported as non-operating revenue. This will generally result in an operating deficit for most public institutions. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation or amortization, which amortizes the cost of an asset over its expected useful life.

The purpose of this statement is to present the revenues of the A&M System, and the expenses incurred by the A&M System, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the system. The change in total net position as presented on the Statement of Net Position is a result of these activities.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the A&M System. Operating expenses are those expenses incurred to acquire goods and services provided in return for the operating revenues. Non-operating revenues are derived from sources that are not considered primary operations for an institution of higher education or state agency. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "Income (Loss) Before Other Revenues and Transfers".

The condensed Statement of Revenues, Expenses and Changes in Net Position reflect an increase in Net Position of \$1.2 billion.

During the 2014 fiscal year, revenues increased \$1 billion. The most significant changes are listed below.

- A \$563 million increase in Gift Revenue, \$533 million is the present value of the 12<sup>th</sup> Man Foundation Gift related to the Kyle Field Stadium Redevelopment project.
- A \$207 million increase in investment income including interest income, an increase in unrealized gains of \$275 million and a decrease of \$68 million in realized gains.

During the 2014 fiscal year, operating expenses increased \$230 million. The most significant changes are listed below.

- Net Change in Other Post Employment benefits is considered an operating expense. This net change increased by \$25.2 million which was a 22% increase from the prior year. As benefit expenses increase the actuarial assumptions that are used to calculate this liability are also increasing.

## UNAUDITED

### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

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- Professional Fees & Services increased \$67.6 million. Several institutions recorded additional payments to the outsourced vendors for dining, custodial, grounds, and maintenance of operations totaling \$32 million. Historically, these expenses were recorded as internal service centers and eliminated. Texas Engineering Experiment Station had an increase of \$8 million due to an increase in sponsored projects resulting from an upward trend in subrecipient agreements with private and foreign agreements.
- Salaries & Wages had a slight increase of 3% and \$49 million; however, the payroll related costs increased 15% which totaled \$50 million. This is attributable to an increase in insurance costs for current employees and retirees.

Total Non-Operating Revenues and Expenses for 2014 is \$2.2 billion, an increase from the 2013 amount of \$1.3 billion. The largest increase is attributable to Gift Revenue increase of \$563 million as mentioned above. The second largest factor is investment earnings which increased \$207 million. Legislative revenue totaled \$1 billion for 2014, an increase of 13% or \$113 million. This increase is primarily attributable to \$28.6 million increase to Texas A&M Health Science Center due to growth in students in the last formula funding cycle. There was also a \$14.1 million increase to the Texas A&M Forest Service to support the expansion of the Texas Wildfire Protection Plan. The new Texas A&M campuses, Texas A&M University-San Antonio and Texas A&M University-Central Texas received an additional \$5 million for new formula funding.

Other Revenues and Transfers increased 39% from the 2013 amount of \$376 million to \$521 million in 2014. The largest factors include an increase in Capital Contributions of \$37 million and an \$87 million increase in Transfers from Other State Agencies, attributable to an increase in the Permanent University Fund accruals and additional Available University Fund transfers from the University of Texas.

## UNAUDITED

### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

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

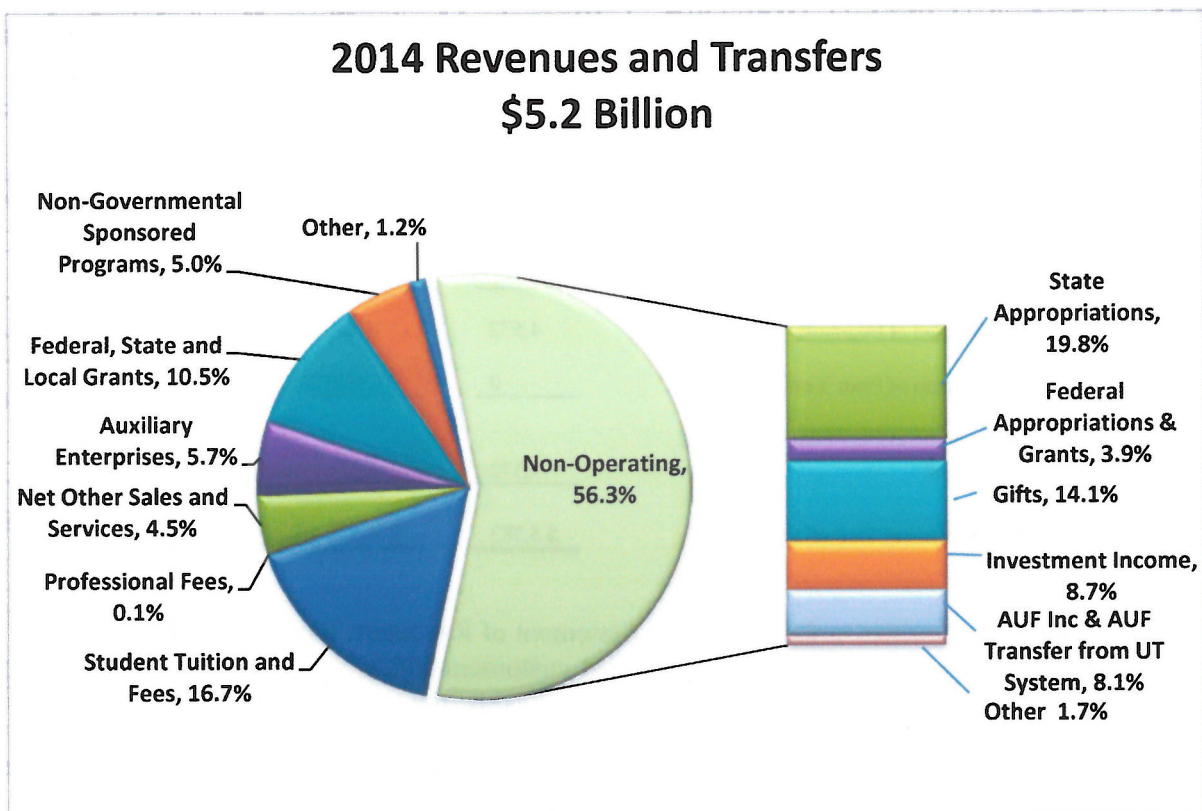
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 2,257	\$ 2,210	\$ 2,062
Operating Expenses	<u>(3,798)</u>	<u>(3,568)</u>	<u>(3,523)</u>
Operating (Loss)	(1,541)	(1,358)	(1,461)
NonOperating Revenues	<u>2,231</u>	<u>1,334</u>	<u>1,348</u>
Income (Loss) Before Other Revenues and Transfers	690	(24)	(113)
Other Revenues, and Transfers	<u>521</u>	<u>375</u>	<u>366</u>
Change in Net Position	<u>1,211</u>	<u>351</u>	<u>253</u>
Net Position at Beginning of Year	4,572	4,233	3,978
Restatement of Prior Year Balance	<u>0</u>	<u>(12)</u>	<u>2</u>
Net Position at Beginning of Year-As Restated	<u>4,572</u>	<u>4,221</u>	<u>3,980</u>
<b>Net Position at End of Year</b>	<u><u>\$ 5,783</u></u>	<u><u>\$ 4,572</u></u>	<u><u>\$ 4,233</u></u>

Certain internal activities embedded in the Statement of Revenues, Expenses and Changes in Net Position provide goods and services to internal customers and to other A&M System members. These activities include self-insured programs (health, dental, etc.), repairs & maintenance, utilities, computer services, and other interdepartmental activities. The net operating revenues for these internal activities were eliminated to the extent of operating expenses. The total eliminated was approximately \$524.6 million. The majority of this activity relates to the self-insured programs which reported operating expenses of approximately \$244 million. Of the remaining \$280.6 million in operating expenses eliminated, \$90.4 million includes utilities and communications plus repairs and maintenance as well as \$64.9 million represented salaries and wages and \$17.5 million represented other payroll related costs.

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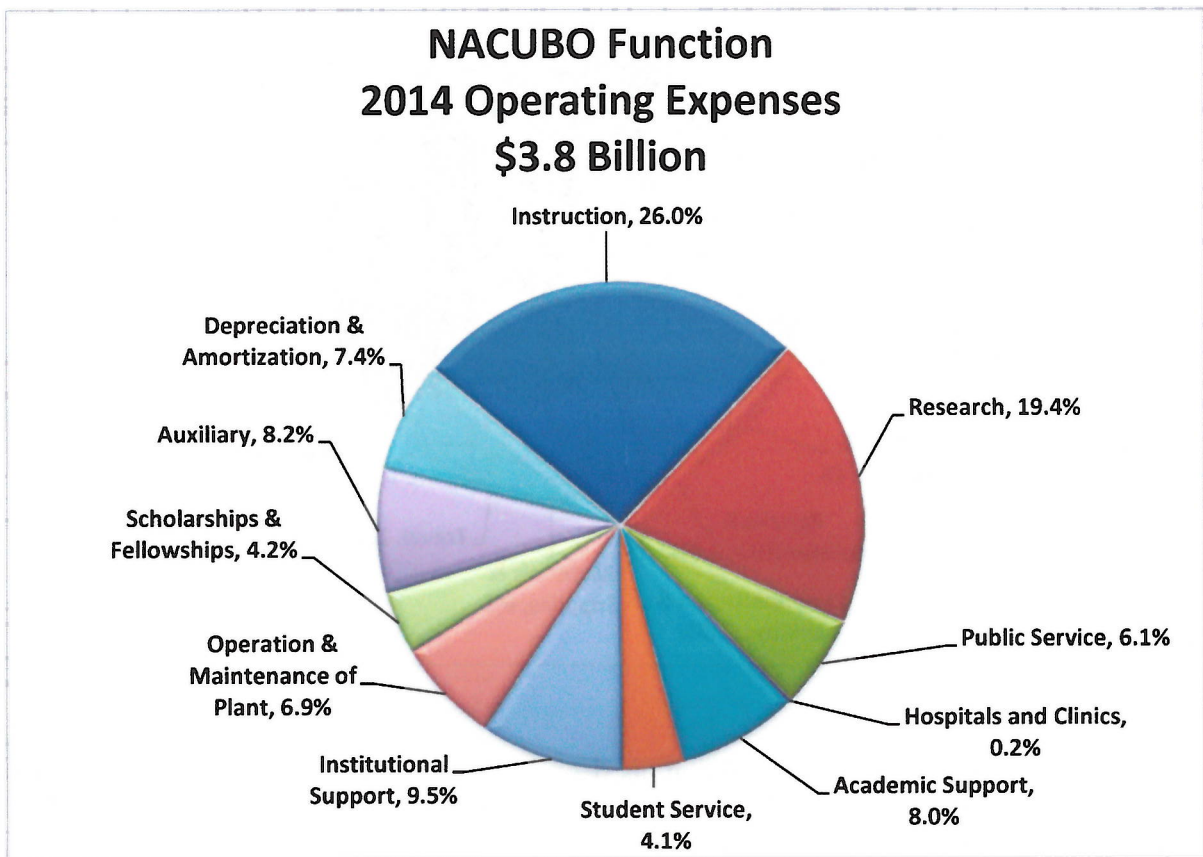
The following graph presents total revenues and transfers for the fiscal year ended August 31, 2014. Revenues are presented as operating and non-operating in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues totaled \$2.3 billion and non-operating revenues plus transfers in totaled \$2.9 billion for a total of \$5.2 billion.



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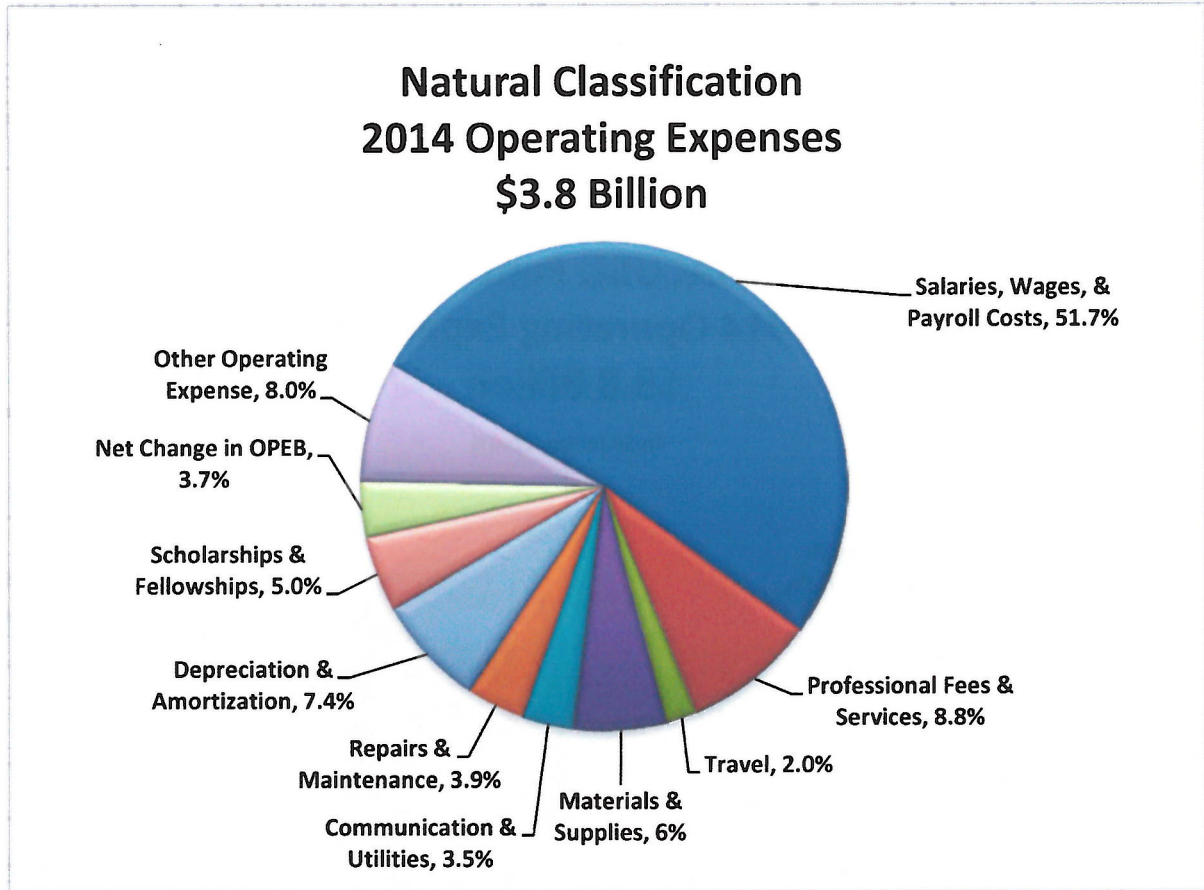
The Texas A&M University System  
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The following two graphs present operating expenses of \$3.8 billion. The first graph presents the operating expenses in the National Association of College and University Business Officers (NACUBO) functional classification and the second graph presents operating expenses in the natural classification.



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Operating expenses totaled \$3.8 billion, as depicted in the graph, and non-operating expenses plus transfers out equaled \$167.8 million. Interest expense and fiscal charges increased \$12.5 million from the prior year due to the increase in debt.

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

#### *Statement of Cash Flows*

The final statement presented is the Statement of Cash Flows. This statement presents detailed information on the cash activity during the year. The first section presents operating cash flows and the net cash used by operating activities. The next section presents the results of non-capital financing activities. This section includes the cash flows from state appropriations and other non-operating activities. The capital and related financing activities section includes cash used for acquisition and construction of capital assets. The investing activities section reports purchases, proceeds, and earnings from investments. The final section is a reconciliation of net cash from operations to operating income.

#### Statement of Cash Flows (in millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Cash Flows From</b>			
Operating Activities	\$ (1,226)	\$ (1,068)	\$ (1,002)
Non-Capital Financing Activities	1,718	1,621	1,605
Capital and Related Financing Activities	(222)	(518)	(302)
Investing Activities	<u>(105)</u>	<u>(172)</u>	<u>(70)</u>
<b>Net Change in Cash &amp; Cash Equivalents</b>	165	(137)	231
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<u>956</u>	<u>1,093</u>	<u>862</u>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<u>\$ 1,121</u>	<u>\$ 956</u>	<u>\$ 1,093</u>

#### *Capital Asset and Debt Administration*

The A&M System is committed to continuous improvements in the quality of its academic, research, and service programs through the development and renewal of its capital assets. The System continues to implement its long-range plan to modernize existing teaching and research facilities along with plans for new construction.

Capitalized expenses for construction in progress during 2014 totaled \$301 million, as compared to \$531 million in 2013. This represents projects that have been substantially completed and moved to the appropriate capital asset categories.

The A&M System had significant capital asset additions for facilities in 2014. There are many construction projects in various stages of completion including major projects mostly managed by the System Offices and minor projects managed by the members. These projects represent \$599 million in payments for construction in progress during 2014. Approximately, \$227 million is related to the Kyle Field Stadium Redevelopment.

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**The Texas A&M University System  
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The major construction projects listed below are in progress or scheduled to be completed over the next two years.

<i>Campus/Project Name</i>	<i>Projected Fiscal Year Completion</i>	<i>Projected Budget</i>
<b>Texas A&amp;M University</b>		
Utility Production Upgrade-FY 2013	2015	\$12,087,000
Zachry Building Renovation and Expansion	2016	13,700,000
Bright Building Renovation	2016	16,024,000
West Campus Housing Infrastructure	2017	19,000,000
Utility Production Upgrade-FY 2014	2016	20,173,400
Student Recreation Center Addition	2015	54,000,000
CVM & BioMed Science New Education Building	2015	121,200,000
Kyle Field Stadium Redevelopment	2016	450,231,937
<b>Sub-total</b>		<u>706,416,337</u>
<b>Texas A&amp;M Health Science Center</b>		
Pandemic Influenza Facility	2015	78,431,373
<b>Prairie View A&amp;M University</b>		
Student Recreation Center	2016	31,390,000
Agriculture & Business Multipurpose Classroom Building	2016	37,800,000
<b>Sub-total</b>		<u>69,190,000</u>
<b>Texas A&amp;M University-Corpus Christi</b>		
University Center Expansion	2016	28,465,000
<b>TOTAL</b>		<u><u>\$882,502,710</u></u>



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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

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The A&M System understands its role of financial stewardship and works to manage its resources effectively, including the prudent use of debt to finance capital projects.

During fiscal year 2014, the A&M System issued taxable and tax-exempt bonds under the Revenue Financing System debt program to provide construction funds for the redevelopment of the Kyle Field Stadium at Texas A&M University, to fund capitalized interest, and to pay the cost of issuing the bonds. The Revenue Financing System Bonds, Taxable Series 2013C had a par amount of \$239,965,000 with a true interest cost of 4.94%. The Revenue Financing System Bonds, Series 2013D had a par amount of \$94,365,000 with a true interest cost of 3.51%.

The A&M System also issued bonds under the Permanent University Fund debt program to refund a portion of previously outstanding bonds, to provide funding for eligible projects, and to pay the costs of issuing the bonds. The Permanent University Fund Bonds, Series 2013 had a par amount of \$208,465,000 with a true interest cost of 2.78%. Refundings associated with this bond issue resulted in \$8,942,319 of total savings or \$8,354,302 of net present value savings equating to a net present value benefit of 10.85%. Revenue Financing System Commercial Paper in the amount of \$87 million, Revenue Financing System Taxable Commercial Paper in the amount of \$32.6 million, and Permanent University Fund Taxable Commercial Paper in the amount of \$48 million were issued to fund eligible projects.

The A&M System has sufficient debt capacity to finance planned facilities and other capital improvements. In addition, the State appropriated amounts are sufficient for the reimbursement of debt service on all outstanding and planned Tuition Revenue Bond debt for the FY2014-2015 biennium. For additional information concerning Capital Assets and Debt Administration, see the Notes to the Financial Statements.

#### ***Economic Outlook***

Capital markets ended the fiscal year mixed, with stocks experiencing double digit gains and bonds earning mid-single digit returns for the trailing twelve months. In June, talk of “tapering” Federal Reserve asset purchases placed downward pressure on stocks and upward pressure on interest rates. Typically, when central bank activity is moderate, investors tend to focus on fundamentals. However, with extreme central bank intervention globally, monetary policy has and will likely continue to move the financial markets.

Given this backdrop, the A&M System has built diversified portfolios across asset classes which have the potential to perform reasonably well in a wide variety of capital market environments. The portfolios are not immune from large market dislocations, and will experience declines in market value from time to time. However, these declines will also provide opportunities to

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### The Texas A&M University System Management's Discussion and Analysis For the Year Ended August 31, 2014

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acquire assets at substantial discounts that will benefit performance over longer-term investment periods.

#### *Significant Events*

Several leadership changes occurred in the A&M System during fiscal year 2014, these changes are included below.

- Dr. Brett P. Giroir appointed as Executive Vice President & CEO for Texas A&M Health Science Center
- Mr. Tommy Williams appointed Vice Chancellor of Federal and State Relations for the Texas A&M University System
- Dr. Jerry R. Strawser named the Texas A&M University's Vice President for Finance and Administration and Chief Financial Officer
- Ms. Alicia Currin named Vice President for Business & Administration at Texas A&M University Commerce
- Appointment of James Scogin as Vice President for Finance and Administration, Texas A&M Texarkana
- Ms. Sherri A. Bays named Vice President for Business and Finance at West Texas A&M University.
- Dr. Bruce L. Akey, DVM, M.S. was appointed as Executive Deputy Director, Texas Veterinary Medical Diagnostic Laboratory
- Mr. Colton L. Buckley who is pursuing a bachelor's degree in political science from Tarleton State University was appointed by Governor Perry as the student regent for Texas A&M University System

In fiscal year 2013, the A&M System Board of Regents approved the \$450 million Kyle Field Stadium Redevelopment project with a future stadium capacity of 102,500. The renovation and expansion of Kyle Field Stadium began immediately following the 2013 football season and is scheduled to be completed in time for the 2015 season. In fiscal year 2014, \$227 million was completed and recorded in Construction in Progress on the Financial Statements.

Texas A&M University acquired the Texas Wesleyan School of Law on August 13, 2013. Law school classes began August 19, 2013, with 770 students enrolled for Fall 2013. Details of the Wesleyan School of Law purchase are presented in the notes to the financial statements (Note 28).

The Texas A&M University System established a new service unit effective September 1, 2013, Texas A&M Technology Commercialization, to consolidate commercialization activities and assist those associated with the A&M System in the protection, licensing and commercialization of their discoveries.

On September 10, 2013, the administration of the Center for Innovation in Advanced Development and Manufacturing transferred to the Texas A&M Health Science Center. The

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**The Texas A&M University System  
Management's Discussion and Analysis  
For the Year Ended August 31, 2014**

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Texas A&M System will continue to be the prime contractor and remain responsible to the government for performing all contractual obligations, including providing appropriate oversight of the activities covered by the contract.

On January 31, 2014, the Texas A&M University System Board of Regents approved an initial two-year ground lease in Houston's world-renowned Texas Medical Center to allow for expansion of the Texas A&M Health Science Center Houston campus and future construction of a multidisciplinary research and education building on the acquired land.

On July, 2014, the Texas A&M University System and the Food and Agriculture Organization (FAO) of the United Nations agreed to work together to combat world hunger by building capacity for sustainable agriculture and natural resource management in developing countries. Under this new agreement, Texas A&M System and FAO will carry out initiatives to strengthen agricultural production innovations, land and water management practices, and plant and animal health in order to improve food security.

The Texas A&M University System Board of Regents voted to establish guaranteed tuition and fee rates for all undergraduate students. Beginning in the fall of 2014, the four-year rates will be locked in for incoming freshmen.

The Texas A&M System continues to focus on its mission to serve the needs of the state of Texas. The continued enrollment growth, quality education, expansion of sponsored project activity, and the successful capital improvements are an integral part of the future of the A&M System.

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## Exhibit III

## The Texas A&amp;M University System

Combined Statement of Net Position

For the Year Ended August 31, 2014

	Current Year Total	Prior Year Total
<b>Assets and Deferred Outflows</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents (Schedule Three)	\$ 732,687,391.15	\$ 779,523,659.17
Derivative Investments	107,608.30	1,041,606.85
Restricted		
Cash & Cash Equivalents (Schedule Three)	387,876,077.71	176,602,363.10
Investments	23,122.89	21,605.28
Legislative Appropriations	93,013,638.01	69,026,423.57
Receivables, Net (Note 24)		
Federal	138,120,307.68	98,155,954.15
Other Intergovernmental	4,011,873.88	4,621,305.28
Interest and Dividends	6,988,993.84	6,222,232.99
Gifts	72,825,116.41	22,458,838.78
Self-Insured Health and Dental	23,035,132.09	21,875,180.41
Student	31,185,141.17	27,927,333.93
Investment Trades	49,225,905.94	42,967,601.13
Accounts	101,762,894.49	101,240,709.41
Other	4,109,987.49	11,604,530.14
Due From Other Agencies	19,385,279.48	19,435,255.66
Consumable Inventories	18,679,625.08	18,375,885.20
Merchandise Inventories	5,917,039.68	6,353,676.98
Loans and Contracts	29,495,698.13	25,916,568.18
Interfund Receivable (Note 12)	29,005,000.00	23,160,000.00
Other Current Assets	92,729,855.70	81,784,085.28
<b>Total Current Assets</b>	<b>\$ 1,840,185,689.12</b>	<b>\$ 1,538,314,815.49</b>
<b>Non-Current Assets</b>		
Restricted		
Investments (Note 3)	\$ 1,044,383,133.07	\$ 872,072,479.89
Loans, Contracts and Other	3,028,082.20	3,956,469.70
Gifts Receivable	535,267,225.28	52,498,436.52
Loans and Contracts	14,659,646.16	18,625,675.25
Investments (Note 3)	2,537,383,244.22	2,095,406,984.95
Interfund Receivable (Note 12)	821,412,528.29	709,159,493.83
Capital Assets, Non-Depreciable (Note 2)		
Land and Land Improvements	145,637,330.94	141,663,695.83
Construction In Progress	597,738,303.80	299,646,873.50
Other Tangible Capital Assets	45,706,801.36	44,279,418.27
Land Use Rights	92,817.00	92,817.00
Capital Assets, Depreciable (Note 2)		
Buildings and Building Improvements	4,560,602,654.46	4,366,634,172.77
Infrastructure	639,835,401.54	579,248,726.84
Facilities and Other Improvements	382,703,534.45	336,938,718.45
Furniture and Equipment	748,347,574.87	723,826,589.08
Vehicles, Boats, and Aircraft	122,723,104.29	116,065,285.49
Other Capital Assets	216,127,571.96	212,201,999.24
Intangible Capital Assets, Amortized (Note 2)		
Land Use Rights	255,457.00	255,457.00
Computer Software	61,355,191.61	61,584,145.25
Accumulated Depreciation/Amortization	(3,366,211,358.78)	(3,138,257,625.97)
Assets Held In Trust	362,100.00	362,100.00
Other Non-Current Assets	5,019,060.75	5,019,060.75
<b>Total Non-Current Assets</b>	<b>\$ 9,116,429,404.47</b>	<b>\$ 7,501,280,973.64</b>
<b>Deferred Outflows of Resources</b>		
Government Acquisition (Note 28)	\$ 35,142,733.83	\$ 39,065,643.65
<b>Total Deferred Outflows of Resources</b>	<b>\$ 35,142,733.83</b>	<b>\$ 39,065,643.65</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 10,991,757,827.42</b>	<b>\$ 9,078,661,432.78</b>

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**Exhibit III**  
**The Texas A&M University System**  
 Combined Statement of Net Position  
 For the Year Ended August 31, 2014

	Current Year Total	Prior Year Total
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables		
Accounts	\$ 115,919,344.51	\$ 191,960,787.07
Payroll	118,601,948.01	106,593,082.86
Investment Trades	54,412,380.11	53,064,711.62
Self-Insured Health and Dental	25,270,531.97	28,331,712.32
Other	18,905,459.00	12,200,464.72
Interfund Payable (Note 12)	3,208,630.76	3,208,630.76
Due to Other Agencies	2,140,438.06	2,992,912.20
Unearned Revenue	553,265,897.27	545,677,395.72
Employees Compensable Leave	20,549,603.60	11,763,567.10
Claims and Judgments	2,445,000.00	2,249,000.00
Notes and Loans Payable (Note 5)	4,752,333.34	728,333.34
Bonds Payable (Note 6)	148,081,823.37	135,355,610.02
Capital Lease Obligations	611,234.05	693,770.19
Liabilities Payable From Restricted Assets	48,824,937.74	18,428,811.84
Funds Held for Others	40,302,152.58	34,542,105.56
Other Current Liabilities	25,655,110.50	25,664,427.71
<b>Total Current Liabilities</b>	<b>\$ 1,182,946,824.87</b>	<b>\$ 1,173,455,323.03</b>
<b>Non-Current Liabilities</b>		
Interfund Payable (Note 12)	\$ 10,448,728.12	\$ 11,878,542.30
Employees Compensable Leave	87,966,772.91	91,286,404.76
Other Post Employment Benefits (Note 11)	859,766,188.00	719,224,595.00
Claims and Judgments	6,590,000.00	6,015,000.00
Notes and Loans Payable (Note 5)	116,667,333.30	14,596,666.64
Bonds Payable (Note 6)	2,697,638,739.25	2,358,406,144.93
Assets Held In Trust	362,100.00	362,100.00
Liabilities Payable From Restricted Assets	17,123,803.31	1,410,706.82
Funds Held for Others	164,300,679.33	78,811,322.58
Capital Lease Obligations	590,164.54	2,173,063.44
Other Non-Current Liabilities	64,526,304.34	48,386,771.97
<b>Total Non-Current Liabilities</b>	<b>\$ 4,025,980,813.10</b>	<b>\$ 3,332,551,318.44</b>
<b>Total Liabilities</b>	<b>\$ 5,208,927,637.97</b>	<b>\$ 4,506,006,641.47</b>
<b>Net Position</b>		
Net Investment In Capital Assets	\$ 1,461,602,642.25	\$ 1,307,774,114.02
Restricted for		
Capital Projects	540,346,838.64	40,433,189.27
Education	316,789,930.42	281,666,779.08
Endowment and Permanent Funds		
Nonexpendable	369,479,779.40	420,073,627.66
Expendable	302,341,460.06	170,847,122.44
Unrestricted	2,792,269,538.68	2,351,859,958.84
<b>Total Net Position (Exhibit IV)</b>	<b>\$ 5,782,830,189.45</b>	<b>\$ 4,572,654,791.31</b>

The Accompanying Summary of Significant Accounting Policies and Notes to  
 Financial Statements are an integral part of this statement.

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Exhibit IV

**The Texas A&M University System**

Combined Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended August 31, 2014

	Current Year Total	Prior Year Total
<b>Operating Revenues</b>		
Tuition and Fees-Pledged	\$ 1,145,080,778.16	\$ 1,054,996,966.52
Discounts and Allowances	(282,603,979.43)	(253,678,173.31)
Net Hospitals and Clinics	9,073,886.53	5,040,360.27
Net Professional Fees	1,032,608.50	793,815.51
Net Auxiliary Enterprises	293,229,819.45	273,031,808.89
Net Other Sales of Goods and Services	257,150,473.89	240,113,518.17
Discounts and Allowances-Sales	(34,241,991.93)	(30,520,847.51)
Interest Revenue	2,956,017.46	1,096,225.65
Federal Revenue - Operating	420,697,629.82	413,448,466.83
Federal Pass Through Revenue	26,091,835.03	127,291,743.10
State Grant Revenue	3,435,724.66	1,099,147.51
State Pass Through Revenue	93,210,059.47	67,912,751.50
Other Grants and Contracts - Operating	261,588,812.78	242,468,273.03
Other Operating Revenue	60,509,147.71	66,685,023.79
<b>Total Operating Revenues</b>	<b>\$ 2,257,210,822.10</b>	<b>\$ 2,209,779,079.95</b>
<b>Operating Expenses</b>		
Instruction	\$ 987,568,293.43	\$ 956,818,369.59
Research	737,218,694.79	700,966,974.70
Public Service	233,109,388.90	170,031,770.68
Hospitals and Clinics	9,104,703.80	10,079,207.50
Academic Support	301,848,566.91	287,129,721.12
Student Services	153,671,817.83	145,592,241.50
Institutional Support	362,448,264.34	335,626,452.45
Operation & Maintenance of Plant	263,534,459.46	229,736,069.88
Scholarships & Fellowships	159,131,340.89	158,770,321.92
Auxiliary	311,524,134.25	299,990,338.74
Depreciation/Amortization	279,062,566.91	273,262,499.53
<b>Total Operating Expenses (Schedule IV-1)</b>	<b>\$ 3,798,222,231.51</b>	<b>\$ 3,568,003,967.61</b>
<b>Total Operating Loss</b>	<b>\$ (1,541,011,409.41)</b>	<b>\$ (1,358,224,887.66)</b>
<b>NonOperating Revenues (Expenses)</b>		
Legislative Revenue	\$ 1,000,652,789.96	\$ 886,816,139.51
Federal Revenue Non-Operating	204,369,245.56	194,466,293.78
Federal Pass Through Non-Operating	2,000.00	
State Pass Through Non-Operating		7,116,762.80
Gifts	680,642,777.73	117,925,487.98
Land Income	15,463,110.30	5,688,031.12
Investment Income	176,508,110.60	244,463,263.25
Investing Activities Expense	(6,083,530.81)	(4,984,877.24)
Interest Expense and Fiscal Charges	(114,553,764.53)	(102,082,300.63)
Borrower Rebates and Agent Fees	(2,566,413.84)	(1,987,357.49)
Gain (Loss) On Sale or Disposal of Capital Assets	11,109,714.62	(60,293.25)
Net Increase (Decrease) In Fair Value	274,706,270.62	113,756.55
Settlement of Claims	(338,879.62)	(184,669.09)
Other NonOperating Revenues	20,993,904.66	41,575,893.98
Other NonOperating (Expenses)	(30,604,834.74)	(54,622,409.12)
<b>Total NonOperating Revenues</b>	<b>\$ 2,230,300,500.51</b>	<b>\$ 1,334,243,722.15</b>
<b>Income (Loss) Before Other Revenues and Transfers</b>	<b>\$ 689,289,091.10</b>	<b>\$ (23,981,165.51)</b>

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Exhibit IV

**The Texas A&M University System**  
 Combined Statement of Revenues, Expenses, and Changes in Net Position  
 For the Year Ended August 31, 2014

	<b>Current Year Total</b>	<b>Prior Year Total</b>
<b>Other Revenues and Transfers</b>		
Capital Contributions	\$ 42,064,427.08	\$ 4,731,493.97
Capital Appropriations (Higher Education Fund)	27,136,522.00	27,136,522.00
Additions to Permanent and Term Endowments	6,279,086.55	10,374,253.32
Transfers In		
Transfers From Other State Agencies	458,164,026.21	370,793,209.69
Nonmandatory Transfers From Other State Agencies-Capital Assets	876,008.90	212,053.11
Transfers Out		
Transfers to Other State Agencies	(13,064,432.79)	(37,538,604.53)
Nonmandatory Transfers to Other State Agencies-Capital Assets	(74,670.67)	(4,635.00)
Legislative Appropriations Lapsed	(494,660.24)	(82,941.97)
<b>Total Other Revenues and Transfers</b>	<b>\$ 520,886,307.04</b>	<b>\$ 375,621,350.59</b>
<b>Change In Net Position</b>	<b>\$ 1,210,175,398.14</b>	<b>\$ 351,640,185.08</b>
Net Position, Beginning of Year	\$ 4,572,654,791.31	\$ 4,232,986,587.84
Restatement		(11,971,981.61)
Net Position, Beginning of Year, Restated	\$ 4,572,654,791.31	\$ 4,221,014,606.23
<b>Net Position, End of Year</b>	<b>\$ 5,782,830,189.45</b>	<b>\$ 4,572,654,791.31</b>

The Accompanying Summary of Significant Accounting Policies and Notes to Financial Statements are an integral part of this statement.

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Schedule IV-1

**The Texas A&M University System**  
 Combined NACUBO Function to Natural Classification Matrix  
 For the Year Ended August 31, 2014

Natural Classification	Instruction	Research	Public Service	Hospitals & Clinics	Academic Support	Student Services
Cost of Goods Sold	\$ 149,789.72	\$ 868,435.02	\$ 537,185.56	\$ -	\$ 185,941.62	\$ 44,995.93
Salaries & Wages	673,155,862.09	328,238,639.78	116,130,289.72	5,531,916.08	147,158,288.49	73,820,717.52
Payroll Related Costs	153,842,253.11	70,852,172.03	40,303,285.25	1,290,862.29	33,876,335.13	18,434,527.51
Professional Fees & Services	33,940,681.06	111,393,574.48	10,706,383.17	313,299.34	38,887,946.45	9,368,524.05
Travel	19,382,935.31	25,199,393.18	5,551,181.16	77,605.92	7,396,399.42	4,397,581.94
Materials & Supplies	47,631,004.09	77,994,010.91	15,653,563.62	802,402.13	41,137,579.24	12,475,155.40
Communication & Utilities	6,008,665.93	11,168,400.50	3,970,615.38	61,945.94	6,983,160.14	2,317,351.03
Repairs & Maintenance	6,551,808.09	12,968,320.25	4,122,437.46	137,865.94	7,129,908.13	5,586,306.51
Rentals & Leases	11,790,425.05	11,807,136.53	5,681,254.69	467,829.02	3,683,200.99	6,109,735.24
Printing & Reproduction	2,933,135.43	1,963,800.29	1,355,652.96	10,154.24	1,524,527.65	1,425,664.56
Federal Pass-Through	2,331.77	3,140,609.60	36,724.41			
State Pass-Through	24,028.48	250,101.58	150,758.10			
Depreciation & Amortization						
Bad Debt Expense						723,296.46
Interest	8,194.97	10,112.55	2,334.08	96.90	6,639.82	2,539.38
Scholarships	3,463,846.62	22,554,152.94	405,407.98		1,729,034.01	1,019,377.84
Claims & Losses						
Net Change In OPEB Obligation						
Other Operating Expenses	28,683,331.71	58,809,835.15	28,502,315.36	410,726.00	12,149,605.82	17,946,044.46
<b>Total Operating Expenses</b>	<b>\$ 987,568,293.43</b>	<b>\$ 737,218,694.79</b>	<b>\$ 233,109,388.90</b>	<b>\$ 9,104,703.80</b>	<b>\$ 301,848,566.91</b>	<b>\$ 153,671,817.83</b>



<b>Institutional Support</b>	<b>Operation &amp; Maintenance of Plant</b>	<b>Scholarships &amp; Fellowships</b>	<b>Auxiliary</b>	<b>Depreciation &amp; Amortization</b>	<b>Total</b>	<b>Prior Year</b>
\$ 8,864.70	\$ 1,763.69	\$ 1,081.26	\$ 7,127,395.62	\$ -	\$ 8,925,453.12	\$ 10,716,172.73
111,324,941.57	21,669,014.56	6,691,295.02	94,812,448.65		1,578,533,413.48	1,528,965,371.87
38,563,683.23	7,295,830.91	213,566.06	20,638,104.64		385,310,620.16	335,205,228.17
31,934,453.08	45,442,323.91	272,902.78	51,437,954.06		333,698,042.38	266,097,443.83
2,552,721.17	372,391.44	283,431.83	12,222,655.50		77,436,296.87	74,692,766.75
9,931,645.88	8,242,035.86	226,653.19	18,953,409.84		233,047,460.16	230,044,025.95
5,272,730.48	68,536,285.17	17,408.50	26,974,691.90		131,311,254.97	130,388,588.90
4,954,895.35	85,225,853.04	9,663.22	19,398,596.41		146,085,654.40	124,892,096.24
2,264,975.45	6,313,866.31	218,037.80	17,183,932.09		65,520,393.17	55,523,692.97
899,050.68	38,300.78	7,199.17	1,488,973.07		11,646,458.83	11,616,653.66
		662,451.34			3,842,117.12	4,563,825.64
41,278.79		201,529.56			667,696.51	318,572.47
				279,062,566.91	279,062,566.91	273,262,499.53
					723,296.46	666,093.27
6,112.46	13,509.31	34.47	6,594.62		56,168.56	48,391.51
618,761.47	246,405.52	149,673,251.50	10,693,635.32		190,403,873.20	188,361,739.09
5,212.01	541,200.00				546,412.01	13,751,166.63
140,541,593.00					140,541,593.00	115,346,566.00
13,527,345.02	19,595,678.96	652,835.19	30,585,742.53		210,863,460.20	203,543,072.40
<b>\$ 362,448,264.34</b>	<b>\$ 263,534,459.46</b>	<b>\$ 159,131,340.89</b>	<b>\$ 311,524,134.25</b>	<b>\$ 279,062,566.91</b>	<b>\$ 3,798,222,231.51</b>	<b>\$ 3,568,003,967.61</b>

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Exhibit V

**The Texas A&M University System**

Combined Statement of Cash Flows

For the Year Ended August 31, 2014

	Current Year Total	Prior Year Total
<b>Cash Flows From Operating Activities</b>		
Proceeds Received From Tuition and Fees	\$ 814,311,719.82	\$ 795,120,232.75
Proceeds Received From Customers	272,176,386.84	246,289,962.99
Proceeds From Sponsored Programs	894,274,711.69	939,424,570.22
Proceeds From Auxiliary Enterprises	244,459,539.21	240,080,296.99
Proceeds From Loan Programs	10,388,790.07	2,320,776.67
Proceeds From Other Operating Revenues	97,329,849.81	110,537,268.49
Payments to Suppliers for Goods and Services	(1,347,344,348.89)	(1,304,349,379.89)
Payments to Employees - Salaries & Benefits	(1,948,877,452.85)	(1,869,002,045.08)
Payments for Loans Provided	(7,502,797.76)	(3,868,734.82)
Payments for Other Operating Expenses	(255,076,473.25)	(224,990,522.33)
<b>Net Cash Used By Operating Activities</b>	<b>\$ (1,225,860,075.31)</b>	<b>\$ (1,068,437,574.01)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Proceeds From State Appropriations	\$ 972,859,558.89	\$ 921,265,734.40
Proceeds From Gifts	147,619,336.90	131,029,575.31
Proceeds From Endowments	6,279,086.55	5,374,253.32
Proceeds - Transfers From Other Funds	339,316,672.82	372,761,392.62
Proceeds From Other Grant Receipts	205,440,641.47	208,400,602.17
Proceeds From Other Noncapital Financing Activities	128,524,142.31	68,590,847.03
Payments of Interest	(479,854.80)	
Payments - Transfers to Other Funds	(13,738,243.47)	(13,028,029.59)
Payments for Other Noncapital Financing Uses	(68,373,575.67)	(73,473,126.81)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>\$ 1,717,447,765.00</b>	<b>\$ 1,620,921,248.45</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds From Sale of Capital Assets	\$ 15,011,573.83	\$ 2,105,106.17
Proceeds From Debt Issuance	758,865,913.82	476,105,303.19
Proceeds From State Grants and Contracts	30,364,140.27	26,634,295.48
Proceeds From Interfund Loans	1,136,299.28	14,138,070.60
Proceeds From Other Capital & Related Financing Activities		74,397.51
Payments for Additions to Capital Assets	(607,672,451.22)	(416,270,081.13)
Payments of Principal On Debt Issuance	(300,812,439.49)	(512,570,060.34)
Payments for Capital Leases	(284,122.56)	(255,305.69)
Payments for Interest On Debt Issuance	(114,071,009.72)	(102,079,218.40)
Payments for Interfund Loans	(2,396,669.73)	(3,762,334.52)
Payments of Other Costs On Debt Issuance	(2,555,710.94)	(2,037,068.41)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>\$ (222,414,476.46)</b>	<b>\$ (517,916,895.54)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds From Sales and Maturities of Investments	\$ 2,646,288,999.63	\$ 3,244,114,476.27
Proceeds From Interest and Investment Income	62,415,953.09	49,397,203.43
Payments to Acquire Investments	(2,813,440,719.36)	(3,465,352,918.47)
<b>Net Cash Used By Investing Activities</b>	<b>\$ (104,735,766.64)</b>	<b>\$ (171,841,238.77)</b>
<b>Increase (Decrease) In Cash and Cash Equivalents</b>	<b>\$ 164,437,446.59</b>	<b>\$ (137,274,459.87)</b>
Cash and Cash Equivalents, Beginning of Year	\$ 956,126,022.27	\$ 1,093,400,482.14
<b>Cash and Cash Equivalents, End of Year (Sch Three)</b>	<b>\$ 1,120,563,468.86</b>	<b>\$ 956,126,022.27</b>

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Exhibit V

**The Texas A&M University System**

Combined Statement of Cash Flows  
For the Year Ended August 31, 2014

	Current Year Total	Prior Year Total
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating Loss	\$ (1,541,011,409.41)	\$ (1,358,224,887.66)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</b>		
Depreciation and Amortization	279,062,566.91	273,262,499.53
Bad Debt Expense	4,448,146.60	5,634,593.36
Changes In Assets and Liabilities		
Accounts Receivable, Net	(37,976,146.90)	(10,996,733.13)
Due From Other Agencies/Funds	1,303,662.06	(1,231,677.96)
Inventories	132,897.42	177,775.89
Prepaid Expenses	(10,805,618.62)	(7,781,580.86)
Loans and Contracts	591,905.51	2,411,765.84
Other Assets	5,834,641.41	(22,745,730.21)
Payables	(59,030,585.90)	(144,590,615.38)
Due to Other Agencies/Funds	(852,474.14)	418,798.00
Unearned Revenue	6,246,459.30	38,525,308.29
Deposits	(151,933.88)	3,049,222.65
Compensated Absence Liability	5,466,404.65	570,839.21
Other Post Employment Benefits Liability	140,541,593.00	115,346,566.00
Self Insured Accrued Liability	(2,290,180.35)	6,462,824.00
Other Liabilities	(17,370,002.97)	31,273,458.42
<b>Total Adjustments</b>	<b>\$ 315,151,334.10</b>	<b>\$ 289,787,313.65</b>
<b>Net Cash Used By Operating Activities</b>	<b>\$ (1,225,860,075.31)</b>	<b>\$ (1,068,437,574.01)</b>
<b>Non-Cash Transactions</b>		
Donation of Capital Assets	\$ 42,064,427.08	\$ 2,998,772.44
Net Change In Fair Value of Investments	274,706,270.62	(94,532.18)
Refunding of Long Term Debt	76,965,000.00	344,385,000.00
Amortization of Bond Premiums and Discounts	16,833,298.48	8,538,150.81
Other	12,159,528.58	(1,401,540.51)

The Accompanying Summary of Significant Accounting Policies and Notes to  
Financial Statements are an integral part of this statement.

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The Texas A&M University System  
Combined Statements

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014

#### Note 1 - Summary of Significant Accounting Policies

##### Basis of Accounting

For financial reporting purposes, the A&M System is considered a special-purpose government engaged in business-type activities. Accordingly, the A&M System's financial statements are 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 is incurred. Operating items are distinguished from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with ongoing operations.

##### Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents. With the exception of residual cash which results from the management of investment portfolios, the A&M System maintains cash and cash equivalents for the purpose of meeting short-term disbursement requirements.

##### Investments

Investments are reported at fair value on the Statement of Net Position. Fair value is defined as the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. The notes to the financial statements disclose deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

##### Current Assets

On the Statement of Net Position, items classified as current are defined as resources expected to be realized or consumed within one year.

##### Receivables

Receivable balances are grouped into several receivable categories. Accounts receivable reflects amounts owed for goods and services provided. Self-insured health and dental represents August premiums for the A&M System's self-insured arrangement for group health and dental plan insurance coverage. The investment trades category reports pending security sales that have been traded and not settled as of the end of the reporting period. Other receivables include items such as travel advances, returned checks, and various items accrued.

Receivable balances are presented net of an allowance for uncollectible accounts. The allowance is based on management's judgment of potential uncollectible amounts, which includes such factors as historical experience and type of receivable. Refer to Note 24, Disaggregation of Receivable Balances, for additional details.

##### Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at estimated fair value. The capitalization threshold for personal property is \$5,000. The capitalization threshold is \$100,000 for buildings and building improvements, facilities and other improvements, purchased software, land use rights with terms, and leasehold improvements. Infrastructure has

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014

a capitalization threshold of \$500,000. Internally developed software has a capitalization threshold of \$1,000,000. All land, land improvements, permanent land use rights, library books/materials, museums/collections, and works of art/historical treasures are capitalized.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets; generally, 10 to 30 years for buildings and building improvements, 10 to 45 years for infrastructure, 4 to 15 years for equipment, and 15 years for library books.

#### **Payables**

Payable balances are grouped into various payable categories on the Statement of Net Position. Accounts payable represents the liability for the value of assets or services received, as of the date of the financial statements, for which payment is pending. Payroll payable includes accrued salary, wages, and benefits. The investment trades category reports pending security purchases traded and not settled as of the end of the reporting period. Self-insured health and dental represents claims owed for the self-insured group health and dental plan insurance coverage. Other payables include a variety of items, including payables for purchasing card activity, manager fees, sales taxes, and student liabilities.

#### **Revenues and Expenses**

Operating revenues include activities such as student tuition and fees; net sales and services of auxiliary enterprises; most federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, professional fees and services, materials and supplies, and scholarships.

Nonoperating revenues include activities such as State appropriations, gifts and contributions, investment income and other revenue sources that are defined as nonoperating revenues by GASB (Governmental Accounting Standards Board). Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses.

#### **Unearned Revenue**

The A&M System members record receivables when revenue is earned but not collected. Unearned revenue is recognized when cash is received prior to revenue recognition, and is considered a liability.

#### **Other Postemployment Benefits (OPEB)**

The liability and associated expenses for the A&M System's single-employer postemployment health care and life insurance benefit plan is recorded by the A&M System Offices. The OPEB liability is classified as noncurrent. Additionally, the net change in OPEB obligation is recorded as a natural classification of expense.

#### **Deferred Outflows and Inflows of Resources**

Deferred Outflows of Resources are presented in separate sections on the Statement of Net Position effective fiscal year 2013, in compliance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Deferred Outflows of Resources are defined as the consumption of net assets applicable to a future reporting period, and have a positive effect on net position, similar to assets.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014

The implementation of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, resulted in a deferred outflow of resources related to the purchase of a law school from a private university, as detailed in Note 28.

#### **Net Position**

Net Position is the difference between assets plus deferred outflows of resources, and liabilities.

#### **Net Investment in Capital Assets**

Net investment in capital assets, consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

#### **Restricted Net Position**

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted assets are available for use, restricted resources are used first, then unrestricted resources are used as needed.

#### **Unrestricted Net Position**

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

#### **Other Significant Accounting Policies**

The combined financial statements for the A&M System include the primary financial statements of each member of the A&M System, including the A&M System Offices, as well as the Texas A&M Research Foundation (Research Foundation). Transfers, federal and state pass throughs between A&M System members have been eliminated. Certain operations provide goods and services to internal customers. These operations include activities such as self-insured programs, repairs & maintenance, utilities, computer services, and other services with interdepartmental activities. The revenues were eliminated to the extent of expenses for these internal transactions in the Statement of Revenues, Expenses, and Changes in Net Position to avoid inflating revenues and expenses. Receivables and payables between A&M System members were eliminated except those arising from service department operations and auxiliary enterprises, which are considered to be exchange in nature.

An Appreciation Reserve was created in fiscal year 1997 for the purpose of providing a consistent and predictable income stream for the System Endowment Fund. The Appreciation Reserve is administered by the A&M System Offices. All realized gains and losses are deposited to or funded from the Appreciation Reserve, and distributions from the reserve are used to supplement current income when the income received is insufficient to meet the required distribution in accordance with the System Endowment Fund spending policy.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 2 - Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2014 is presented below.

<b>Capital Asset Activity</b>								
	<b>Beginning Balance</b>	<b>Adjustments</b>	<b>Completed CIP</b>	<b>Inc-Interagency Transactions</b>	<b>Dec-Interagency Transactions</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Business-Type Activities</b>								
<b>Non-Depreciable/Amortizable Assets</b>								
Land and Land Improvements	\$ 141,663,695.83	\$ -	\$ 6,825.00	\$ -	\$ -	\$ 5,338,914.31	\$ (1,372,104.20)	\$ 145,637,330.94
Construction in Progress	299,646,873.50	-	(301,195,149.64)	-	-	599,403,396.61	(116,816.67)	597,738,303.80
Other Tangible Capital Assets	44,279,418.27	29,606.00	95,566.53	-	-	1,309,180.30	(6,969.74)	45,706,801.36
Land Use Rights	92,817.00	-	-	-	-	-	-	92,817.00
<b>Total Non-Depreciable/Amortizable</b>	<b>485,682,804.60</b>	<b>29,606.00</b>	<b>(301,092,758.11)</b>	<b>-</b>	<b>-</b>	<b>606,051,491.22</b>	<b>(1,495,890.61)</b>	<b>789,175,253.10</b>
<b>Depreciable Assets</b>								
Buildings & Building Improvements	4,366,634,172.77	-	197,559,870.71	-	-	18,779,151.03	(22,370,540.05)	4,560,602,654.46
Infrastructure	579,248,726.84	-	60,834,403.09	-	-	903,270.12	(1,150,998.51)	639,835,401.54
Facilities and Other Improvements	336,938,718.45	-	30,054,816.79	-	-	17,217,813.46	(1,507,814.25)	382,703,534.45
Furniture and Equipment	723,826,589.08	8,867.00	12,643,667.52	2,826,453.31	(157,018.42)	55,541,083.16	(46,342,066.78)	748,347,574.87
Vehicles, Boats and Aircraft	116,065,285.49	(40,000.00)	-	7,450.00	-	10,634,756.86	(3,944,388.06)	122,723,104.29
Other Capital Assets	212,201,999.24	(29,606.00)	-	-	-	5,630,033.86	(1,674,855.14)	216,127,571.96
<b>Total Depreciable Assets</b>	<b>6,334,915,491.87</b>	<b>(60,739.00)</b>	<b>301,092,758.11</b>	<b>2,833,903.31</b>	<b>(157,018.42)</b>	<b>108,706,108.49</b>	<b>(76,990,662.79)</b>	<b>6,670,339,841.57</b>
<b>Less Accumulated Depreciation</b>								
Buildings & Building Improvements	(1,875,743,125.61)	-	-	-	-	(166,649,145.05)	15,233,570.76	(2,027,158,699.90)
Infrastructure	(269,116,133.77)	-	-	-	-	(22,860,622.56)	-	(291,976,756.33)
Facilities and Other Improvements	(210,579,545.15)	-	-	-	-	(12,012,568.94)	127,045.78	(222,465,068.31)
Furniture and Equipment	(505,640,025.95)	(8,867.00)	-	(1,950,444.41)	82,347.75	(55,167,918.01)	31,533,196.29	(531,151,711.33)
Vehicles, Boats and Aircraft	(84,632,083.30)	40,000.00	-	(7,450.00)	-	(8,437,403.91)	3,603,492.04	(89,433,445.17)
Other Capital Assets	(142,958,295.13)	-	-	-	-	(9,159,516.97)	1,079,069.22	(151,038,742.88)
<b>Total Accumulated Depreciation</b>	<b>(3,088,669,208.91)</b>	<b>31,133.00</b>	<b>-</b>	<b>(1,957,894.41)</b>	<b>82,347.75</b>	<b>(274,287,175.44)</b>	<b>51,576,374.09</b>	<b>(3,313,224,423.92)</b>
<b>Depreciable Assets, Net</b>	<b>3,246,246,282.96</b>	<b>(29,606.00)</b>	<b>301,092,758.11</b>	<b>876,008.90</b>	<b>(74,670.67)</b>	<b>(165,581,066.95)</b>	<b>(25,414,288.70)</b>	<b>3,357,115,417.65</b>
<b>Intangible Capital Assets-Amortizable</b>								
Land Use Rights	255,457.00	-	-	-	-	-	-	255,457.00
Computer Software	61,584,145.25	-	-	-	-	1,498,922.40	(1,727,876.04)	61,355,191.61
<b>Total Intangible Assets-Amortizable</b>	<b>61,839,602.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,498,922.40</b>	<b>(1,727,876.04)</b>	<b>61,610,648.61</b>
<b>Less Accumulated Amortization</b>								
Land Use Rights	(89,410.02)	-	-	-	-	(25,545.72)	-	(114,955.74)
Computer Software	(49,499,007.04)	-	-	-	-	(4,780,137.68)	1,407,165.60	(52,871,979.12)
<b>Total Accumulated Amortization</b>	<b>(49,588,417.06)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,805,683.40)</b>	<b>1,407,165.60</b>	<b>(52,986,934.86)</b>
<b>Intangible Amortizable Assets, Net</b>	<b>12,251,185.19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,306,761.00)</b>	<b>(320,710.44)</b>	<b>8,623,713.75</b>
<b>Business-Type Activities</b>								
<b>Capital Assets, Net</b>	<b>\$ 3,744,180,272.75</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 876,008.90</b>	<b>\$ (74,670.67)</b>	<b>\$ 437,163,663.27</b>	<b>\$ (27,230,889.75)</b>	<b>\$ 4,154,914,384.50</b>



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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014

#### Note 3 - Deposits, Investments and Repurchase Agreements

The *Texas Education Code*, Title III, Chapter 51.0031 grants authority for a governing board to invest funds under prudent person standards “if a governing board has under its control at least \$25 million in book value of endowment funds.”

The A&M System’s investment policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, corporate asset and mortgage backed securities, equity, international obligations, international equity, certificates of deposit, banker’s acceptances, negotiable certificates of deposit, money market mutual funds, mutual funds, repurchase agreements, venture capital, private equity, hedge funds, Real Estate Investment Trusts (REITs), securities lending, derivatives, timber, bank loans, energy and real estate.

#### Deposits of Cash in Bank

As of August 31, 2014, the carrying amount of deposits was \$9,540,696.08. This amount consists of all cash in local and foreign banks. This amount is included on the Combined Statement of Net Position as part of the “Cash and Cash Equivalents” line items. The total bank balance was \$15,460,267.72.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The A&M System’s policy requires collateral of 102% pledged against all deposits and limits the amounts of funds which may be deposited with any bank to the lesser of \$100,000,000 or 10% of total deposits. The A&M System regulation applicable to working fund bank accounts requires the Chancellor, or designee, to approve a working fund in any bank with which the System Member does not have a depository agreement. As permitted by the Texas Education Code, Title III, Chapter 51.003, the A&M System maintained accounts with two foreign banks to accommodate operational needs for educational programs in foreign countries. As of August 31, 2014, the A&M System held a bank account in Doha, Qatar for the operation of Texas A&M University at Qatar. The daily average exposure during fiscal year 2014 was \$841,601.58. The A&M System working fund bank account in Arezzo, Italy, used to facilitate operations at the Texas A&M University’s Santa Chiara Study Center, was closed on June 12, 2014. The daily average exposure during fiscal year 2014 was \$80.66. No appropriated or tuition funds other than those collected from students enrolled in the affected programs are deposited with the foreign banks. The funds held in Qatar and Italy were not insured or collateralized.

Incidental amounts of various foreign currencies are temporarily held through Bank of New York Mellon, their foreign branches, and/or foreign sub-custodian banks. These amounts represent funds related to trade settlement, interest, and/or dividend payments received in foreign currencies that are not yet converted to U.S. dollars. Such deposits of foreign currency are not insured or collateralized and are subject to custodial risk and the risk of fluctuations in exchange rates. The average month-end exposure to these deposits during fiscal year 2014 was \$81,060.04 and as of August 31, 2014 the balance was \$463,097.20.

In addition, U.S. currency in the amount of \$266,109.65 was held at Euroclear Bank S.A., Brussels, Belgium on August 31, 2014 in anticipation of a security settlement on September 1, 2014, which was a U.S. holiday. These funds were not insured or collateralized and were subject to custodial risk.

Incoming wire deposits are sometimes received by the A&M System’s custodian after the cut-off time for investment in the money market fund. When this occurs, the funds are credited to a “late” money account and invested the following day in the money market fund. The first \$250,000.00 in the late money account is insured by the FDIC.

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During fiscal year 2014, the balance in the late money account exceeded the FDIC insurance on six occasions by an average amount of \$539,067.15. The amounts in excess of the FDIC insurance on each occasion were collateralized with securities held by the pledging financial institution (Bank of New York Mellon). As of August 31, 2014 the balance in the late money account was zero.

The bank balances exposed to custodial credit risk as of August 31, 2014 are presented below.

<b>Bank Balances Exposed to Custodial Credit Risk</b>	
Uninsured and uncollateralized	\$ 1,560,063.90

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposits. The A&M System does not have a deposit policy for foreign currency risk.

The exposure to foreign currency risk for deposits as of August 31, 2014 is presented below.

<b>Bank Balances Exposed to Foreign Currency Risk</b>	
<b>Currency</b>	<b>Balance</b>
British Pound	\$ 55.48
Canadian Dollar	7,367.06
Euro	853.11
New Zealand Dollar	0.02
Qatar Riyal	802,949.74
South Korean Won	454,821.53
Total	<u>\$ 1,266,046.94</u>

**Investments**

The A&M System invests in certain private investments including private equity, venture capital, natural resources, energy, and real estate. Fair value of private investment funds is estimated based on capital account balances for the most recent reporting period provided by the investment manager and adjusted for capital calls and distributions. Hedge fund investments are reported at net asset value as of August 31, 2014 based on information provided by the investment managers and their third party administrators. Mineral rights are held for the purpose of generating income and are carried on a cost basis. Since mineral rights do not have an open market, cost is used. The value reported for mineral rights as of August 31, 2014 is \$119,283.07. The A&M System has invested in private equity technology partnerships through Texas A&M Technology Commercialization. These investments, totaling \$8,378,366.93 are reported at cost or par unless a fair value can be substantiated.

The fair value of investments, as of August 31, 2014, is presented on the following page.

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<b>Investment Fair Value</b>	
U.S. Treasury Securities	\$ 149,663,514.81
U.S. Treasury Strips	5,026,283.20
U.S. Government Agency Obligations	139,497,947.37
Corporate Obligations	308,098,308.77
Corporate Asset and Mortgage Backed Securities	120,169,446.33
U.S. Equity	647,395,467.67
Fixed Income Money Market and Bond Mutual Fund	709,053,965.41
International Bond Mutual Funds	2,567.07
International Obligations	160,103,401.23
International Equity	336,618,137.30
Mutual Funds - U.S. Equity	1,190,765.08
Mutual Funds - International Equity	433,859,797.19
Repurchase Agreements - TTSTC	399,635.07
Other Commingled Funds - Equity	34,570,029.14
Real Estate - REITS's and Mineral Rights	123,788.77
Real Estate - International REITs	2,839.38
Derivatives	107,608.30
Alternative Investments	
Hedge Funds	735,696,564.53
Limited Partnerships - Private Equity	125,939,623.74
Limited Partnerships - International Private Equity	28,062,663.02
Limited Partnerships - Real Estate	20,360,593.85
Limited Partnerships - International Real Estate	3,903,868.55
Limited Partnerships - Natural Resources	107,123,317.02
Other Investments	
Political Subdivisions	656,539.00
Bank Loans	172,402,599.77
Total Investments	<u>\$ 4,240,029,271.57</u>

<b>Investments per Financial Statements</b>	
<b>Schedule Three</b>	
Cash Equivalents	\$ 278,973,006.16
Restricted Cash Equivalents	379,159,156.93
<b>Statement of Net Position</b>	
Derivative Investments	107,608.30
Restricted Investments	23,122.89
Non-Current Restricted Investments	1,044,383,133.07
Non-Current Investments	<u>2,537,383,244.22</u>
Total Investments	<u>\$ 4,240,029,271.57</u>

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Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The A&M System's policy requires that direct repurchase agreements and security lending transactions be fully collateralized by obligations authorized under the A&M System investment policy and such collateral be held by a third party. As of August 31, 2014, there was no custodial credit risk related to securities lending or repurchase agreements. The A&M System did not participate in a securities lending program during fiscal year 2014 and the only repurchase agreements were held through Texas Treasury Safekeeping Trust Company.

Foreign investments are administered in book entry form by the A&M System's custodian, Bank of New York (BNY) Mellon Asset Servicing, through a network of international subcustodians and securities depositories. Subcustodians settle transactions based on instructions from BNY Mellon Asset Servicing. BNY Mellon Asset Servicing settles transactions directly in the U.K, Irish, Dutch and German markets. Subcustodians are evaluated by the custodian prior to selection and are monitored on an ongoing basis after selection to help ensure safeguarding of clients' assets. Subcustodians' operations, local market activity, financial strength, legal and regulatory compliance, risk management, and overall service performance are monitored throughout the year. To reduce risk, the custodian does not process free of payment transactions unless contrary to market practice or client instruction. In the event that funds are not received or delivered on the settlement date, the settlement "fails." On a daily basis, the subcustodians send a confirmation of settlement to the custodian which is reconciled to the custody system.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. The A&M System's policy authorizes the utilization of derivatives for the purpose of hedging currency risk, but does not otherwise address foreign currency risk. The exposure to foreign currency risk as of August 31, 2014 is presented below.

<b>Investments Exposed to Foreign Currency Risk</b>				
<b>Foreign Currency</b>	<b>International Obligations</b>	<b>International Equity</b>	<b>International Equity Mutual Funds</b>	<b>International Alternative Investments</b>
U.S. Dollar Denominated Foreign				
Securities	\$ 130,220,633.35	\$ 145,848,046.34	\$ 433,859,797.19	\$ 18,489,413.93
Australian Dollar	8,295,007.51			
British Pound	670,943.00	25,547,673.23		
Canadian Dollar		8,672,636.36		
Euro	5,223,646.79	52,860,764.74		13,479,957.02
Hong Kong Dollar		4,987,945.12		
Japanese Yen		61,317,429.78		
New Zealand Dollar	12,986,200.97			
Norwegian Krone	2,709,536.68			
Singapore Dollar		3,352,475.85		
South African Rand		2,592,074.11		
South Korean Won		1,973,014.60		
Swedish Krona		3,208,845.18		
Swiss Franc		24,530,148.70		
Thailand Baht		1,727,083.29		
<b>Total</b>	<b>\$ 160,105,968.30</b>	<b>\$ 336,618,137.30</b>	<b>\$ 433,859,797.19</b>	<b>\$ 31,969,370.95</b>

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Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The A&M System's investment policy requires that securities have a long-term rating of B or better at the time of purchase and the fixed income portfolio have an overall credit rating of A or better. Securities using short-term credit ratings must be rated at least A-2, P-2, F-2 or equivalent. As of August 31, 2014, the A&M System's credit quality distribution for securities with credit risk exposure is presented below.

<b>Investments Exposed to Credit Risk – Standard &amp; Poor's (in thousands)</b>								
<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>B</b>	<b>CCC</b>	<b>Unrated</b>
U. S. Government Agency Obligations		139,498						
Corporate Obligations		5,840	49,176	181,479	51,584	14,316	735	4,967
Corporate Asset and Mortgage Backed Securities	17,903	15,167	17,964	2,278	653	518	6,078	59,609
International Obligations	24,245	28,819	39,240	45,641	8,156	1,224		12,781
Repurchase Agreements (Texas Treasury Safekeeping Trust Company)		400						
Fixed Income Money Market and Bond Bond Mutual Fund								709,054
Other Investments (municipals)		657						172,403

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2014, no more than 5% of the A&M System's total investments are represented by a single issuer. The A&M System's investment policy states that no more than 4.9% of the voting stock of any one corporation be owned by the A&M System at any given time.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the A&M System manages its exposure to fair value losses arising from changing interest rates by requiring fixed income managers to maintain duration of +/- 20% of the effective duration of the appropriate index. In addition, the A&M System's policy limits the duration of its short-term investment portfolio to a maximum of one year. The A&M System's exposure to interest rate risk is presented on the following page using the effective duration method.

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<b>Investments Exposed to Interest Rate Risk</b>		
<u>Investment Type</u>	<u>Effective Duration</u>	<u>Fair Value</u>
U.S. Treasury Securities	4.101	\$ 149,663,514.81
U.S. Treasury Strips	28.800	5,026,283.20
U.S. Government Agency Obligations		
Agencies and Other U.S. Government Obligations	3.727	11,569,832.45
CMO Government Agencies	4.040	1,519,779.48
U.S. Government Mortgages	2.343	126,408,335.44
Corporate Obligations	5.516	308,098,308.77
Corporate Asset and Mortgage Backed Securities		
CMBS and CMO Corporate	3.699	78,634,564.44
Asset Backed Securities	2.000	41,534,881.89
International Obligations	3.982	160,103,401.23
Repurchase Agreements - TTSTC	0.011	399,635.07
Fixed Income Money Market and Bond Mutual Funds	4.707	20,683.54
International Bond Mutual Funds	5.810	2,567.07
Other Investments		
Political Subdivision	1.815	656,539.00
Bank Loans Fund	0.010	172,402,599.77
Total		<u>\$ 1,056,040,926.16</u>

**Securities Lending**

The A&M System did not participate in a securities lending program during fiscal year 2014.

**Derivative Investing**

The A&M System Investment Policy allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index.

The A&M System entered into forward currency contracts for the purpose of hedging international currency risk on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the A&M System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the A&M System's net equity in the contracts, representing unrealized gain or loss on the contracts as measured by the differences between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is reported on the Statement of Net Position as derivative investments.

These investments involve market and/or credit risk in excess of the amount recognized in the consolidated Statement of Net Position. Risks arise from the possibility that counterparties will be unable to meet the terms of their contracts and from movement in currency, securities values and interest rates. The table on the following page summarizes the pending foreign exchange contracts as of August 31, 2014.

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<b>Foreign Exchange Contracts</b>				
Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized (Loss) on Foreign Exchange Contract
Australian Dollar	\$ 12,911,338.04	\$ 4,950,731.74	\$ 11,177.07	\$ (72,932.89)
British Pound	693,639.48		7,607.19	
Euro	5,446,853.67		159,657.70	
Hong Kong Dollar	205,723.59			(3.50)
Japanese Yen	1,067,329.48	748,375.35	1,334.39	(2,644.71)
New Zealand Dollar	12,618,776.05		3,508.93	
South Korean Won		226,139.15		(95.88)
	<u>\$ 32,943,660.31</u>	<u>\$ 5,925,246.24</u>	<u>\$ 183,285.28</u>	<u>\$ (75,676.98)</u>

The fair value of open foreign currency exchange contracts as of August 31, 2014 was \$107,608.30, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

The A&M System gross counter party exposure, as of August 31, 2014, is presented below. The A&M System's policy does not address master netting arrangements and the A&M System has not entered into such an arrangement. The A&M System policy does not require collateral or other security for currency forward contracts.

<b>Foreign Exchange Contract Exposure to Counterparty Risk</b>				
Assets	Liabilities	Assets	Liabilities	Counterparty
Notional	Notional	Fair Value as of August 31, 2014	Fair Value as of August 31, 2014	Rating
\$ 1,273,053.07	\$ 974,514.50	\$ 1,334.39	\$ 2,744.09	A+
5,446,853.67		159,657.70		A+
26,223,753.57	4,950,731.74	22,293.19	72,932.89	AA-
<u>\$ 32,943,660.31</u>	<u>\$ 5,925,246.24</u>	<u>\$ 183,285.28</u>	<u>\$ 75,676.98</u>	

The A&M System invested in U.S. Treasury futures contracts during fiscal year 2014 for the purpose of managing the duration of its liquidity portfolio. These instruments were subject to market, credit risk and counterparty risk. The portfolio manager only included derivatives in the portfolio that would not create additional risk as compared to cash instruments. Futures contracts were used as a way to gain the same risk exposure in a more efficient manner. The portfolio manager executed such contracts on major exchanges and minimized market and credit risk associated with these contracts through the manager's various trading and credit monitoring processes. There were no outstanding futures contracts as of August 31, 2014.

Several limited partnerships in which the A&M System invests may employ the use of forward currency exchange contracts as a hedge in connection with portfolio purchases and sales of securities denominated in foreign

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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014**

currencies. Risks are consistent with those described in an above paragraph regarding direct currency hedging. The contracts are valued at the prevailing forward exchange rate of the underlying currencies and the unrealized gain (loss) is recorded daily. Unrealized gains and losses that represent the difference between the value of the forward contract to buy and the forward contract to sell are included in the net unrealized gain (loss) from the forward contracts.

Hedge fund pools are invested in private partnerships with external managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short term securities and may utilize leverage in their portfolios. They may also utilize credit default swaps and total return swaps as part of their investment strategies. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private partnerships, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. When credit default swaps or total return swaps are used, there is additional risk of counterparty non-performance and unanticipated movements in the fair value of the underlying securities. As of August 31, 2014, the A&M System's investment in hedge funds was \$735,696,564.53.

Private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain funds may utilize credit default swaps which have additional risk, including the risk of counterparty non-performance. Collateral in the form of cash or securities may be required to be held in segregated accounts with the fund's custodian. Bi-lateral agreements and daily settlement with counterparties reduce the risk of counterparty non-performance. As of August 31, 2014, the A&M System has committed \$464,340,462.00 to various private investments, of which \$328,147,754.00 has been funded. The fair value of the investments, net of distributions, as of August 31, 2014 was \$277,011,699.00. In addition, the A&M System has invested directly in companies and partnerships to promote research technology. As of August 31, 2014, the value of the investments in research technology was \$8,378,366.93. These investments are valued at cost, unless a fair value can be substantiated. Associated risks include those applicable to other private investments as well as the risk of enterprise failure.

Hedge funds, private investment and public market funds including investments in private placement vehicles, are subject to risks, which could include the loss of invested capital. The risks include the following:

- Non-regulation risk –The A&M System's general partners and investment managers are registered with the Securities and Exchange Commission with the exception of five general partners that are exempt reporting advisers and are not required to comply with most rules that apply to registered advisers.
- Key personnel risk – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- Liquidity risk – Many of the A&M System's investment funds may impose lock-up periods, which would cause the A&M System to incur penalties to redeem its investment or prevent the System from redeeming its shares until a certain period of time has elapsed.
- Limited transparency – As private placement vehicles, these funds may not fully disclose the holdings of their portfolios.
- Investment strategy risk – These funds often employ sophisticated investment strategies and the use of leverage, which could result in the loss of invested capital.



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**Permanent University Fund**

The Permanent University Fund (PUF) is administered by the University of Texas System and is not reflected in the financial statements of the A&M System. Prior to changes in the arbitrage laws, bond proceeds were appropriated only after the bonds had been sold and cash was on hand. Currently, receipt of cash may or may not precede appropriations of bond or note proceeds.

The total carrying value of the PUF assets at August 31, 2014, was \$13,775,407,890.84 excluding PUF land grants. By acts of the Legislature and provisions of the State Constitution, the net income of the PUF is divided one-third to the A&M System and two-thirds to the University of Texas System. The A&M System's one-third share of the net revenues was \$302,400,531.84 for the fiscal year ended August 31, 2014, and was credited to the A&M System Available University Fund.

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**Note 4 - Short-Term Debt**

There was no reportable activity for short-term debt during the year ended August 31, 2014.

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**Note 5 - Long-Term Liabilities**

Long-term liabilities are defined as liabilities whose average maturity is greater than one year. The table below presents a summary of changes in these liabilities.

Long-Term Liabilities Activity						
	Balance 9/1/13	Additions	Reductions	Balance 8/31/14	Amounts Due Within One Year	Amounts Due Thereafter
Employees' Compensable Leave	\$ 103,049,971.86	\$ 12,463,542.65	\$ (6,997,138.00)	\$ 108,516,376.51	\$ 20,549,603.60	\$ 87,966,772.91
Claims & Judgments	8,264,000.00	3,385,000.00	(2,614,000.00)	9,035,000.00	2,445,000.00	6,590,000.00
Notes and Loans Payable	15,324,999.98	167,600,000.00	(61,505,333.34)	121,419,666.64	4,752,333.34	116,667,333.30
Bonds Payable	2,493,761,754.95	558,613,807.67	(206,655,000.00)	2,845,720,562.62	148,081,823.37	2,697,638,739.25
Liabilities Payable from Restricted Assets	19,839,518.66	47,453,368.79	(1,344,146.40)	65,948,741.05	48,824,937.74	17,123,803.31
Capital Lease Obligations	2,866,833.63	922,236.28	(2,587,671.32)	1,201,398.59	611,234.05	590,164.54
Pollution Remediation Obligations	30,190.00	-	(30,190.00)	-	-	-
<b>Total</b>	<u>\$ 2,643,137,269.08</u>	<u>\$ 790,437,955.39</u>	<u>\$ (281,733,479.06)</u>	<u>\$ 3,151,841,745.41</u>	<u>\$ 225,264,932.10</u>	<u>\$ 2,926,576,813.31</u>

The net amount of interest cost for qualifying assets is capitalized. The total interest cost for the year ended August 31, 2014 was \$120,517,521.72. Of this amount, \$8,556,146.78 associated with financing projects during the construction phase was capitalized. The remaining amount of \$111,961,374.94 was reported as interest expense.

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**The Texas A&M University System  
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**Notes and Loans Payable**

Notes payable consists of amounts used to make permanent improvements at various institutions in the A&M System, to refund and retire the Board's Permanent University Fund Commercial Paper Notes and Flexible Rate Notes, to provide interim financing for capital improvements and acquisition of equipment and land, to pay interest on the notes, to refund outstanding notes as they mature and to pay the costs of issuing the notes.

The Revenue Financing System Note (2007 TIPS Project) was issued on July 12, 2007 to fund \$4 million of costs for the Texas Institute for Preclinical Studies (TIPS) within Texas A&M University. The note is structured as a loan with the Office of the Governor, Economic Development and Tourism Division through the Texas Economic Development Bank; all authorized debt has been issued. The outstanding balance at August 31, 2014, is \$2,666,666.64.

<b>Notes and Loans Payable-Debt Service Requirements</b>				
<u>Description</u>	<u>Balances September 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances August 31, 2014</u>
Permanent University Fund Taxable Commercial Paper Notes	\$ -	\$ 48,000,000.00	\$ 48,000,000.00	\$ -
Revenue Financing System Commercial Paper Notes, Series B	12,325,000.00	87,000,000.00	13,172,000.00	86,153,000.00
Revenue Financing System Taxable Commercial Paper Notes, Series B	-	32,600,000.00	-	32,600,000.00
Revenue Financing System Note (2007 TIPS Project)*	2,999,999.98	-	333,333.34	2,666,666.64
Total	<u>\$ 15,324,999.98</u>	<u>\$ 167,600,000.00</u>	<u>\$ 61,505,333.34</u>	<u>\$ 121,419,666.64</u>
<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest**</u>	<u>Total</u>
2015		4,752,333.34	3,614,988.15	\$ 8,367,321.49
2016		4,885,333.34	3,475,779.26	8,361,112.60
2017		5,022,333.34	3,332,339.62	8,354,672.96
2018		5,163,333.34	3,184,910.37	8,348,243.71
2019		5,308,333.34	3,033,251.11	8,341,584.45
2020-2024		28,199,999.94	12,745,014.08	40,945,014.02
2025-2029		31,534,000.00	8,377,080.00	39,911,080.00
2030-2034		36,554,000.00	3,354,630.00	39,908,630.00
TOTAL		<u>\$ 121,419,666.64</u>	<u>\$ 41,117,992.59</u>	<u>\$ 162,537,659.23</u>

\* Private Placement note with the Office of the Governor, Economic Development and Tourism Division through the Texas Economic Development Bank. For fiscal years 2015 - 2022, actual principal and interest payments for this note are included in the debt service schedule above.

\*\* For this schedule, assumption is that Revenue Financing System Commercial Paper Notes and Permanent University Fund Commercial Paper Notes will be refunded into long term bonds. For estimated debt service on this exhibit, the rate of 3.00% corresponds to the municipal market data published on August 29, 2014. Notes are remarketed in commercial paper mode at current market rates with maturities between 1 and 270 days.

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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014**

#### **Compensated Absences**

Full-time State employees earn eight to twenty-one hours per month annual leave depending on years of State employment. Under the State's policy, an employee with 35 or more years of State service may carry up to 532 hours accrued leave forward from one fiscal year to another.

Employees with at least six months of State service who terminate employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The A&M System accrues the dollar value of annual leave benefits which are payable upon retirement, termination, or death of its employees. This liability for A&M System members is projected to be \$108,516,376.51 as of August 31, 2014. This liability is based on calculations from the A&M System centralized leave tracking system and employer estimates. The accrued liability for the unpaid annual leave has been recognized as a current and non-current liability. The A&M System made lump sum payments of \$9,916,198.25 for accrued vacation to employees who separated from State service during the fiscal year ended August 31, 2014.

Sick leave accumulation is not limited. Sick leave is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave payment to an employee's estate is the lesser of one-half of the employee's accumulated entitlement or 336 hours. The A&M System policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since historical use of sick leave has been minimal.

#### **Claims and Judgments**

Claims and judgments related to the A&M System self-insured worker's compensation plan include a current portion of \$2,445,000.00 and a non-current portion totaling \$6,590,000.00, for a total worker's compensation liability of \$9,035,000.00. This liability represents the current and non-current portion of the incurred but not reported (IBNR) liability based on actuarial analysis of the plan. The IBNR represents claims that will be paid out over future fiscal years. A current portion has been estimated based on actual claims paid out over the last five fiscal years.

#### **Pollution Remediation Obligations**

The Texas A&M System reviewed activities for potential pollution remediation obligations and determined that no reportable obligations exist as of August 31, 2014.

#### **Liabilities Payable from Restricted Assets**

Liabilities payable from restricted assets represent payables at year-end from assets with external restrictions. The majority of the balance reported represents payables from bond proceeds.

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**The Texas A&M University System  
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**Note 6 - Bonded Indebtedness**

**A. Financial Reporting**

The A&M System has established a financing program known as the Revenue Financing System. Members of the A&M System may use the Revenue Financing System as a long-term debt program to finance new facilities or as a short-term debt program to finance equipment or to interim finance construction projects. Members' financing requests are evaluated for adequate revenue streams and bonding capacity.

Assets created as a result of the expenses of Permanent University Fund and Revenue Financing System Bonds and Notes (see Note 5) proceeds, which are subsequently capitalized, are reported on the applicable members' Statement of Net Position in the Capital Assets category. The associated bond liability is reported in total by the A&M System Offices.

As of August 31, 2014, \$178,849,932.88 of Revenue Financing System debt proceeds had been appropriated prior to the receipt of the proceeds. As of August 31, 2014, \$121,541,332.25 of Permanent University Fund debt proceeds had been appropriated prior to the receipt of the proceeds.

**B. General Information**

At August 31, 2014, the A&M System had outstanding bonds payable of \$2,695,780,000.00 as detailed below, which does not include unamortized premium of \$149,940,562.62.

Bonds payable are due in annual installments varying from \$505,000.00 to \$22,735,000.00 with interest rates ranging from 0.618% to 5.50%, with the final installment due in 2043. The debt service requirements table summarizes the principal and interest expense for the next five years and beyond for bonds issued and outstanding.

Revenue for debt service on the Permanent University Fund Bonds and Notes is derived from liens on and pledges of payout distributions from the Permanent University Fund allocable to the A&M System.

Sources of revenue for debt service on the Revenue Financing System Bonds and Notes are pledged revenue from any or all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any participant of the Revenue Financing System which are lawfully available to the Board for the payment of Parity Obligations, including unrestricted funds and reserve balances.

All bonds are for the benefit of business-type activities. General information related to bonds payable is summarized in the following tables.

<b>Bonds Payable</b>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Principal</u>
Permanent University Fund Bonds	0.776–5.50%	2015-2036	\$ 810,430,000.00
Revenue Financing System Bonds	0.618–5.50%	2015-2043	1,885,350,000.00
			<u>\$ 2,695,780,000.00</u>

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**The Texas A&M University System  
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<b>Debt Service Requirements</b>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 129,045,000.00	\$ 127,844,051.18	\$ 256,889,051.18
2016	136,230,000.00	122,088,787.18	258,318,787.18
2017	126,730,000.00	116,111,212.08	242,841,212.08
2018	121,500,000.00	110,158,497.54	231,658,497.54
2019	126,600,000.00	104,677,135.00	231,277,135.00
2020-2024	659,425,000.00	431,573,204.56	1,090,998,204.56
2025-2029	647,120,000.00	275,732,301.48	922,852,301.48
2030-2034	428,830,000.00	136,263,513.06	565,093,513.06
2035-2039	215,865,000.00	54,600,725.40	270,465,725.40
2040-2043	104,435,000.00	12,234,039.20	116,669,039.20
Total	<u>\$ 2,695,780,000.00</u>	<u>\$ 1,491,283,466.68</u>	<u>\$ 4,187,063,466.68</u>

Permanent University Fund Bonds, Series 1998

- Issued September 9, 1998, to refund \$65,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Variable Rate Notes, Series B, and \$27,860,000.00 of Permanent University Fund Bonds, Series 1992B then outstanding in the aggregate principal amount of \$36,360,000.00; and to pay the costs of issuing the bonds.
- \$92,520,000.00 authorized; all authorized bonds have been issued. \$12,335,000.00 was refunded by Permanent University Fund Bonds, Series 2006. \$9,735,000.00 was refunded by Permanent University Fund Bonds, Series 2009AB. \$1,015,000.00 was refunded by Permanent University Fund Bonds, Series 2011. Outstanding balance at August 31, 2014 was \$28,795,000.00.

Permanent University Fund Bonds, Series 2003

- Issued April 3, 2003, to current refund \$28,210,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 1992A; to current refund \$35,590,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 1993; to advance refund \$31,080,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 1996; to advance refund \$12,500,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 1996A; and to pay the costs of issuing the bonds.
- \$102,645,000.00 authorized; all authorized bonds have been issued. \$76,965,000.00 was refunded by Permanent University Fund Bonds, Series 2013. Outstanding balance at August 31, 2014 was \$0.00.

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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014**

#### Permanent University Fund Bonds, Series 2006

- Issued July 6, 2006, to current refund \$29,340,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 1996A; to advance refund \$12,335,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 1998; to provide funds for construction and other capital improvements; and to pay for the costs of issuing the bonds.
- \$165,940,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$114,690,000.00.

#### Permanent University Fund Bonds, Series 2009AB

- Issued April 7, 2009, to refund \$100,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to currently refund \$9,735,000.00 of Permanent University Fund Bonds, Series 1998; to provide funding for project costs of approximately \$113,700,000.00; and to pay the costs of issuing the bonds.
- \$218,895,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$212,230,000.00.

#### Permanent University Fund Bonds, Series 2011

- Issued October 18, 2011, to refund \$96,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; to refund \$1,015,000.00 of Permanent University Fund Bonds, Series 1998; and to pay the cost of issuing the bonds.
- \$87,145,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$80,330,000.00.

#### Permanent University Fund Bonds, Series 2012A

- Issued July 18, 2012, to refund \$79,715,000.00 of the Board's previously issued and outstanding Permanent University Fund Bonds, Series 2004; and to pay the cost of issuing the bonds.
- \$70,680,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$70,680,000.00.

#### Permanent University Fund Bonds, Taxable Series 2012B

- Issued July 18, 2012, to refund \$125,000,000.00 of the Board's previously issued and outstanding Permanent University Fund Commercial Paper Notes; and to pay the cost of issuing the bonds.
- \$125,750,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$114,915,000.00.



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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014**

#### Permanent University Fund Bonds, Series 2013

- Issued December 11, 2013, to currently refund \$76,965,000.00 of Permanent University Fund Bonds, Series 2003; to provide funding for eligible projects; and to pay the costs of issuing the bonds.
- \$208,465,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$188,790,000.00.

#### Revenue Financing System Bonds, Series 2005A

- Issued June 30, 2005, to advance refund \$6,820,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 1997; to advance refund \$32,755,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 1999; to advance refund \$11,105,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2001A; to provide funds for certain improvements in the A&M System; and to pay the costs of issuing the bonds.
- \$148,895,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$82,790,000.00.

#### Revenue Financing System Bonds, Series 2005B

- Issued June 30, 2005, to advance refund \$40,740,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 1996; to advance refund \$15,730,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 1997; to advance refund \$98,395,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 1999; to advance refund \$31,605,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2001B; to provide funds for construction and capital improvements; and to pay the costs of issuing the bonds.
- \$275,755,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$163,915,000.00.

#### Revenue Financing System Bonds, Series 2008

- Issued February 7, 2008, to refund approximately \$127,912,303.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to provide funding for project costs of approximately \$55,000,000.00; and to pay the costs of issuing the bonds.
- \$169,515,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$116,465,000.00.

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**The Texas A&M University System  
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Revenue Financing System Bonds, Series 2009A

- Issued March 11, 2009, to refund approximately \$49,819,793.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to provide funding for project costs of approximately \$221,400,000.00; and to pay the costs of issuing the bonds.
- \$251,735,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$197,355,000.00.

Revenue Financing System Bonds, Series 2009B

- Issued March 11, 2009, to refund approximately \$14,070,207.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to currently refund \$2,050,000.00 of Revenue Financing System Bonds, Series 1997; to provide funding for project costs of approximately \$64,700,000.00; and to pay the cost of issuing the bonds.
- \$78,085,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$66,050,000.00.

Revenue Financing System Bonds, Series 2009C

- Issued November 10, 2009, to provide funding for project costs of approximately \$57,300,000.00; and to pay the cost of issuing the bonds.
- \$54,240,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$36,910,000.00.

Revenue Financing System Bonds, Series 2009D

- Issued November 10, 2009, to provide funding for project costs of approximately \$344,600,000.00; and to pay the cost of issuing the bonds.
- \$320,760,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$280,325,000.00.

Revenue Financing System Bonds, Series 2010A

- Issued June 3, 2010, to advance refund \$1,418,558.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2002; to advance refund \$28,560,000.00 of Revenue Financing System Bonds, Series 2003A; to provide funding for project costs of approximately \$71,000,000.00; and to pay the cost of issuing the bonds.
- \$95,065,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$82,130,000.00.

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**The Texas A&M University System  
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Revenue Financing System Bonds, Series 2010B

- Issued June 3, 2010, to advance refund \$38,936,442.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2002; to advance refund \$13,210,000.00 of Revenue Financing System Bonds, Series 2003B; to provide funding for project costs of approximately \$105,200,000.00; and to pay the cost of issuing the bonds.
- \$146,120,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$137,905,000.00.

Revenue Financing System Bonds, Series 2011A

- Issued March 10, 2011, to currently refund \$5,980,000.00 of the Board's previously issued and outstanding Revenue Financing System Bonds, Series 2001A; to currently refund \$16,975,000.00 of Revenue Financing System Bonds, Series 2001B; and to pay the cost of issuing the bonds.
- \$22,335,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$13,960,000.00.

Revenue Financing System Bonds, Series 2011B

- Issued March 10, 2011, to refund \$20,000,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes, Series B; to provide funding for project costs of approximately \$87,771,000.00; and to pay the cost of issuing the bonds.
- \$105,365,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$99,510,000.00.

Revenue Financing System Bonds, Series 2013A

- Issued July 3, 2013, to refund \$435,881.00 of Revenue Financing System Bonds, Series 2002; to refund \$45,510,000.00 of Revenue Financing System Bonds, Series 2013A; and to pay the cost of issuing the bonds.
- \$40,955,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$33,805,000.00.

Revenue Financing System Bonds, Series 2013B

- Issued July 3, 2013, to refund \$267,675,000.00 of the Board's previously issued and outstanding Revenue Financing System Commercial Paper Notes; to refund \$3,989,119.00 of Revenue Financing System Bonds, Series 2002; to refund \$26,775,000.00 of Revenue System Financing Bonds, Series 2003B; to pay capitalized interest on the Series 2013B Bonds; and to pay the costs of issuing the bonds.
- \$265,405,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$241,490,000.00.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014

#### Revenue Financing System Bonds, Taxable Series 2013C

- Issued October 1, 2013, to provide construction funds for the redevelopment of Kyle Field football stadium at Texas A&M University; to fund capitalized interest; and to pay the cost of issuing the bonds.
- \$239,965,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$238,375,000.00.

#### Revenue Financing System Bonds, Series 2013D

- Issued October 1, 2013, to provide construction funds for the redevelopment of Kyle Field football stadium at Texas A&M University; to fund capitalized interest; and to pay the cost of issuing the bonds.
- \$94,365,000.00 authorized; all authorized bonds have been issued. Outstanding balance at August 31, 2014 was \$94,365,000.00.

#### C. Advance Refunding Bonds

The A&M System has defeased certain revenue bond issues by placing the proceeds of new bond issues in irrevocable trusts to provide for all future debt service payments on the issues. Accordingly, the liability for the bonds is not included in the financial statements. At August 31, 2014, the principal balance outstanding for the defeased bonds is \$0.00.

#### Permanent University Fund Bonds, Series 2013

- Current refunding of \$76,965,000.00 of Permanent University Fund Bonds, Series 2003 to allow the Board of Regents of the Texas A&M University System to restructure its debt service requirements and realize a present value debt service savings.
- Refunded by Permanent University Fund Bonds, Series 2013 issued December 11, 2013.
- Average interest rate of bonds refunded was 5.25%.
- Net proceeds from refunding bonds of \$0.00 after payment of \$617,746.24 which represents issuance costs and underwriter's discount.
- Current refunding of the bonds reduced The Texas A&M University System's debt service payments over the next five years by approximately \$8,942,319.44.
- Economic gain was \$8,354,301.66, the difference between the net present value of the old and new debt service payments.
- Current refunding resulted in the removal of \$76,965,000.00 of bond liability from the balance sheet and the addition of \$71,440,000.00 of bond liability, the net of which is accounting gain of \$5,525,000.00.

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**D. Pledged Future Revenues**

Sources of pledged revenues include tuition and fees, auxiliary enterprises, sales of goods and services, and other non-operating activities. The table below provides the pledged future revenue information for the Texas A&M University System Permanent University and Revenue Financing System bonds.

<b>Pledged Future Revenue</b>	
Pledged revenue required for future principal and interest on existing revenue bonds	\$ 4,187,063,466.68
Term of commitment year ending 8/31	2043
Percentage of revenue pledged	100%
Current year pledged revenue	\$ 2,751,050,308.58
Current year principal and interest paid	\$ 250,207,521.72

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**Note 7 - Derivative Instruments**

The A&M System Investment Policy allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. These include futures contracts and forward contracts.

The following disclosures summarize the A&M System's derivative activity as reported in the financial statements.

<b>Summary of Derivative Activity</b>					
	<u>Changes in Fair Value</u>		<u>Fair Value at August 31, 2014</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<i>Investment Derivatives</i>					
Forwards	Investment Revenue	\$ 107,608.30	Investments	\$ 107,608.30	\$ 38,868,906.55

**Hedging Derivatives**

The A&M System did not enter into hedging derivatives in fiscal year 2014.

**Investment Derivatives**

Investment derivatives expose the A&M System to certain investment related risks. More detail about investment derivatives is disclosed in Note 3.

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The Texas A&M University System  
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Note 8 - Leases

Capital Leases

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. At August 31, 2014, the A&M System had various capital lease obligations relating to the acquisition of capital assets. The original capitalized cost of the capital assets under capital lease as of August 31, 2014, is \$3,331,919.10. The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments.

<b>Assets Under Capital Leases</b>			
<u>Class of Property</u>	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Total</u>
Furniture and Equipment	\$ 2,459,717.10	\$ (1,204,547.46)	\$ 1,255,169.64
Vehicles	118,632.00	(16,965.84)	101,666.16
Computer Software	753,570.00	(413,379.87)	340,190.13
<b>Total</b>	<b>\$ 3,331,919.10</b>	<b>\$ (1,634,893.17)</b>	<b>\$ 1,697,025.93</b>

<b>Future Capital Lease Payments</b>			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Minimum Future Lease Payments</u>
2015	\$ 611,234.05	\$ 70,730.53	\$ 681,964.58
2016	534,956.77	23,831.88	558,788.65
2017	51,088.55	1,160.04	52,248.59
2018	4,119.22	53.74	4,172.96
	<u>\$ 1,201,398.59</u>	<u>\$ 95,776.19</u>	<u>\$ 1,297,174.78</u>
<b>Summary</b>			
	Total: Minimum Lease Payments		\$ 1,297,174.78
	Less: Interest at Various Rates		<u>(95,776.19)</u>
	Present Value of Net Minimum Lease Payments		<u>\$ 1,201,398.59</u>

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**The Texas A&M University System  
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**Operating Leases**

The A&M System has included operating expenses for rent paid under operating leases for space and equipment in the amount of \$20,635,663.56 for the year ended August 31, 2014. Of this amount, \$8,809.02 represents contingent rentals, and \$250,866.00 was paid for sublease rentals.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2014 are presented below. Total payments for years 2015 and 2016 include sublease rental payments in the amount of \$250,866.00 and \$164,818.50, respectively.

<b>Operating Lease Obligations</b>	
<u>Fiscal Year</u>	<u>Minimum Future Lease Payments</u>
2015	\$ 18,474,148.70
2016	16,919,995.01
2017	8,353,195.84
2018	5,778,643.32
2019	3,977,865.60
2020-2024	8,530,895.45
2025-2029	3,176,701.50
2030-2034	<u>2,121,626.50</u>
Total Minimum Future Lease Payments	<u>\$ 67,333,071.92</u>



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The A&M System has also leased portions of buildings and land to outside parties under various operating leases. Operating lease income in the amount of \$6,956,922.62 has been recorded for the year ended August 31, 2014. There are no contingent rentals included in this amount.

Future minimum lease rentals under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2014, are presented below.

<b>Operating Lease Rentals</b>	
<u>Fiscal Year</u>	<u>Minimum Future Rentals</u>
2015	\$ 3,475,331.56
2016	2,880,776.42
2017	2,471,794.48
2018	2,352,888.97
2019	2,036,415.24
2020-2024	10,667,082.80
2025-2029	11,802,896.76
2030-2034	13,087,740.42
2035-2039	12,774,813.49
2040-2044	1,857,783.85
2045-2049	1,719,875.00
2050-2054	343,975.00
Total Minimum Future Rentals	<u>\$ 65,471,373.99</u>

<b>Carrying Value of Leased Assets</b>			
<u>Class of Property</u>	<u>Leased Assets</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Land	\$ 1,157,981.66	\$ -	\$ 1,157,981.66
Vehicles	86,715.96	(71,597.63)	\$ 15,118.33
Buildings	106,318,648.26	(39,358,411.19)	66,960,237.07
Total	<u>\$ 107,563,345.88</u>	<u>\$ (39,430,008.82)</u>	<u>\$ 68,133,337.06</u>

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**The Texas A&M University System  
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**Note 9 - Pension Plans and Optional Retirement Program**

The State of Texas has joint contributory retirement plans for substantially all its employees. The contribution amounts for both the employee and the A&M System are set by the Texas Legislature and can change over time. One of the primary plans in which the A&M System participates is administered by the Teacher Retirement System of Texas (TRS). The contributory percentage of participant salaries provided by the State and by each participant during the fiscal year was 6.8% of annual compensation.

The Teacher Retirement System of Texas does not separately account for each of its component government agencies, since the Retirement System bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature.

The retirement expense to the State for the A&M System TRS retirement program was \$22,886,767.61 for the year ended August 31, 2014. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the A&M System. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the Teacher Retirement System's annual financial report.

The State has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and mutual funds. The contributory percentages of participant salaries during the fiscal year provided by the State and by each participant who was enrolled in the plan on or before August 31, 1995 were 8.5% and 6.65%, respectively. The 8.5% is composed of 6.6% contributed by the State and an additional 1.90% contributed by the A&M System. For participants who enrolled on or after September 1, 1995, the State and participant contributions were 6.6% and 6.65%, respectively.

The contributions for the A&M System ORP retirement program are presented below.

<b>Optional Retirement Program</b>	
	Amount
Employer Contributions	\$ 42,347,770.00
Employee Contributions	38,234,005.00
Total	<u>\$ 80,581,775.00</u>

Effective January 1, 1999, the A&M System implemented an excess benefit arrangement under Section 415(m) of the *Internal Revenue Code* (IRC).

Since the A&M System bears no responsibility for retirement commitments beyond contributions, GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, do not apply to these financial statements or disclosures.

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### The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014

#### Note 10 - Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in *Texas Government Code*, Section 609.001. All payroll deductions have been invested in approved plans during the fiscal year. Two deferred compensation plans are available for A&M System employees.

The State's 457 Plan complies with *Internal Revenue Code* Section 457. This plan is referred to as the TexaSaver Deferred Compensation Plan (DCP) and is available to all employees. The DCP is an employer-sponsored plan administered by the Employees Retirement System of Texas (ERS). A&M System employees are permitted to participate in the plan as an agency of the State. The deductions, purchased investments and earnings attributed to the 457 Plan are held in trust and belong to the participants. The State has no liability under the 457 Plan beyond the administrative requirements outlined in the corresponding provisions of the IRC.

The A&M System also administers a Tax-Deferred Account (TDA) Program, created in accordance with IRC Section 403(b). All employees are eligible to participate. The TDA is an employer-sponsored plan. The deductions, purchased investments, and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee from an approved vendor list provided by the A&M System. The funds held in the accounts belong to the individual participants. The vendors can include insurance companies, banks, or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the A&M System or the State and thus do not have a liability related to this plan beyond the administrative requirements outlined in the corresponding provisions of the IRC.

The 457(f) Deferred Compensation Plan allows the A&M System to defer income for eligible participants without regard to the amount deferred or an adverse impact on other retirement plans in which the participant is enrolled. The plan is structured under Section 457(f) of the *Internal Revenue Code* of 1986, as amended. It is authorized for use by Texas institutions of higher education in Title 109, Article 6228a-5, Section 3 of Vernon's Texas Civil Statutes. All employees of the A&M System are eligible to participate in this plan subject to the approval of the Board of Regents, the Chancellor, or any Chancellor-designated A&M System member Chief Executive Officer.

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The Texas A&M University System  
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Note 11 - Postemployment Health Care and Life Insurance Benefits

Plan Description and Funding Policy

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees in accordance with State statutes. Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through the group insurance program, and premiums are based on benefits paid during the previous year. As of August 31, 2014, the A&M System had 7,916 retirees and 21,244 active employees. For the year ended August 31, 2014, the employer and retiree contribution rates are presented below.

Required Contribution Rates		
Retiree Health and Basic Life Premium		
Level of Coverage	Employer	Retiree*
Retiree Only	\$ 457.14	\$ 19.78
Retiree/Spouse	693.63	256.26
Retiree/Children	622.68	185.32
Retiree/Family	788.21	350.85
*Health premium only		

Other Postemployment Benefits (OPEB) are benefits provided to the A&M System's retirees under the A&M System group insurance program. The authority under which the obligations of the plan members and the A&M System are established, and may be amended, is Chapter 1601, *Texas Insurance Code*. Retiree eligibility for insurance continuation is determined by the Legislature and is subject to change.

The A&M System and member contribution rates are determined annually by the A&M System based on the recommendations of the A&M System Office of Benefits Administration. The plan rates are based on the plan costs that are expected to be incurred, the funds appropriated for the plans, and the funding policy established by the Texas Legislature in connection with benefits provided through the plan. The A&M System revises benefit plans and rates as necessary to match expected costs with available revenue. The plan is operated on a pay-as-you-go basis and is unfunded.

Because the OPEB plan described herein is not administered through a trust as defined under Paragraph 4 of GASB No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB No. 43 accounting is not applicable to the A&M System.

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For the year ended August 31, 2014, the contributions for the self-funded plan by the state per full-time retired employee are shown in the following table. The retiree contributes any premium over and above state contributions.

Fiscal Year Ending	Employer Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At End of Fiscal Year
8/31/2014	\$ 50,098,629	\$ 190,640,222	27%	\$ 859,766,188
8/31/2013	\$ 61,529,733	\$ 176,876,299	35%	\$ 719,224,595
8/31/2012	\$ 63,131,287	\$ 190,199,827	33%	\$ 603,878,029

The OPEB expense reflected in the Statement of Revenues, Expenses and Changes in Net Position is net of the Employer Contributions, as these costs are included as a portion of Payroll Related Costs expense.

**Annual OPEB Cost and Net OPEB Obligation**

The annual OPEB cost of the plan is calculated and based on the annual required contribution (ARC). The ARC is the amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of years, not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year for the plan.

Annual Required Contribution (ARC)	\$ 176,671,951
Interest on Net OPEB Obligation	52,503,395
Adjustment to ARC	<u>(38,535,124)</u>
Annual OPEB Cost	190,640,222
Employer Contributions Made	<u>(50,098,629)</u>
Increase Net OPEB Obligation	140,541,593
Net OPEB Obligation 9/1/2013	<u>719,224,595</u>
Net OPEB Obligation 8/31/2014	<u><u>\$ 859,766,188</u></u>

**Schedule of Funding Progress of the Plan**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The amounts determined for the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The multiyear schedule of funding progress is presented in the table on the following page.

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**The Texas A&M University System  
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Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (Unfunded AAL) (a)-(b)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll ((a-b)/c)
9/1/2013	\$ -	\$ 2,056,248,723	\$ (2,056,248,723)	0.0%	\$ 1,176,080,116	174.8%
9/1/2012	\$ -	\$ 1,924,980,271	\$ (1,924,980,271)	0.0%	\$ 1,149,300,305	167.5%
9/1/2011	\$ -	\$ 1,996,798,639	\$ (1,996,798,639)	0.0%	\$ 1,359,512,304	146.9%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used in the plan valuation include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional detail about the actuarial assumptions used in the plan valuation is outlined in the table below.

Summary of Actuarial Methods and Assumptions	
Actuarial Valuation Date	September 1, 2013
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Amortization Method	Open
Amortization Period	30 years
Actuarial Assumptions	
Projected Salary Increases	3.5%
Investment Rate of Return	7.3%
Inflation	3.0%
Health Care Trend Rates	9.5% in 2014
(Grading down by .5% annually until ultimate trend rate of 5.0% is reached in 2023)	

**Medicare Part D**

In fiscal year 2014 the plan received payments from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D. These on-behalf payments were recorded as revenues and expenses of each plan. In fiscal year 2014 the system received \$3,961,226.42 of Medicare Part D payments from the federal government.

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The Texas A&M University System  
 Notes to the Combined Financial Statements  
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**Note 12 - Interfund Activity and Transactions**

As of August 31, 2014, amounts to be received or paid between funds and agencies are to be reported as Interfund Receivable or Interfund Payable. Interfund Receivables and Payables, plus Legislative Transfers In and Legislative Transfers Out between A&M System members have been eliminated.

Individual balances and activity at August 31, 2014 are presented below.

<b>Interfund Receivables/Payables</b>			
<b>Current Portion</b>	<b>Current Interfund Receivable</b>	<b>Current Interfund Payable</b>	<b>Purpose</b>
ENTERPRISE FUND (05)			
Agy# 710, Appd Fund 0047, D23 Fund 0047 from Agy# 720, D23 Fund 0011	\$ 29,005,000.00	\$ -	PUF
Agy# 711, Appd Fund 0001, D23 Fund 0001 from Agy# 907, D23 Fund 0515		\$ 2,524,220.00	SECO LoanSTAR
Agy# 715, Appd Fund 0047, D23 Fund 0047 from Agy# 907, D23 Fund 0515	-	684,410.76	SECO LoanSTAR
<b>Total Current Interfund Receivable/Payable</b>	<b>\$ 29,005,000.00</b>	<b>\$ 3,208,630.76</b>	
<b>Non-Current Portion</b>	<b>Non-Current Interfund Receivable</b>	<b>Non-Current Interfund Payable</b>	<b>Purpose</b>
ENTERPRISE FUND (05)			
Agy# 710, Appd Fund 0047, D23 Fund 0047 from Agy# 720, D23 Fund 0011	\$ 821,412,528.29	\$ -	PUF
Agy# 711, Appd Fund 0001, D23 Fund 0001 from Agy# 907, D23 Fund 0515	-	9,996,839.60	SECO LoanSTAR
Agy# 715, Appd Fund 0047, D23 Fund 0047 from Agy# 907, D23 Fund 0515		451,888.52	SECO LoanSTAR
<b>Total Non-Current Interfund Receivable/Payable</b>	<b>\$ 821,412,528.29</b>	<b>\$ 10,448,728.12</b>	

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 13 - Continuance Subject to Review**

This note does not apply to the A&M System.



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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 14 - Restatement of Net Position**

There were no restatements to beginning net position.

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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014**

#### **Note 15 - Commitments and Contingencies**

At August 31, 2014, various lawsuits and claims involving the A&M System and its members had arisen in the course of conducting A&M System business. While the ultimate liability with respect to litigation and other claims cannot be reasonably estimated at this time, management is of the opinion that the liability not provided for by insurance or otherwise, if any, for these legal actions will not have a material adverse effect on the A&M System's financial position.

Private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain funds may utilize credit default swaps which have additional risk, including the risk of counterparty nonperformance. Collateral in the form of cash or securities may be required to be held in segregated accounts with the fund's custodian. Bi-lateral agreements and daily settlement with counterparties reduce the risk of counterparty nonperformance. As of August 31, 2014, the A&M System has committed \$464,340,462 to various private investments, of which \$136,192,708 is unfunded.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 16 - Subsequent Events**

The A&M System is authorized to issue up to \$451 million of Revenue Financing System Bonds during fiscal year 2015 to provide funding for project costs, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds. The A&M System is authorized to issue up to \$289 million of Permanent University Fund Bonds during fiscal year 2015 to provide funding for eligible projects, refund previously issued bonds, refund commercial paper and pay the costs of issuing the bonds. In addition, the A&M System expects to issue Revenue Financing System Commercial Paper and /or Permanent University Fund Commercial Paper for interim financing of projects, as needed.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 17 - Risk Management**

The A&M System is exposed to various risks of loss related to property – fire, windstorm or other loss of capital assets; general and employer liability – resulting from alleged wrongdoings by employees and others; net income – due to fraud, theft, administrative errors or omissions, and business interruptions; and personnel – unexpected expense associated with employee health, termination or death. As an agency of the State of Texas, the A&M System and its employees are covered by various immunities and defenses which limit some of these risks of loss, particularly in liability actions brought against the A&M System or its employees. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance, or a combination of these risk financing techniques.

All commercial insurance policies include retention amounts (deductibles) for which the A&M System is responsible and for which A&M System members maintain funding reserve pools. On-going analysis of the risks facing the A&M System results in the continual evaluation of insurance policies purchased.

The A&M System has self-insured arrangements for coverage in the areas of workers' compensation (WCI), group health and dental insurance and certain areas of medical malpractice. Liabilities for claims have been reported where information prior to issuance of the financial statements indicated that it was probable that a liability had been incurred and the amount of the loss could be reasonably estimated.

The workers' compensation plan is considered a funded employer liability pool. The workers' compensation incurred but not reported (IBNR) liability is based on actuarial analysis of all historical claims data. The plan provides claims servicing and claims payments by charging a "cost allocation" assessment to each A&M System member based on a percentage of payroll.

The A&M System implemented a self-insured health and dental plan on September 1, 1994, which is also considered a funded pool. Premiums are determined through an actuarial pricing process that takes place each spring. The A&M System maintains an experience stabilization fund of \$56,517,089.70 that is comprised of excess premiums from previous years and is used to offset losses in a given year. Dental benefits under the plan are limited to \$1,500 per individual per year, so the potential for catastrophic loss is not a significant risk.

The following table presents the changes in IBNR liability balances. The WCI amounts are also included in Note 5 as Claims and Judgments.

<b>Changes in IBNR Liability Balances</b>		
<u>Plan</u>	<u>WCI</u>	<u>Health &amp; Dental</u>
IBNR Liability 9/1/13	\$ 8,264,000.00	\$ 16,112,000.00
CY Claims Plus Change in	2,380,000.00	228,523,957.00
Claims Payments	(2,614,000.00)	(229,001,957.00)
Other Items (changes in estimates)	1,005,000.00	-
IBNR Liability 8/31/13	<u>\$ 9,035,000.00</u>	<u>\$ 15,634,000.00</u>

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**The Texas A&M University System  
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The Texas A&M Health Science Center College of Medicine has established a medical student liability self-insurance plan (the Plan) to provide eligible medical students of the Texas A&M University System Health Science Center College of Medicine with medical malpractice liability indemnity from and against medical malpractice claims. Limits of liability are \$25,000 per claim, \$75,000 aggregate per participant, and \$100,000 annual aggregate. The Plan is funded through a student participation fee. At August 31, 2014, the Plan had a balance of \$434,730.00 with no accrued liabilities.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 18 - Management's Discussion and Analysis (MD&A)**

This note is not used by the Texas A&M University System. The A&M System's Management Discussion and Analysis is included as a separate section of the report.

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### **The Texas A&M University System Notes to the Combined Financial Statements For the Year Ended August 31, 2014**

#### **Note 19 - The Financial Reporting Entity**

The A&M System is composed of a series of distinct members, each of which was created to render a specific service for the State within the limits of the A&M System's objectives, and all of which are under the control and direction of the Board of Regents of the A&M System. Also included are other organizations where the nature and significance of their relationships with the primary government are such that exclusion would cause the state's financial statements to be incomplete. An agency may determine an outside organization to be a component unit, related organization, joint venture, jointly governed organization or related party.

For component units, the A&M System has defined significance as 3% of net position, net revenues, or operating expenses. Entities that have a 3 year average that exceeds 3% will be included in the A&M System's financial statements. Component units are either blended or discretely presented, depending on the nature of the relationship. As of August 31, 2014, only one of the A&M System's potential component units meet the criteria for inclusion as a blended component.

#### **Blended Component Unit**

The Texas A&M Research Foundation (Research Foundation) has been included as a blended component unit in the combined financial statements of the A&M System since fiscal year 1990, at the direction of the State Auditor's Office. This determination is based on the close relationship and joint agreements in effect between the Research Foundation and the A&M System in regard to research grant/contract administration, as well as the fact that various officials of the A&M System serve as ex-officio voting and non-voting trustees, and members of the executive committee of the Research Foundation, and they are defined as significant to the A&M System. The Research Foundation has a fiscal year end of August 31, 2014 and is Fund Type 05, Appropriated Fund 9999. Complete financial statements of the Research Foundation may be obtained from their administrative offices at 400 Harvey Mitchell Parkway South, Suite 100, College Station, Texas, 77845.

Since 2012, Texas A&M System Sponsored Research Services has managed a number of the relationships and agreements previously managed by the Texas A&M Research Foundation. The intent is to move the majority of fiscal activity to each System member's financial statements. The Texas A&M Research Foundation's operating revenues and expenses decreased by 30%, compared to the prior fiscal year. We will continue to see reductions in the balances and activities reported by the Texas A&M Research Foundation.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 20 - Stewardship, Compliance and Accountability**

Changes to the financial reports of the A&M System are discussed in Note 1. The A&M System has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, the A&M System cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net assets or retained earnings.



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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 21 - Tobacco Settlement**

This note is reserved for State Comptroller of Public Accounts' use.

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The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014

**Note 22 - Donor Restricted Endowments**

The purpose of The Texas A&M University System Endowment Fund (the Fund) is to provide for the collective investment of all endowment and trust funds held by the A&M System or by the Board of Regents of the A&M System in a fiduciary capacity. The Fund is used to provide funding for scholarships, fellowships, professorships, academic chairs and other uses as specified by donors.

Distribution is made quarterly after the last calendar day of November, February, May, and August of each fiscal year to the endowment and trust funds participating in the Fund during the respective quarter. Income consists of interest earnings, dividends and realized capital gains. The income distribution per unit for each fiscal year will be to distribute, excluding fees, 5% of the 20-quarter average market value per unit as of the end of the previous February.

The amount of net appreciation for donor restricted true endowments presented in the table below is available for authorization and expense by the A&M System.

<b>Net Appreciation of Donor-Restricted Endowments</b>		
<b>Donor-Restricted Endowments</b>	<b>Amount of Net Appreciation*</b>	<b>Reported in Net Position</b>
True Endowments	\$ 103,426,719.36	Restricted for Expendable

\* The total fiscal year 2014 fair value adjustment to the Fund was \$67,233,600.61.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 23 - Extraordinary and Special Items**

The A&M System does not have any special or extraordinary items to report for the year ended August 31, 2014.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 24 - Disaggregation of Receivable and Payable Balances**

A summary of accounts receivable, associated allowances for doubtful accounts balances, and other payables for the year ended August 31, 2014, is presented below.

<b>Accounts Receivable</b>			
	<u>Gross</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
<b>Current Receivables</b>			
Federal	\$138,120,307.68	\$ -	\$138,120,307.68
Other Intergovernmental	4,011,873.88	-	4,011,873.88
Interest and Dividends	6,988,993.84	-	6,988,993.84
Gifts	72,931,728.93	(106,612.52)	72,825,116.41
Self Insured Plans	23,035,132.09	-	23,035,132.09
Student	41,858,634.55	(10,673,493.38)	31,185,141.17
Investment Trades	49,225,905.94	-	49,225,905.94
Accounts	104,639,415.73	(2,876,521.24)	101,762,894.49
Other	4,197,870.21	(87,882.72)	4,109,987.49
Total Current Receivables	<u>\$445,009,862.85</u>	<u>\$(13,744,509.86)</u>	<u>\$431,265,352.99</u>
<b>Non-Current Receivables</b>			
Gifts	<u>\$535,267,225.28</u>	<u>\$ -</u>	<u>\$535,267,225.28</u>
Total Non-Current Receivables	<u>\$535,267,225.28</u>	<u>\$ -</u>	<u>\$535,267,225.28</u>

Other Payables are detailed by type of activity in the table below.

<b>Other Payables</b>	<u>Amount</u>
Student Liabilities	\$ 13,788,491.38
Sales Tax Payable	2,432,384.35
External Investment Manager Fee Payable	1,526,838.48
Payables Related to Other Various Activities	<u>1,157,744.79</u>
Total Other Payables	<u>\$ 18,905,459.00</u>

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 25 - Termination Benefits**

As of August 31, 2014, the A&M System has not incurred obligations to pay voluntary or involuntary termination benefits in fiscal year 2015.

For the fully-insured dental plan and vision plan, the carrier is responsible for the billing and collection from all COBRA participants. The carrier retains all premiums and is liable for all claims and expenses. Enrollment information for these plans is included below; however, the A&M System does not have premium and expense information related to these plans.

For the self-insured health and dental plans, the carrier performs the billing and collections process for COBRA participants. The carrier then forwards the premium to the A&M System, net of the 2% administrative fee, which is intended to cover costs related to the billing and collection functions. However, since the plan is self-insured, the A&M System is responsible for any claims or administrative costs associated with COBRA participants, and these amounts are included below.

COBRA benefits for the Texas A&M University System for the year ended August 31, 2014 are presented below.

<b>Termination Benefits - COBRA</b>				
<b>Enrollment</b>	Self-Insured	Self-Insured	Fully-Insured	Fully-Insured
	Medical Plan	Dental Plan	Dental Plan	Vision Plan
Number of Participants	199	77	30	172
<b>Self-Insured Activity</b>				
Premium Revenue	\$ 780,183	\$ 71,378		
2 Percent Administrative Fee Revenue	<u>15,604</u>	<u>1,400</u>		
Total COBRA Revenue	795,787	72,778		
Claims Paid	1,755,121	67,704		
Administrative Expenses	<u>22,714</u>	<u>6,152</u>		
Total COBRA Expenses	<u>1,777,835</u>	<u>73,856</u>		
Total Cost to State	<u>\$ 982,048</u>	<u>\$ 1,078</u>		

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 26 - Segment Information**

The A&M System does not have any reportable segments.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
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**Note 27 - Service Concession Arrangements**

The A&M System does not have any reportable service concession arrangements.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources**

Texas A&M University, a member of the A&M System, finalized the acquisition of all operational aspects of the Texas Wesleyan University School of Law on August 13, 2013 and issued a payment of \$31.4 million which included \$29.9 million initial payment towards the purchase, \$1.4 million first year lease payment for the building which houses the law school, and \$100,000 building purchase option fee. Classes for the Texas A&M University School of Law officially began on August 19, 2013.

The first of four \$6 million annual payments was made during fiscal year 2014 towards the purchase of the law school. A liability for the current and non-current amount of the remaining three payments is included in Other Liabilities on the Statement of Net Position.

Annual building lease payments of \$1.7 million will also be paid. Prior to the end of the fifth lease year, Texas A&M University may choose to exercise the option to purchase the building for an additional \$11 million.

In the Statement of Net Position, under Deferred Outflows of Resources-Government Acquisitions, \$35,142,733.83 represents the net remaining compensation in excess of tangible asset value received that will be amortized in future periods.



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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 29 - Troubled Debt Restructuring**

The A&M System does not have any reportable troubled debt restructuring.

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**The Texas A&M University System  
Notes to the Combined Financial Statements  
For the Year Ended August 31, 2014**

**Note 30 – Non-Exchange Financial Guarantees**

The A&M System does not have any reportable non-exchange financial guarantees.

## UNAUDITED

Schedule 2A  
**The Texas A&M University System**  
 Schedule of Miscellaneous Bond Information  
 For the Year Ended August 31, 2014

Description	Bonds Issued to Date	Range of Interest Rates	Maturities		
			First Year	Last Year	First Call Date
<b>Revenue Bonds - Self Supporting</b>					
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 92,520,000.00	3.55 - 5.5%	7/1/1999	7/1/2028	7/1/2008 (1) (2)
Permanent University Fund Refunding Bonds, Series 2003 Revenue Bonds	102,645,000.00	5.25%	7/1/2012	7/1/2018	7/1/2013 (1)
Permanent University Fund Bonds, Series 2006 Revenue Bonds	165,940,000.00	4.5 - 5.0%	7/1/2007	7/1/2036	7/1/2016 (1)
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	218,895,000.00	2.5 - 5.5%	7/1/2010	7/1/2034	7/1/2019 (1) (2)
Permanent University Fund Bonds, Series 2011 Revenue Bonds	87,145,000.00	2.0 - 5.0%	7/1/2012	7/1/2031	7/1/2021 (1)
Permanent University Fund Bonds, Series 2012A Revenue Bonds	70,680,000.00	4.0 - 5.0%	7/1/2013	7/1/2024	7/1/2022 (1)
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	125,750,000.00	0.579 - 3.575%	7/1/2013	7/1/2032	Make Whole (2) (3)
Permanent University Fund Bonds, Series 2013 Revenue Bonds	208,465,000.00	3.0 - 5.0%	7/1/2014	7/1/2033	7/1/2023 (1)
Revenue Financing System Bonds, Series 2005A Tuition Revenue Bonds	148,895,000.00	4.0 - 5.25%	5/15/2006	5/15/2025	5/15/2015 (1)
Revenue Financing System Bonds, Series 2005B Revenue Bonds	275,755,000.00	4.0 - 5.25%	5/15/2006	5/15/2029	5/15/2015 (1) (2)
Revenue Financing System Bonds, Series 2008 Revenue Bonds	164,900,000.00	4.5 - 5.0%	5/15/2008	5/15/2037	5/15/2018 (1) (2)
Tuition Revenue Bonds	4,615,000.00			5/15/2027	
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds	251,735,000.00	3.0 - 5.0%	5/15/2010	5/15/2029	5/15/2019 (1)
Revenue Financing System Bonds, Series 2009B Revenue Bonds	78,085,000.00	2.25 - 5.0%	5/15/2010	5/15/2039	5/15/2019 (1) (2)
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds	54,240,000.00	2.0 - 5.0%	5/15/2010	5/15/2029	11/15/2019 (1)
Revenue Financing System Bonds, Series 2009D Revenue Bonds	320,760,000.00	4.0 - 5.0%	5/15/2011	5/15/2040	11/15/2019 (1) (2)
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	95,065,000.00	1.5 - 5.0%	8/2/2010	5/15/2029	5/15/2020 (1)
Revenue Financing System Bonds, Series 2010B Revenue Bonds	146,120,000.00	3.0 - 5.0%	5/15/2011	5/15/2039	5/15/2020 (1) (2)
Revenue Financing System Bonds, Series 2011A Revenue Bonds	16,605,000.00	2.5 - 4.0%	5/15/2011	5/15/2021	5/15/2020 (1)
Tuition Revenue Bonds	5,730,000.00			5/15/2017	
Revenue Financing System Bonds, Series 2011B Revenue Bonds	105,365,000.00	3.0 - 5.5%	5/15/2012	5/15/2041	5/15/2020 (1) (2)
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	40,955,000.00	2.0 - 5.0%	5/15/2014	5/15/2022	5/15/2022
Revenue Financing System Bonds, Series 2013B Revenue Bonds	265,405,000.00	3.0 - 5.0%	5/15/2014	5/15/2043	5/15/2023 (1) (2)
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	239,965,000.00	0.38 - 4.972%	5/15/2014	5/15/2043	5/15/2023 (1) (2)
Revenue Financing System Bonds, Series 2013D Revenue Bonds	94,365,000.00	1.875 - 5.0%	5/15/2016	5/15/2028	5/15/2023 (1)
	<u>\$ 3,380,600,000.00</u>				

(1) Option for Partial Redemption

(2) Mandatory Redemption Required

(3) Subject to redemption prior to maturity on any business day at the "Make Whole Redemption Price"

UNAUDITED

Schedule 2B  
**The Texas A&M University System**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2014

Description	Bonds Outstanding September 1, 2013	Bonds Issued or Converted	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding August 31, 2014	Amounts Due Within One Year
<b>Revenue Bonds - Self Supporting</b>						
Permanent University Fund Bonds, Series 1998 Revenue Bonds	\$ 28,795,000.00	\$	\$	\$	\$ 28,795,000.00	\$ -
Permanent University Fund Refunding Bonds, Series 2003 Revenue Bonds	76,965,000.00			76,965,000.00	-	-
Permanent University Fund Bonds, Series 2006 Revenue Bonds	115,920,000.00		1,230,000.00		114,690,000.00	1,290,000.00
Permanent University Fund Bonds, Series 2009AB Revenue Bonds	212,860,000.00		630,000.00		212,230,000.00	650,000.00
Permanent University Fund Bonds, Series 2011 Revenue Bonds	82,375,000.00		2,045,000.00		80,330,000.00	2,085,000.00
Permanent University Fund Bonds, Series 2012A Revenue Bonds	70,680,000.00				70,680,000.00	-
Permanent University Fund Bonds, Taxable Series 2012B Revenue Bonds	120,310,000.00		5,395,000.00		114,915,000.00	5,420,000.00
Permanent University Fund Bonds, Series 2013 Revenue Bonds	-	208,465,000.00	19,675,000.00		188,790,000.00	19,560,000.00
Revenue Financing System Bonds, Series 2005A Tuition Revenue Bonds	94,175,000.00		11,385,000.00		82,790,000.00	11,550,000.00
Revenue Financing System Bonds, Series 2005B Revenue Bonds	177,805,000.00		13,890,000.00		163,915,000.00	14,580,000.00
Revenue Financing System Bonds, Series 2008 Revenue Bonds	121,660,000.00		8,720,000.00		112,940,000.00	8,220,000.00
Tuition Revenue Bonds	3,715,000.00		190,000.00		3,525,000.00	200,000.00
Revenue Financing System Bonds, Series 2009A Tuition Revenue Bonds	206,205,000.00		8,850,000.00		197,355,000.00	9,255,000.00
Revenue Financing System Bonds, Series 2009B Revenue Bonds	68,700,000.00		2,650,000.00		66,050,000.00	2,715,000.00
Revenue Financing System Bonds, Series 2009C Tuition Revenue Bonds	38,635,000.00		1,725,000.00		36,910,000.00	1,775,000.00
Revenue Financing System Bonds, Series 2009D Revenue Bonds	291,160,000.00		10,835,000.00		280,325,000.00	10,905,000.00
Revenue Financing System Bonds, Series 2010A Tuition Revenue Bonds	84,550,000.00		2,420,000.00		82,130,000.00	6,480,000.00
Revenue Financing System Bonds, Series 2010B Revenue Bonds	140,540,000.00		2,635,000.00		137,905,000.00	12,980,000.00
Revenue Financing System Bonds, Series 2011A Revenue Bonds	13,350,000.00		1,495,000.00		11,855,000.00	1,555,000.00
Tuition Revenue Bonds	3,335,000.00		1,230,000.00		2,105,000.00	1,055,000.00
Revenue Financing System Bonds, Series 2011B Revenue Bonds	101,545,000.00		2,035,000.00		99,510,000.00	2,140,000.00
Revenue Financing System Bonds, Series 2013A Tuition Revenue Bonds	40,955,000.00		7,150,000.00		33,805,000.00	3,165,000.00
Revenue Financing System Bonds, Series 2013B Revenue Bonds	265,405,000.00		23,915,000.00		241,490,000.00	12,105,000.00
Revenue Financing System Bonds, Taxable Series 2013C Revenue Bonds	-	239,965,000.00	1,590,000.00		238,375,000.00	1,360,000.00
Revenue Financing System Bonds, Series 2013D Revenue Bonds	-	94,365,000.00			94,365,000.00	-
	\$ 2,359,640,000.00	\$ 542,795,000.00	\$ 129,690,000.00	\$ 76,965,000.00	\$ 2,695,780,000.00	\$ 129,045,000.00
		[a]	(Schedule 2D)		(Schedule 2C)	(Schedule 2C)

UNAUDITED

Schedule 2B - Concluded  
**The Texas A&M University System**  
 Schedule of Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2014

	Unamortized Premium	Unamortized Discount	Gain (Loss) on Refunding	Net Bonds Outstanding August 31, 2014	Amounts Due Within One Year
<b>Revenue Bonds - Self Supporting</b>	<u>\$ 149,940,562.62</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,845,720,562.62</u> (Exhibit III)	<u>\$ 148,081,823.37</u>
[a] Bonds Issued or Converted				[b]	
Permanent University Fund Bonds, Series 2013	\$ 208,465,000.00				
Revenue Financing System Bonds, Taxable Series 2013C	239,965,000.00				
Revenue Financing System Bonds, Series 2013D	94,365,000.00				
Total, Bonds Issued or Converted	<u>\$ 542,795,000.00</u>				
[b] Bonds Payable per Exhibit III					
Current Bonds Payable				\$ 148,081,823.37	
NonCurrent Bonds Payable				2,697,638,739.25	
Total Bonds Payable				<u>\$ 2,845,720,562.62</u>	

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## UNAUDITED

Schedule 2C  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2014

Description	Year Ended August 31,					
	2015	2016	2017	2018	2019	
<b>Revenue Bonds - Self Supporting</b>						
Permanent University Fund Bonds, Series 1998						
Revenue Bonds	Principal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,235,000.00
	Interest	1,583,725.00	1,583,725.00	1,583,725.00	1,583,725.00	1,583,725.00
Permanent University Fund Bonds, Series 2006						
Revenue Bonds	Principal	1,290,000.00	1,345,000.00	1,410,000.00	1,475,000.00	0.00
	Interest	5,673,550.00	5,615,500.00	5,554,975.00	5,491,525.00	5,425,150.00
Permanent University Fund Bonds, Series 2009AB						
Revenue Bonds	Principal	650,000.00	670,000.00	690,000.00	715,000.00	5,550,000.00
	Interest	10,634,256.28	10,614,756.28	10,592,981.28	10,568,831.28	10,543,806.28
Permanent University Fund Bonds, Series 2011						
Revenue Bonds	Principal	2,085,000.00	2,145,000.00	1,720,000.00	1,780,000.00	2,490,000.00
	Interest	3,680,250.00	3,617,700.00	3,553,350.00	3,501,750.00	3,448,350.00
Permanent University Fund Bonds, Series 2012A						
Revenue Bonds	Principal	0.00	0.00	0.00	0.00	10,335,000.00
	Interest	3,511,500.00	3,511,500.00	3,511,500.00	3,511,500.00	3,511,500.00
Permanent University Fund Bonds, Taxable Series 2012B						
Revenue Bonds	Principal	5,420,000.00	5,465,000.00	5,545,000.00	5,625,000.00	5,720,000.00
	Interest	3,047,288.76	3,005,229.56	2,937,518.20	2,857,725.66	2,760,413.16
Permanent University Fund Bonds, Series 2013						
Revenue Bonds	Principal	19,560,000.00	20,550,000.00	21,660,000.00	22,735,000.00	7,785,000.00
	Interest	8,772,900.00	7,794,900.00	6,767,400.00	5,684,400.00	4,547,650.00
Revenue Financing System Bonds, Series 2005A						
Tuition Revenue Bonds	Principal	11,550,000.00	11,465,000.00	10,990,000.00	5,265,000	5,480,000
	Interest	3,896,743.77	3,319,243.74	2,745,993.76	2,169,019	1,958,419
Revenue Financing System Bonds, Series 2005B						
Revenue Bonds	Principal	14,580,000.00	14,875,000.00	15,615,000.00	14,480,000.00	14,990,000.00
	Interest	7,518,906.27	6,789,906.28	6,046,156.28	5,226,368.78	4,647,168.78
Revenue Financing System Bonds, Series 2008						
Revenue Bonds	Principal	8,220,000.00	8,420,000.00	8,840,000.00	7,455,000.00	7,115,000.00
	Interest	5,558,700.00	5,147,700.00	4,726,700.00	4,284,700.00	3,911,950.00
Tuition Revenue Bonds	Principal	200,000.00	210,000.00	220,000.00	230,000.00	240,000.00
	Interest	174,475.00	164,475.00	153,975.00	142,975.00	131,475.00
Revenue Financing System Bonds, Series 2009A						
Tuition Revenue Bonds	Principal	9,255,000.00	9,720,000.00	10,145,000.00	10,655,000.00	11,155,000.00
	Interest	9,693,700.00	9,230,950.00	8,801,950.00	8,294,700.00	7,791,950.00
Revenue Financing System Bonds, Series 2009B						
Revenue Bonds	Principal	2,715,000.00	2,790,000.00	2,875,000.00	2,620,000.00	2,705,000.00
	Interest	3,062,000.00	2,980,550.00	2,896,850.00	2,810,600.00	2,725,450.00
Revenue Financing System Bonds, Series 2009C						
Tuition Revenue Bonds	Principal	1,775,000.00	1,850,000.00	1,915,000.00	2,000,000.00	2,075,000.00
	Interest	1,759,725.00	1,688,725.00	1,614,725.00	1,538,125.00	1,458,125.00
Revenue Financing System Bonds, Series 2009D						
Revenue Bonds	Principal	10,905,000.00	10,050,000.00	10,450,000.00	10,965,000.00	11,500,000.00
	Interest	13,840,287.50	13,295,037.50	12,893,037.50	12,388,500.00	11,840,250.00
Revenue Financing System Bonds, Series 2010A						
Tuition Revenue Bonds	Principal	6,480,000.00	6,735,000.00	7,005,000.00	6,810,000.00	7,140,000.00
	Interest	3,854,975.00	3,595,775.00	3,326,375.00	3,001,925.00	2,685,875.00
Revenue Financing System Bonds, Series 2010B						
Revenue Bonds	Principal	12,980,000.00	13,660,000.00	7,195,000.00	7,560,000.00	7,940,000.00
	Interest	6,895,250.00	6,246,250.00	5,563,250.00	5,203,500.00	4,825,500.00
Revenue Financing System Bonds, Series 2011A						
Revenue Bonds	Principal	1,555,000.00	1,620,000.00	1,685,000.00	1,680,000.00	1,730,000.00
	Interest	434,562.50	372,362.50	307,562.50	240,162.50	172,962.50
Tuition Revenue Bonds	Principal	1,055,000.00	785,000.00	265,000.00		
	Interest	84,200.00	42,000.00	10,600.00		
Revenue Financing System Bonds, Series 2011B						
Revenue Bonds	Principal	2,140,000.00	2,280,000.00	2,510,000.00	2,730,000.00	2,905,000.00
	Interest	5,000,812.54	4,893,812.56	4,768,412.56	4,630,362.56	4,480,212.56

## UNAUDITED

Schedule 2C  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2014

Description		2020-2024	2025-2029	2030-2034	2035-2039	2040-2043	Total Requirements
<b>Revenue Bonds - Self Supporting</b>							
Permanent University Fund Bonds, Series 1998							
Revenue Bonds	Principal	\$ 13,170,000.00	\$ 13,390,000.00	\$	\$	\$	\$ 28,795,000.00
	Interest	5,932,850.00	1,890,075.00				15,741,550.00
Permanent University Fund Refunding Bonds, Series 2006							
Revenue Bonds	Principal	0.00	39,170,000.00	50,000,000.00	20,000,000.00		114,690,000.00
	Interest	27,125,750.00	23,675,150.00	12,500,000.00	1,500,000.00		92,561,600.00
Permanent University Fund Series 2009AB							
Revenue Bonds	Principal	30,430,000.00	79,800,000.00	93,725,000.00			212,230,000.00
	Interest	48,418,987.62	36,329,475.00	13,380,200.00			151,083,294.02
Permanent University Fund Bonds, Series 2011							
Revenue Bonds	Principal	22,675,000.00	31,420,000.00	16,015,000.00			80,330,000.00
	Interest	14,965,750.00	9,045,500.00	1,207,500.00			43,020,150.00
Permanent University Fund Bonds, Series 2012A							
Revenue Bonds	Principal	60,345,000.00					70,680,000.00
	Interest	9,345,500.00					26,903,000.00
Permanent University Fund Bonds, Taxable Series 2012B							
Revenue Bonds	Principal	30,530,000.00	34,085,000.00	22,525,000.00			114,915,000.00
	Interest	11,839,789.00	7,451,736.20	1,629,663.76			35,529,364.30
Permanent University Fund Bonds, Series 2013							
Revenue Bonds	Principal	40,340,000.00	28,770,000.00	27,390,000.00			188,790,000.00
	Interest	16,501,500.00	8,962,650.00	2,793,000.00			61,824,400.00
Revenue Financing System Bonds, Series 2005A							
Tuition Revenue Bonds	Principal	30,960,000.00	7,080,000.00				82,790,000.00
	Interest	6,221,400.06	353,999.98				20,664,818.79
Revenue Financing System Bonds, Series 2005B							
Revenue Bonds	Principal	59,295,000.00	30,080,000.00				163,915,000.00
	Interest	14,776,012.58	3,682,875.00				48,687,393.97
Revenue Financing System Bonds, Series 2008							
Revenue Bonds	Principal	36,720,000.00	25,195,000.00	6,390,000.00	4,585,000.00		112,940,000.00
	Interest	13,986,500.00	5,243,612.50	1,952,725.00	418,725.00		45,231,312.50
Tuition Revenue Bonds	Principal	1,405,000.00	1,020,000.00				3,525,000.00
	Interest	463,875.00	98,175.00				1,329,425.00
Revenue Financing System Bonds, Series 2009A							
Tuition Revenue Bonds	Principal	64,395,000.00	82,030,000.00				197,355,000.00
	Interest	30,340,500.00	12,704,250.00				86,858,000.00
Revenue Financing System Bonds, Series 2009B							
Revenue Bonds	Principal	15,545,000.00	19,850,000.00	7,450,000.00	9,500,000.00		66,050,000.00
	Interest	11,608,000.00	7,312,000.00	3,528,750.00	1,471,250.00		38,395,450.00
Revenue Financing System Bonds, Series 2009C							
Tuition Revenue Bonds	Principal	11,985,000.00	15,310,000.00				36,910,000.00
	Interest	5,683,250.00	2,371,750.00				16,114,425.00
Revenue Financing System Bonds, Series 2009D							
Revenue Bonds	Principal	66,415,000.00	79,660,000.00	49,750,000.00	25,855,000.00	4,775,000.00	280,325,000.00
	Interest	50,296,750.00	32,313,500.00	14,193,500.00	4,655,750.00	238,750.00	165,955,362.50
Revenue Financing System Bonds, Series 2010A							
Tuition Revenue Bonds	Principal	26,105,000.00	21,855,000.00				82,130,000.00
	Interest	8,564,625.00	3,192,125.00				28,221,675.00
Revenue Financing System Bonds, Series 2010B							
Revenue Bonds	Principal	31,140,000.00	18,680,000.00	17,780,000.00	20,970,000.00		137,905,000.00
	Interest	18,367,750.00	12,579,250.00	7,855,750.00	3,247,000.00		70,783,500.00
Revenue Financing System Bonds, Series 2011A							
Revenue Bonds	Principal	3,585,000.00					11,855,000.00
	Interest	184,762.50					1,712,375.00
Tuition Revenue Bonds	Principal						2,105,000.00
	Interest						136,800.00
Revenue Financing System Bonds, Series 2011B							
Revenue Bonds	Principal	17,605,000.00	22,110,000.00	23,280,000.00	17,990,000.00	5,960,000.00	99,510,000.00
	Interest	19,787,187.80	14,617,162.80	9,223,881.30	3,850,000.00	450,500.00	71,702,344.68

## UNAUDITED

Schedule 2C  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2014

Description	Year Ended August 31,					
	2015	2016	2017	2018	2019	
<b>Revenue Bonds - Self Supporting</b>						
Revenue Financing System Bonds, Series 2013A						
Tuition Revenue Bonds	Principal	\$ 3,165,000.00	\$ 3,250,000.00	\$ 3,375,000.00	\$ 3,510,000.00	\$ 3,655,000.00
	Interest	1,451,000.00	1,356,050.00	1,226,050.00	1,091,050.00	950,650.00
Revenue Financing System Bonds, Series 2013B						
Revenue Bonds	Principal	12,105,000.00	12,590,000.00	6,630,000.00	6,955,000.00	7,290,000.00
	Interest	11,583,800.00	11,099,600.00	10,470,100.00	10,138,600.00	9,790,850.00
Revenue Financing System Bonds, Taxable Series 2013C						
Revenue Bonds	Principal	1,360,000.00	5,250,000.00	1,240,000.00	0.00	0.00
	Interest	11,428,974.80	11,420,570.00	11,365,025.00	11,342,953.00	11,342,953.00
Revenue Financing System Bonds, Series 2013D						
Revenue Bonds	Principal	0.00	505,000.00	4,750,000.00	6,255,000.00	6,565,000.00
	Interest	4,702,468.76	4,702,468.76	4,693,000.00	4,455,500.00	4,142,750.00
Total		256,889,051.18	258,318,787.18	242,841,212.08	231,658,497.54	231,277,135.00
Less Interest		(127,844,051.18)	(122,088,787.18)	(116,111,212.08)	(110,158,497.54)	(104,677,135.00)
Total Principal		<u>\$ 129,045,000.00</u>	<u>\$ 136,230,000.00</u>	<u>\$ 126,730,000.00</u>	<u>\$ 121,500,000.00</u>	<u>\$ 126,600,000.00</u>
		(Schedule 2B)				



UNAUDITED

Schedule 2C  
**The Texas A&M University System**  
 Schedule of Debt Service Requirements  
 For the Year Ended August 31, 2014

Description		2020-2024	2025-2029	2030-2034	2035-2039	2040-2043	Total Requirements
<b>Revenue Bonds - Self Supporting</b>							
Revenue Financing System Bonds, Series 2013A							
Tuition Revenue Bonds	Principal	\$ 16,850,000.00	\$	\$	\$	\$	\$ 33,805,000.00
	Interest	1,911,450.00					7,986,250.00
Revenue Financing System Bonds, Series 2013B							
Revenue Bonds	Principal	41,700,000.00	48,760,000.00	52,325,000.00	37,975,000.00	15,160,000.00	241,490,000.00
	Interest	43,100,500.00	32,320,500.00	19,520,250.00	7,770,450.00	1,545,600.00	157,340,250.00
Revenue Financing System Bonds, Taxable Series 2013C							
Revenue Bonds	Principal	0.00	10,795,000.00	62,200,000.00	78,990,000.00	78,540,000.00	238,375,000.00
	Interest	56,714,765.00	56,714,765.00	48,478,293.00	31,687,550.40	9,999,189.20	260,495,038.40
Revenue Financing System Bonds, Series 2013D							
Revenue Bonds	Principal	38,230,000.00	38,060,000.00				94,365,000.00
	Interest	15,435,750.00	4,873,750.00				43,005,687.52
Total		1,090,998,204.56	922,852,301.48	565,093,513.06	270,465,725.40	116,669,039.20	4,187,063,466.68
Less Interest		(431,573,204.56)	(275,732,301.48)	(136,263,513.06)	(54,600,725.40)	(12,234,039.20)	(1,491,283,466.68)
Total Principal		<u>\$ 659,425,000.00</u>	<u>\$ 647,120,000.00</u>	<u>\$ 428,830,000.00</u>	<u>\$ 215,865,000.00</u>	<u>\$ 104,435,000.00</u>	<u>\$ 2,695,780,000.00</u>

(Schedule 2B)

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The Texas A&M University System  
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**Schedule 2D**  
**The Texas A&M University System**  
 Analysis of Funds Available for Debt Service  
 For the Year Ended August 31, 2014

Description	Pledged Revenues	Operating Expenses From Pledged Revenues	Debt Service	
			Principal	Interest
Permanent University Fund Bonds	\$ 421,368,692.57	\$ 183,221,700.59	\$ 28,975,000.00	\$ 33,478,707.06
Revenue Financing System Bonds	2,329,681,616.01	1,013,004,133.99	100,715,000.00	87,038,814.66
	\$ 2,751,050,308.58	\$ 1,196,225,834.58	\$ 129,690,000.00	\$ 120,517,521.72
			(Schedule 2B)	

[a] Debt Service-Interest Expense and Fiscal Charges (Exhibit IV)		\$ 114,553,764.53		
Less:				
Interest on Permanent University Notes/Bonds	\$ 6,643.04			
Interest on Revenue Financing System Commercial Paper	85,430.40			
Other Interest Expense (non-bonds)	648,345.84			
Interest Expense on Defeased Bonds	1,851,970.31			
Subtotal		(2,592,389.59)		
Plus Capitalized Interest Expense		8,556,146.78		
Total, Debt Service-Interest		\$ 120,517,521.72		
				[a]

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Schedule 2E  
**The Texas A&M University System**  
Schedule of Defeased Bonds Outstanding  
For the Year Ended August 31, 2014

Description of Issues	Calendar Year Refunded	Par Value Outstanding August 31, 2014
The Texas A&M University System Permanent University Fund Bonds,		
Series 2003	2013	\$ -
Series 2004	2012	-
Total		<u>\$ -</u>

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Schedule 2F

**The Texas A&M University System**  
Schedule of Early Extinguishment and Refunding  
For the Year Ended August 31, 2014

<u>Description</u>	<u>Category</u>	<u>Amount Extinguished or Refunded</u>	<u>Refunding Issue Par Value</u>	<u>Cash Flow Increase (Decrease)</u>	<u>Economic Gain/ (Loss)</u>
Revenue Bonds - Self Supporting					
Permanent University Fund Bonds, Series 2003 Revenue Bonds	Current Refunding	\$ 76,965,000.00	\$ 71,440,000.00	\$ 8,942,319.44	\$ 8,354,301.66

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Schedule Three

**The Texas A&M University System**

Combined Schedule of Cash & Cash Equivalents

For the Year Ended August 31, 2014

	<u>Current Year Total</u>
<b>Cash &amp; Cash Equivalents</b>	
<b>Unrestricted</b>	
Cash On Hand	
Cashiers Account	\$ 101,975.00
Petty Cash Department Working Fund	330,742.39
Temporary Working Fund	7,468.00
Total Cash On Hand	<u>440,185.39</u>
 Cash In State Treasury	
Fund 0047	\$ 232,983,032.91
Fund 0230	12,830,857.21
Fund 0231	7,317,823.94
Fund 0232	7,120,811.86
Fund 0242	5,255,735.37
Fund 0243	4,609,414.38
Fund 0245	33,478,435.82
Fund 0254	6,866,053.11
Fund 0257	4,669,861.98
Fund 0263	419,911.72
Fund 0275	3,811,818.44
Fund 0289	10,371,507.79
Fund 0290	7,712,831.51
Fund 0291	3,077,733.64
Fund 0818	4,458,822.06
Fund 5029	8,664,758.66
Fund 5064	85,359,203.31
Fund 5066	4,287,242.57
Total Cash In State Treasury	<u>443,295,856.28</u>
 Reimbursements Due From State Treasury	\$ 8,874,851.82
Cash In Bank	1,103,491.50
Cash Equivalents	278,973,006.16
 <b>Total Unrestricted Cash and Cash Equivalents (Exhibit III)</b>	<u><b>\$ 732,687,391.15</b></u>
 <b>Restricted</b>	
Cash On Hand	
Petty Cash Department Working Fund	\$ 260,900.00
Temporary Working Fund	18,816.20
Total Restricted Cash On Hand	<u>279,716.20</u>
 Cash In Bank	\$ 8,437,204.58
Cash Equivalents	379,159,156.93
 <b>Total Restricted Cash and Cash Equivalents (Exhibit III)</b>	<u><b>\$ 387,876,077.71</b></u>
 <b>Total Cash &amp; Cash Equivalents (Exhibit V)</b>	<u><b>\$ 1,120,563,468.86</b></u>

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