

**TEXAS TECH UNIVERSITY  
SYSTEM**



**COMBINED  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2014**

# **ANNUAL FINANCIAL REPORT**

**OF**

# **TEXAS TECH UNIVERSITY SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2014

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

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## TEXAS TECH UNIVERSITY SYSTEM

Robert Duncan, *Chancellor*

November 15, 2014

Honorable Rick Perry  
Governor of Texas

Honorable Susan Combs  
Texas Comptroller

Ms. Ursula Parks  
Acting Director, Legislative Budget Board

Mr. John Keel, CPA  
State Auditor

To Agency Heads Addressed:

The Financial Report of Texas Tech University System, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2014. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report and, therefore, neither has expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2014.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert L. Duncan".

Robert L. Duncan  
Chancellor



## TEXAS TECH UNIVERSITY SYSTEM

**Jim Brunjes**  
Vice Chancellor and Chief Financial Officer

November 15, 2014

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

Dear Chancellor Duncan:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2014, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

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

Sharon Williamson, CPA  
Assistant Vice President for Financial & Managerial Reporting Services

Approved:

A handwritten signature in blue ink that reads "Jim Brunjes".

Jim Brunjes  
Texas Tech University System  
Vice Chancellor & Chief Financial Officer

## Texas Tech University System

### Board of Regents

Larry K. Anders..... Term Expires January 31, 2017 .....Dallas, TX  
John Esparza ..... Term Expires January 31, 2019 ..... Austin, TX  
L. Frederick “Rick” Francis ..... Term Expires January 31, 2019 .....El Paso, TX  
Tim Lancaster..... Term Expires January 31, 2019 ..... Abilene, TX  
Mickey L. Long..... Term Expires January 31, 2015 ..... Midland, TX  
Debbie Montford..... Term Expires January 31, 2017 ..... San Antonio, TX  
Nancy Neal..... Term Expires January 31, 2015 .....Lubbock, TX  
John D. Steinmetz ..... Term Expires January 31, 2017 .....Lubbock, TX  
John Walker..... Term Expires January 31, 2015 ..... Houston, TX

### Student Regent

Coby Ray..... Term Expires May 31, 2015 .....Lubbock, TX

### Officers of the Board

Mickey L. Long..... Chairman  
Larry K. Anders..... Vice Chairman  
Ben W. Lock ..... Secretary

### Fiscal Officers

Robert L. Duncan..... Chancellor  
Jim Brunjes..... Vice Chancellor and Chief Financial Officer  
M. Duane Nellis ..... TTU President  
Tedd Mitchell..... TTUHSC President  
Brian May..... ASU President  
Richard Lange ..... TTUHSC at El Paso President

# **FINANCIAL STATEMENTS**

## UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Net Position**  
**For the Years Ended August 31, 2014 and 2013**

	2014	Restated 2013
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 238,337,764.25	\$ 318,339,775.06
Restricted Cash and Cash Equivalents	125,704,633.02	141,918,337.03
Legislative Appropriations	110,908,220.50	90,899,429.99
Receivables:		
Federal	30,090,219.69	31,547,188.25
Patient	22,134,571.79	20,463,738.98
Student	18,445,462.81	15,711,179.29
Contracts	26,243,184.48	20,533,135.69
Accounts	6,882,953.36	5,889,151.24
Interest and Dividends	681,401.90	302,156.21
Gifts	23,989,458.53	55,208,534.79
Other	3,345,726.51	3,008,912.73
Due From Other State Agencies (Note 12)	30,367,150.16	23,238,893.03
Inventories	4,144,108.32	3,713,086.73
Prepaid Items	42,303,684.41	37,774,881.77
Loans and Contracts	1,686,226.77	1,744,161.06
Other Current Assets	450,000.00	450,000.00
Total Current Assets	685,714,766.50	770,742,561.85
Non-Current Assets:		
Restricted Cash and Cash Equivalents	48,006,732.86	49,437,925.73
Restricted Investments (Note 3)	396,421,341.02	333,809,821.99
Gifts Receivable	55,010,740.37	47,174,516.42
Loans and Notes Receivable	4,625,623.41	3,472,639.34
Investments (Note 3)	1,218,089,115.87	943,402,760.01
Capital Assets (Note 2)		
Non-Depreciable or Non-Amortizable	152,611,741.17	148,142,882.37
Depreciable or Amortizable	2,665,407,067.47	2,508,304,929.02
Accumulated Depreciation and Amortization	(1,366,485,167.42)	(1,254,220,406.75)
Total Non-Current Assets	3,173,687,194.75	2,779,525,068.13
Total Assets	\$ 3,859,401,961.25	\$ 3,550,267,629.98

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



## UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Net Position**  
**For the Years Ended August 31, 2014 and 2013**

	2014	Restated 2013
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 44,377,188.89	\$ 40,137,476.50
Payroll Payable	69,457,053.01	63,103,879.37
Unearned Revenue	196,320,258.94	177,558,510.37
Due to Other State Agencies (Note 12)	1,663,410.97	1,525,382.09
Employees' Compensable Leave (Note 5)	5,045,810.98	4,752,564.50
Capital Lease Payable (Note 5)	17,064.05	120,402.59
Claims Payable (Note 5)	1,051,550.26	1,060,964.04
Notes and Loans Payable (Note 5)	114,963,000.00	55,614,000.00
Bonds Payable (Note 5)	31,968,233.73	31,647,073.24
Funds Held for Others	36,833,167.95	29,254,926.36
Other Current Liabilities	4,724,230.48	4,537,236.07
Total Current Liabilities	506,420,969.26	409,312,415.13
Non-Current Liabilities:		
Employees' Compensable Leave (Note 5)	36,609,130.11	34,907,052.49
Capital Lease Payable (Note 5)	0.00	17,064.05
Claims Payable (Note 5)	12,092,828.02	13,085,223.14
Bonds Payable (Note 5)	456,773,794.72	488,742,028.45
Other Non-Current Liabilities	477,480.89	505,358.18
Total Non-Current Liabilities	505,953,233.74	537,256,726.31
Total Liabilities	1,012,374,203.00	946,569,141.44
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	885,549,400.41	853,460,673.05
Restricted:		
Nonexpendable:		
Endowments	622,047,922.23	581,048,233.18
Expendable:		
Capital Projects	15,776,698.06	16,707,537.50
Higher Education Assistance Fund	41,561,548.32	44,387,373.83
Debt Service	31,210,191.59	27,226,002.81
Other	378,220,044.16	321,935,963.63
Unrestricted	872,661,953.48	758,932,704.54
Total Net Position	\$ 2,847,027,758.25	\$ 2,603,698,488.54

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

## UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2014 and 2013**

	2014	Restated 2013
Operating Revenues		
Tuition and Fees	\$ 14,560,959.72	\$ 14,842,466.24
Tuition and Fees - Pledged	430,453,330.14	418,438,231.44
Less Discounts and Allowances	(94,899,606.03)	(85,340,483.19)
Professional Fees	243,532,221.85	229,673,197.83
Professional Fees - Pledged	1,022,720.11	1,084,113.08
Sales and Services of Auxiliary Enterprises - Pledged	144,635,980.27	134,543,166.48
Other Sales and Services	5,621,193.67	5,548,228.15
Other Sales and Services - Pledged	12,028,415.16	12,125,816.61
Federal Grants and Contracts (Schedule 1A)	61,332,584.32	55,730,482.49
Federal Grants and Contracts - Pledged (Schedule 1A)	4,983,831.67	4,938,273.97
Federal Grant Pass-Throughs from Other State Agencies (Schedule 1A)	4,988,558.69	5,171,291.57
State Grants and Contracts	4,310,284.68	2,405,701.52
State Grants and Contracts - Pledged	392,237.93	441,110.16
State Grant Pass-Throughs from Other State Agencies (Schedule 1B)	44,442,727.91	36,297,633.46
Local Governmental Grants and Contracts	33,731,309.54	45,149,849.37
Local Governmental Grants and Contracts - Pledged	1,243,973.03	1,232,541.87
Nongovernmental Grants and Contracts	143,927,180.44	121,527,074.44
Nongovernmental Grants and Contracts - Pledged	2,536,589.16	2,615,384.42
Other Revenue	26,821,845.02	17,633,820.48
Total Operating Revenues	<u>1,085,666,337.28</u>	<u>1,024,057,900.39</u>
Operating Expenses		
Cost of Goods Sold	13,859,500.89	13,367,650.41
Salaries and Wages	802,349,897.05	752,005,131.03
Payroll Related Costs	194,159,305.18	176,780,400.19
Professional Fees and Services	64,091,231.35	63,000,467.62
Travel	31,103,738.93	27,901,989.01
Materials and Supplies	71,871,130.46	67,366,663.56
Communications and Utilities	49,670,422.22	48,548,006.88
Repairs and Maintenance	37,705,781.48	37,639,326.57
Rentals and Leases	13,076,170.89	13,718,353.76
Printing and Reproduction	4,948,769.07	5,096,966.04
Federal Grant Pass-Through Expense	1,502,659.13	1,576,385.55
State Grant Pass-Through Expense	472,996.08	519,522.14
Depreciation and Amortization	125,460,626.10	121,510,514.81
Bad Debt Expense	261,761.55	723,617.62
Interest	22,932.54	11,385.04
Scholarships	67,587,498.39	65,018,662.15
Claims and Judgements	2,155,000.00	754,376.87
Other Operating Expenses	107,285,234.51	103,125,485.46
Total Operating Expenses	<u>1,587,584,655.82</u>	<u>1,498,664,904.71</u>
Operating Income (Loss)	<u>\$ (501,918,318.54)</u>	<u>\$ (474,607,004.32)</u>

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

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2014 and 2013**

	2014	Restated 2013
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 422,206,905.94	\$ 355,250,466.02
Federal Grants and Contracts (Schedule 1A)	45,224,794.96	41,131,806.40
State Grant Pass-Throughs from Other State Agencies (Schedule 1B)	37,500.00	45,000.00
Private Gifts	42,625,098.52	56,925,602.53
Private Gifts - Pledged	6,167,863.94	900,851.83
Investment Income (Expense)	86,230,888.59	40,255,340.60
Investment Income (Expense) - Pledged	27,064,655.99	20,276,506.15
Interest Expense on Capital Asset Financing	(21,248,721.24)	(24,706,601.38)
Gain (Loss) on Sale and Disposal of Capital Assets	(1,171,753.70)	(2,067,459.26)
Net Increase (Decrease) in Fair Value of Investments	48,153,718.86	29,496,227.98
Other Nonoperating Revenues (Expenses)	12,269,378.99	8,149,139.16
Other Nonoperating Revenues (Expenses) - Pledged	(1,511,670.86)	2,935,913.96
Total Nonoperating Revenues (Expenses)	666,048,659.99	528,592,793.99
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	164,130,341.45	53,985,789.67
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	44,652,684.00	44,652,684.00
Capital Contributions	3,870,938.13	3,181,813.70
Lapsed Appropriations	(2,980.13)	(516.02)
Contributions to Permanent and Term Endowments	31,583,394.99	48,888,881.70
Legislative Transfer Out (Note 12)	(2,764,516.63)	(2,706,875.77)
Increase Net Assets - Interagency Transfer Capital Assets (Note 12)	52,386.53	8,903.19
Decrease Net Assets - Interagency Transfer Capital Assets (Note 12)	(108,509.89)	(268,379.76)
Transfers In from Other State Agencies (Note 12)	8,815,806.83	8,453,949.25
Transfers Out to Other State Agencies (Note 12)	(6,900,275.57)	(7,060,894.29)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	79,198,928.26	95,149,566.00
TOTAL CHANGES IN NET POSITION	\$ 243,329,269.71	\$ 149,135,355.67
Beginning Net Position (September 1)	2,603,698,488.54	2,454,563,132.87
Ending Net Position (August 31)	\$ 2,847,027,758.25	\$ 2,603,698,488.54

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

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Cash Flows**  
**For the Years Ended August 31, 2014 and 2013**

	<u>2014</u>	<u>Restated 2013</u>
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 293,292,369.78	\$ 267,705,957.28
Proceeds from Tuition and Fees	359,514,620.96	345,188,728.64
Proceeds from Grants and Contracts	296,051,830.41	269,200,650.27
Proceeds from Sales and Services of Auxiliary Enterprises	151,268,734.99	133,626,975.35
Proceeds from Collections of Loans to Students	5,563,454.11	4,988,257.32
Payments to Suppliers for Goods and Services	(206,712,108.03)	(195,889,148.75)
Payments to Employees for Salaries	(797,859,370.39)	(751,518,245.90)
Payments to Employees for Benefits	(190,321,469.75)	(170,330,078.28)
Payments for Loans Issued to Students	(6,512,766.09)	(5,445,349.47)
Payments for Other Expenses	(267,354,112.90)	(260,822,809.79)
Net Cash Used By Operating Activities	<u>(363,068,816.91)</u>	<u>(363,295,063.33)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	397,547,117.24	367,416,429.63
Proceeds from Gifts	104,905,203.76	86,642,440.38
Proceeds from Nonoperating Grants and Contracts	45,262,294.96	48,523,276.40
Proceeds from Other Financing Activities	11,628,915.65	13,473,804.93
Proceeds from Agency Transactions	284,521,935.27	258,484,378.92
Proceeds from Transfers In from Other State Agencies	3,147,169.40	1,155,925.06
Payments for Transfers to Other State Agencies	(5,065,736.53)	(5,244,217.54)
Payments for Other Uses	(287,800,735.21)	(270,970,869.01)
Net Cash Provided by Noncapital Financing Activities	<u>554,146,164.54</u>	<u>499,481,168.77</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	91,195.93	60,012.29
Proceeds from Capital Debt Issuances	78,700,000.00	41,220,200.00
Proceeds from Capital Appropriations	49,269,228.27	44,157,567.38
Payments for Additions to Capital Assets	(168,110,724.50)	(109,838,132.47)
Payments for Principal Paid on Capital Debt	(48,606,000.00)	(40,530,626.16)
Payments for Interest Paid on Capital Debt	(22,453,268.32)	(23,477,912.99)
Net Cash Used by Capital and Related Financing Activities	<u>(111,109,568.62)</u>	<u>(88,408,891.95)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	152,146,846.54	263,979,264.08
Proceeds from Interest and Investment Income	60,404,742.61	64,553,624.43
Payments to Acquire Investments	(390,166,275.85)	(386,117,096.89)
Net Cash Used by Investing Activities	<u>(177,614,686.70)</u>	<u>(57,584,208.38)</u>
<b>TOTAL NET CASH FLOWS</b>	<u>\$ (97,646,907.69)</u>	<u>\$ (9,806,994.89)</u>
Beginning Cash & Cash Equivalents - September 1	509,696,037.82	519,503,032.71
Ending Cash & Cash Equivalents - August 31	<u>\$ 412,049,130.13</u>	<u>\$ 509,696,037.82</u>

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

UNAUDITED

**Texas Tech University System (793)**  
**Combined Statement of Cash Flows**  
**For the Years Ended August 31, 2014 and 2013**

	2014	Restated 2013
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (501,918,318.54)	\$ (474,607,004.32)
Adjustments:		
Depreciation and Amortization Expense	125,460,626.10	121,510,514.81
Bad Debt Expense	432,317.17	723,617.62
(Increase) Decrease in Accounts Receivables	(12,563,512.29)	(7,784,102.51)
(Increase) Decrease in Loans and Notes Receivable	(1,095,049.78)	(245,280.03)
(Increase) Decrease in Inventory	(431,021.59)	228,695.92
(Increase) Decrease in Due From Other State Agencies	(181,481.46)	(869,709.80)
(Increase) Decrease in Prepaid Items	(3,635,514.79)	(1,354,579.56)
Increase (Decrease) in Accounts Payables	3,797,342.72	1,271,632.83
Increase (Decrease) in Payroll Payables	1,001,484.45	410,674.35
Increase (Decrease) in Unearned Revenue	21,836,240.42	(2,360,879.89)
Increase (Decrease) in Compensable Leave	1,995,324.10	(239,830.84)
Increase (Decrease) in Claims Payable	(1,001,808.90)	(1,235,055.08)
Increase (Decrease) in Due To Other State Agencies	261,014.25	(1,422,893.50)
Increase (Decrease) in Benefits Payable	2,789,576.37	2,554,479.63
Increase (Decrease) in Other Liabilities	183,964.86	124,657.04
Net Cash Used for Operating Activities	(363,068,816.91)	(363,295,063.33)
Noncash Transactions		
Donations of Capital Assets	3,870,938.13	3,181,813.70
Net Increase (Decrease) in Fair Value of Investments	48,153,718.86	29,496,227.98
Other	(561,265.33)	(519,034.34)
Total Noncash Transactions	\$ 51,463,391.66	\$ 32,159,007.34

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

**NOTES to the COMBINED  
FINANCIAL STATEMENTS**

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

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

Entities which comprise the Texas Tech University System include Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, Texas Tech University Health Sciences Center at El Paso and Texas Tech University System Administration. Texas Tech University System serves the state of Texas by providing undergraduate and post-graduate education and research in fields such as Law, Business, Medicine, Engineering and Nursing.

The Texas Tech University System also includes within this report all component units as determined by an analysis of their relationship to the Texas Tech University System. Blended component units are described in more detail in Note 19. Financial statements for a discretely presented component unit, the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation, are presented separately at the end of this combined report.

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

**Basis of Accounting**

For financial reporting purposes, the Texas Tech University System is considered a special-purpose government engaged only in business-type activities. Business-type activities are defined as those that are financed in whole or part by fees charged to external parties for goods and services. Accordingly, the 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 has been incurred. Operating items are distinguished from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets.

**Cash and Cash Equivalents**

For the purpose of financial statement reporting, cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Noncurrent cash and cash equivalents include plant funds allocated for capital projects, debt service funds, and endowment funds.

**Investments**

Texas Tech University System accounts for its investments at fair value, as determined by the major securities markets. Fair value is defined as the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Changes in unrealized gain (loss) on the carrying value of the investments are reported in the Combined Statement of Revenues, Expenses, and Changes in Net Position.

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

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

**Inventories and Prepaid Items**

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

**Receivables**

Receivable balances are grouped into several receivable categories. Student receivables consist of tuition and fees charged to students, patient receivables are for medical fees charged for services, and accounts receivable are fees for auxiliary enterprise services provided to students, faculty, and staff, as well as state and local grant billings. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables and historical collection information.

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

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

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

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

**Loans and Notes Receivable**

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

**Capital Assets**

Capital Assets, defined as assets held for use in operations with a value equal to or greater than the capitalization threshold established for that asset type and an initial useful life of more than one year, are recorded at cost at the date of acquisition 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, such as furniture and equipment is \$5,000. For buildings, building improvements, and facilities and other improvements, the capitalization threshold is \$100,000. Infrastructure has a capitalization threshold of \$500,000. Land, works of art and historical treasures are capitalized regardless of cost or value.



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

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

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

**Payables**

Payable balances are grouped into several payable categories. Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending. Payroll payable includes accrued salary, wages and benefits. Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the insured participants.

**Unearned Revenues**

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

**Employees' Compensable Leave Balances**

Employees' Compensable Leave payable balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

**Capital Lease Obligations**

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature.

**Notes and Loans Payable**

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 5.

**Bonds Payable**

Texas Tech University System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 6. The bonds are reported at par, net of unamortized premiums.

**Funds Held for Others**

Current balances in funds held for others result from the System acting as an agent or fiduciary for faculty and student organizations. Also included is an Angelo State University Foundation gift held for investment return purposes only.

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

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

Net Position is the difference between fund assets and liabilities. Net position is presented in three separate classes: Invested in Capital Assets - Net of Related Debt, Restricted and Unrestricted.

***Invested in Capital Assets, Net of Related Debt***

Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

***Restricted:***

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

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

***Unrestricted:***

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

**Interfund Activity and Transactions**

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

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

Note 2: Capital Assets

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

	Balance 09/01/13	Adjustments	Completed CIP	Reclassifications Inc-Int'agy Trans	Reclassifications Dec-Int'agy Trans	Additions	Deletions	Balance 08/31/14
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Non-depreciable or Non-amortizable Assets</b>								
Land and Land Improvements	\$ 17,965,121.17					2,854,321.80		\$ 20,819,442.97
Construction in Progress	56,378,362.00	(69,379.05)	(78,567,067.79)			74,339,010.85		52,080,926.01
Other Tangible Capital Assets	73,799,399.20	8,000.00				5,903,972.99		79,711,372.19
Total Non-depreciable or Non-amortizable Assets	148,142,882.37	(61,379.05)	(78,567,067.79)	0.00	0.00	83,097,305.64	0.00	152,611,741.17
<b>Depreciable Assets</b>								
Buildings and Building Improvements	1,684,324,699.50		78,567,067.79			45,352,891.44	(831,582.59)	1,807,413,076.14
Infrastructure	41,719,273.29					2,002,863.21		43,722,136.50
Facilities and Other Improvements	175,411,691.31					6,648,470.76		182,060,162.07
Furniture and Equipment	280,798,539.61	13,316.94		149,962.96	(199,370.63)	23,598,403.82	(10,331,576.10)	294,029,276.60
Vehicle, Boats and Aircraft	17,239,873.75					1,573,881.29	(521,907.11)	18,291,847.93
Other Capital Assets	175,734,118.84					10,996,499.45	(372,136.03)	186,358,482.26
Total Depreciable Assets	2,375,228,196.30	13,316.94	78,567,067.79	149,962.96	(199,370.63)	90,173,009.97	(12,057,201.83)	2,531,874,981.50
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(802,705,777.87)	254,411.88				(56,643,462.62)	790,003.46	(858,304,825.15)
Infrastructure	(15,927,187.26)					(1,463,557.66)		(17,390,744.92)
Facilities and Other Improvements	(75,752,782.30)					(6,156,935.66)		(81,909,717.96)
Furniture and Equipment	(172,405,362.17)			(97,576.43)	90,860.74	(25,774,586.41)	9,526,419.46	(188,660,244.81)
Vehicles, Boats and Aircraft	(12,661,673.89)	(54,519.04)				(1,337,095.00)	493,197.76	(13,560,090.17)
Other Capital Assets	(88,341,441.92)					(10,579,607.80)	194,844.91	(98,726,204.81)
Total Accumulated Depreciation	(1,167,794,225.41)	199,892.84	0.00	(97,576.43)	90,860.74	(101,955,245.15)	11,004,465.59	(1,258,551,827.82)
Depreciable Assets, Net	1,207,433,970.89	213,209.78	78,567,067.79	52,386.53	(108,509.89)	(11,782,235.18)	(1,052,736.24)	1,273,323,153.68
<b>Amortizable Assets - Intangible</b>								
Computer Software	133,076,732.72					2,663,789.33	(2,208,436.08)	133,532,085.97
Total Amortizable Assets - Intangible	133,076,732.72	0.00	0.00	0.00	0.00	2,663,789.33	(2,208,436.08)	133,532,085.97
Less Accumulated Amortization for:								
Computer Software	(86,426,181.34)					(23,505,380.95)	1,998,222.69	(107,933,339.60)
Total Accumulated Amortization	(86,426,181.34)	0.00	0.00	0.00	0.00	(23,505,380.95)	1,998,222.69	(107,933,339.60)
Amortizable Assets - Intangible, Net	46,650,551.38	0.00	0.00	0.00	0.00	(20,841,591.62)	(210,213.39)	25,598,746.37
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,402,227,404.64</b>	<b>\$ 151,830.73</b>	<b>\$ 0.00</b>	<b>\$ 52,386.53</b>	<b>\$ (108,509.89)</b>	<b>\$ 50,473,478.84</b>	<b>\$ (1,262,949.63)</b>	<b>\$ 1,451,533,641.22</b>

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

A summary of changes in Capital Assets for the year ended August 31, 2013 is presented below.

	Balance		Reclassifications		Reclassifications		Balance	
	09/01/12	Adjustments	Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	08/31/13
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Non-depreciable or Non-amortizable Assets</b>								
Land and Land Improvements	\$ 17,501,641.74					463,479.43		\$ 17,965,121.17
Construction in Progress	43,634,839.94		(11,023,071.25)			23,766,593.31		56,378,362.00
Other Tangible Capital Assets	70,160,199.53	45,000.00				3,676,199.67	(82,000.00)	73,799,399.20
Total Non-depreciable or Non-amortizable Assets	131,296,681.21	45,000.00	(11,023,071.25)	0.00	0.00	27,906,272.41	(82,000.00)	148,142,882.37
<b>Depreciable Assets</b>								
Buildings and Building Improvements	1,636,782,077.62		11,023,071.25			\$36,519,550.63		1,684,324,699.50
Infrastructure	41,719,273.29							41,719,273.29
Facilities and Other Improvements	166,329,150.52					9,082,540.79		175,411,691.31
Furniture and Equipment	271,820,722.76	1,070,000.00		361,210.87	(804,510.86)	23,429,088.66	(15,077,971.82)	280,798,539.61
Vehicle, Boats and Aircraft	16,808,063.24			20,245.00		1,335,895.72	(924,330.21)	17,239,873.75
Other Capital Assets	165,435,829.51					11,096,521.40	(798,232.07)	175,734,118.84
Total Depreciable Assets	2,298,895,116.94	1,070,000.00	11,023,071.25	381,455.87	(804,510.86)	81,463,597.20	(16,800,534.10)	2,375,228,196.30
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(748,240,762.91)					(54,465,014.96)		(802,705,777.87)
Infrastructure	(14,471,974.88)					(1,455,212.38)		(15,927,187.26)
Facilities and Other Improvements	(69,081,822.77)					(6,670,959.53)		(75,752,782.30)
Furniture and Equipment	(161,234,680.01)	(1,078,631.46)		(352,307.68)	536,131.10	(24,389,050.67)	14,113,176.55	(172,405,362.17)
Vehicles, Boats and Aircraft	(12,209,041.20)	(26.79)		(20,245.00)		(1,302,791.33)	870,430.43	(12,661,673.89)
Other Capital Assets	(78,406,972.74)					(9,984,172.25)	49,703.07	(88,341,441.92)
Total Accumulated Depreciation	(1,083,645,254.51)	(1,078,658.25)	0.00	(372,552.68)	536,131.10	(98,267,201.12)	15,033,310.05	(1,167,794,225.41)
Depreciable Assets, Net	1,215,249,862.43	(8,658.25)	11,023,071.25	8,903.19	(268,379.76)	(16,803,603.92)	(1,767,224.05)	1,207,433,970.89
<b>Amortizable Assets - Intangible</b>								
Computer Software	131,465,343.98					3,362,819.29	(1,751,430.55)	133,076,732.72
Total Amortizable Assets - Intangible	131,465,343.98	0.00	0.00	0.00	0.00	3,362,819.29	(1,751,430.55)	133,076,732.72
Less Accumulated Amortization for:								
Computer Software	(64,658,499.38)	2,448.68				(23,243,313.69)	1,473,183.05	(86,426,181.34)
Total Accumulated Amortization	(64,658,499.38)	2,448.68	0.00	0.00	0.00	(23,243,313.69)	1,473,183.05	(86,426,181.34)
Amortizable Assets - Intangible, Net	66,806,844.60	2,448.68	0.00	0.00	0.00	(19,880,494.40)	(278,247.50)	46,650,551.38
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,413,353,388.24</b>	<b>\$ 38,790.43</b>	<b>\$ 0.00</b>	<b>\$ 8,903.19</b>	<b>\$ (268,379.76)</b>	<b>\$(8,777,825.91)</b>	<b>\$(2,127,471.55)</b>	<b>\$ 1,402,227,404.64</b>

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

**Note 3: Deposits, Investments, and Repurchase Agreements**

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

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

**Deposits of Cash in Bank**

The carrying amount of deposits as of August 31, 2014 and August 31, 2013 was \$157,221,052.71, and \$80,882,868.53, respectively, as presented below:

**Business-Type Activities**

	<b>FY14</b>	<b>FY13</b>
CASH IN BANK – CARRYING VALUE	\$ 157,221,052.71	\$ 80,882,868.53
Less: Certificates of Deposit including in carrying value and reported as Cash Equivalent		
Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral		
Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral		
<b>Cash in Bank per AFR</b>	<b>\$ 157,221,052.71</b>	<b>\$ 80,882,868.53</b>
Proprietary Funds Current Assets Cash in Bank	\$ 24,125,167.34	\$ (18,100,299.66)
Proprietary Funds Current Assets Restricted Cash in Bank	98,539,147.19	88,908,912.24
Proprietary Funds Non-Current Assets Restricted Cash in Bank	34,556,738.18	10,074,255.95
<b>Cash in Bank per AFR</b>	<b>\$ 157,221,052.71</b>	<b>\$ 80,882,868.53</b>

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

As of August 31, 2014, the total **bank balance** for Business-Type Activities was \$148,443,887.33. At August 31, 2013, the balance was \$91,815,805.30.

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

## Discrete Component Unit

## Business-Type Activities

	FY14	FY13
CASH IN BANK – CARRYING VALUE	\$ 536,293.38	\$ 762,566.11
Less: Certificates of Deposit including in carrying value and reported as Cash Equivalent		
Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral		
Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral		
<b>Cash in Bank per AFR</b>	<b>\$ 536,293.38</b>	<b>\$ 762,566.11</b>
Proprietary Funds Current Assets Cash in Bank	\$ 343,867.03	\$ 526,287.41
Proprietary Funds Current Assets Restricted Cash in Bank	192,426.35	236,278.70
Proprietary Funds Non-Current Assets Restricted Cash in Bank		
<b>Cash in Bank per AFR</b>	<b>\$ 536,293.38</b>	<b>\$ 762,566.11</b>

As of August 31, 2014, the total **bank balance** for Business-Type Activities for the Carr Foundation was \$516,536.33. At August 31, 2013, this balance was \$762,928.95.

## Investments

The fair value of investments is presented below for August 31, 2014, and August 31, 2013, respectively:

## Business-Type Activities

Type of Security	Fair Value	
	FY14	FY13
U. S. Government		
U.S. Treasury Securities	\$ 125,547,814.44	\$ 76,779,962.24
U.S. Treasury TIPs	18,198,258.93	16,538,631.15
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	196,223,299.60	143,562,398.00
Corporate Obligations	1,005,007.50	20,000.00
Corporate Asset and Mortgage Backed Securities	1,879,241.15	933,916.19
Equity	26,011,273.47	71,171,337.87
International Obligations (Govt and Corp)	10,555,463.53	3,318,269.17
Fixed Income Money Market and Bond Mutual Fund	344,023,983.15	301,741,575.17
Mutual Funds - Domestic	29,665,893.14	57,198,044.28
Other Commingled Funds	141,497,838.48	175,759,609.78
Other Commingled Funds (Texpool)	93,133,974.35	202,512,899.63
International Other Commingled Funds	144,282,215.52	132,051,089.17
Real Estate	33,343,927.76	29,894,817.62
Domestic Derivatives	1,536,785.78	0.00
Externally Managed Investments:		
Domestic	648,226,323.15	428,431,172.35
International	2,310,882.96	10,645,624.73
Miscellaneous	11,931,359.15	11,273,761.68
<b>Total Investments</b>	<b>\$ 1,829,373,542.06</b>	<b>\$ 1,661,833,109.03</b>
Non-Current Investments	\$ 1,614,510,456.89	\$ 1,277,212,582.00
Items in Cash and Cash Equivalents:		
Money Market Funds	121,729,110.82	173,387,042.90
Texpool & TexSTAR Investments	93,133,974.35	211,233,484.13
<b>Total Investments</b>	<b>\$ 1,829,373,542.06</b>	<b>\$ 1,661,833,109.03</b>

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

## Discrete Component Unit

## Business-Type Activities

Type of Security	Fair Value	
	FY14	FY13
Equity		\$ 6,821,037.25
International Obligations (Govt and Corp)	\$ 1,092,315.31	320,168.24
Fixed Income Money Market and Bond Mutual Fund	15,199,751.96	6,932,723.70
Mutual Funds - Domestic		3,481,963.91
Other Commingled Funds	13,690,672.69	19,282,429.29
International Other Commingled Funds	13,626,234.30	14,009,977.68
Real Estate	10,776,928.83	10,397,580.89
Domestic Derivatives	209,524.35	
Externally Managed Investments:		
Domestic	76,634,664.88	50,819,582.35
International	315,064.24	1,465,266.55
Miscellaneous		
<b>Total Investments</b>	<b>\$ 131,545,156.56</b>	<b>\$ 113,530,729.86</b>
Non-Current Investments	\$ 131,545,156.56	\$ 113,530,729.86
<b>Total Investments</b>	<b>\$ 131,545,156.56</b>	<b>\$ 113,530,729.86</b>

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The System's investment policy is to require third party custody for the two investment pools, the LTIF and the STIF. The balances listed below relate to the securities held outside of those pools at August 31, 2014 and August 31, 2013.

Fiscal Year	Fund Type	GAAP Fund	Type	Uninsured and unregistered	Uninsured and unregistered with securities
				with securities held by the counterparty	held by the counterparty's trust department or agent but not in the state's name
2014	5	9999	Equity	\$ 2,742,778.51	
2013	5	9999	Equity	\$ 2,668,221.50	

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. LTIF and STIF do not have policy limits specific to international equity or debt. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2014, is presented below.

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

<b>FY14</b>					
<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Foreign Currency</b>	<b>International Obligation</b>	<b>International Other Commingled Funds</b>	<b>International Externally Managed Investments</b>
05	9999	Argentine peso	\$ 17,316.65	\$ 966,445.20	
05	9999	Australian dollar			\$ 222.03
05	9999	Bermudan dollar	261,679.52		
05	9999	Brazilian real	1,248,786.33	10,337,802.50	
05	9999	Bulgarian lev	52,203.87		
05	9999	Canadian dollar	41,742.79	1,255,048.90	
05	9999	Cayman dollar	410,216.80		
05	9999	Chilean Peso	171,090.46	240,111.67	
05	9999	Chinese yuan	36,512.25	13,418,670.15	
05	9999	Colombian peso	1,060,490.08	156.90	
05	9999	Czech koruna	56,164.86	722,457.40	
05	9999	Danish krone		383,951.76	
05	9999	Egyptian pound		1,001,300.61	
05	9999	Euro	686,822.46	19,791,534.14	1,455,097.09
05	9999	Hong Kong dollar	99,329.55	4,577,084.94	
05	9999	Hungarian forint		31,236.98	
05	9999	Indian rupee	848,825.30	7,185,174.03	403,386.86
05	9999	Indonesian rupiah	41,721.72	1,494,325.14	
05	9999	New Israel shekel	10,461.08		
05	9999	Japanese yen		15,057,356.85	
05	9999	Kaakhstani tenge	89,223.93	135,706.95	
05	9999	Malaysian ringgit	423,085.87	1,905,196.99	
05	9999	Mexican peso	2,024,181.07	5,161,636.77	27,678.45
05	9999	Nigerian naira	368,494.15	62.91	
05	9999	Norwegian krone		255,967.82	27,678.45
05	9999	Panamanian balboa	6,398.53		
05	9999	Peruvian nuevo sol	512,552.87	187,953.98	
05	9999	Phillippino peso	4,164.13	526,649.30	
05	9999	Polish zloty		745,554.09	
05	9999	Pound sterling	293,570.60	12,855,095.45	313,784.75
05	9999	Qatari riyal		708,171.69	
05	9999	Romanian leu	26,000.37		
05	9999	Russian ruble	289,261.69	1,429,720.92	
05	9999	Singapore dollar	44,078.76	1,365,161.76	
05	9999	South African rand	668,748.64	5,662,677.83	
05	9999	South Korean wan	16,808.84	12,906,008.48	
05	9999	Swedish krona	126,345.55	993,015.35	
05	9999	Swiss franc		6,678,107.74	83,035.33
05	9999	New Taiwan dollar		10,915,842.01	
05	9999	Thai baht	710.95	1,415,399.43	
05	9999	New Turkish lira	545,144.68	2,480,850.33	
05	9999	UAE dirham	73,329.18	1,490,778.55	
		<b>Total</b>	<b>\$ 10,555,463.53</b>	<b>\$ 144,282,215.52</b>	<b>\$ 2,310,882.96</b>

At August 31, 2013, the exposure to foreign currency risk balances were: International Obligations - \$3,318,269.17; International Other Commingled Funds - \$132,051,089.17; and International Externally Managed Investments - \$10,645,624.73.



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

## Discrete Component Unit

FY14					
Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Other Commingled Funds	International Externally Managed Investments
15	9999	Argentine peso	\$ 2,358.26	\$ 82,523.41	
15	9999	Australian dollar			\$ 30.27
15	9999	Bermudan dollar	35,636.74		
15	9999	Brazilian real	129,398.85	978,934.67	
15	9999	Bulgarian lev	7,109.37		
15	9999	Canadian dollar	5,684.73	45,720.00	
15	9999	Cayman dollar	55,865.25		
15	9999	Chilean Peso	18,645.27		
15	9999	Chinese yuan	4,972.41	1,470,343.46	
15	9999	Colombian peso	94,936.50		
15	9999	Czech koruna	7,648.79	61,689.63	
15	9999	Danish krone		52,347.73	
15	9999	Egyptian pound		85,499.66	
15	9999	Euro	92,309.83	1,261,334.00	198,386.97
15	9999	Hong Kong dollar	13,527.16	522,377.03	
15	9999	Hungarian forint		4,258.83	
15	9999	Indian rupee	80,809.81	719,476.90	54,997.50
15	9999	Indonesian rupiah	5,436.88	145,382.11	
15	9999	New Israel shekel	1,424.64		
15	9999	Japanese yen		1,640,228.75	
15	9999	Kaakhstani tenge	12,150.93		
15	9999	Malaysian ringgit	34,834.65	167,232.47	
15	9999	Mexican peso	177,180.40	431,639.82	3,773.66
15	9999	Nigerian naira	30,339.86		
15	9999	Norwegian krone		34,898.48	3,773.66
15	9999	Panamanian balboa	871.38		
15	9999	Peruvian nuevo sol	53,388.17		
15	9999	Phillippino peso	567.09	27,682.39	
15	9999	Polish zloty		101,648.35	
15	9999	Pound sterling	39,979.82	1,130,433.06	42,781.20
15	9999	Qatari riyal		89,435.43	
15	9999	Romanian leu	3,540.85		
15	9999	Russian ruble	41,842.81	143,691.41	
15	9999	Singapore dollar	6,002.85	186,125.25	
15	9999	South African rand	55,061.23	538,890.40	
15	9999	South Korean won	2,289.11	1,385,672.34	
15	9999	Swedish krona	17,206.33	46,531.31	
15	9999	Swiss franc		674,704.03	11,320.98
15	9999	New Taiwan dollar		1,074,045.01	
15	9999	Thai baht	96.82	151,700.49	
15	9999	New Turkish lira	51,212.21	234,729.06	
15	9999	UAE dirham	9,986.31	137,058.82	
		<b>Total</b>	<b>\$ 1,092,315.31</b>	<b>\$ 13,626,234.30</b>	<b>\$ 315,064.24</b>

At August 31, 2013, the exposure to foreign currency risk balances for the Carr Foundation were: International Obligations - \$320,168.24; International Other Commingled Funds - \$14,009,977.68; and International Externally Managed Investments - \$1,465,266.55.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System’s investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2014, the System’s credit quality distribution for securities with credit risk exposure was as follows.

*Standard & Poor’s*

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$ 196,223,299.60					
05	9999	Corporate Obligations						\$ 1,005,007.50
05	9999	Corporate Asset and Mortgage Backed Securities	\$ 1,879,241.15					
05	9999	International Obligations		\$ 174,165.15	\$ 2,025,593.45	\$ 5,427,619.35	\$ 881,381.20	\$ 2,046,704.38
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ 121,729,110.82					\$ 222,294,872.33

**Discrete Component Unit**

*Standard & Poor’s*

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	9999	International Obligations		\$ 18,023.20	\$ 209,615.31	\$ 561,668.53	\$ 91,208.33	\$ 211,799.94
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
15	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 15,199,751.96

The System’s credit quality distribution for securities with credit risk exposure as of August 31, 2013 was as presented below.

*Standard & Poor’s*

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$ 143,562,398.00					
05	9999	Corporate Obligations						\$ 20,000.00
05	9999	Corporate Asset and Mortgage Backed Securities	\$ 933,916.19					
05	9999	International Obligations		\$ 85,279.52	\$ 281,721.06	\$ 1,819,738.82	\$ 396,864.99	\$ 734,664.78
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ 173,387,042.90					\$ 128,354,532.27

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

Discrete Component Unit

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	9999	International Obligations		\$ 8,228.32	\$ 27,182.28	\$ 175,580.26	\$ 38,292.12	\$ 70,885.26
			AAAf	Aaf	Af			Unrated
15	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 6,932,723.70

Derivative Investing

The Texas Tech University System's Investment Policy Statement for the LTIF allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity or index.

The System entered into futures contracts, options, and swaps as efficient substitutes for traditional securities to reduce portfolio risks created by other securities, or in fully hedged positions to take advantage of market anomalies. The derivative contracts entered into during fiscal year 2014 all used market indices as underlying securities in order to gain and reduce market exposure in an efficient manner. The contracts are valued daily and the Texas Tech University System's net equity in the contracts, representing unrealized gain or loss, is reported on the Combined Statement of Net Position as Investments.

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

The Texas Tech University System's gross counterparty exposure as of August 31, 2014 is presented below.

Investment Derivatives	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
	Notional	Notional	Fair Value at August 31, 2014	Fair Value at August 31, 2014	
Futures Contracts	\$ 163,784,961.69	\$10,152,230.00	\$ 1,389,760.50	\$ 284,749.56	A
Options	93,890,740.20	56,799,259.88	3,604,665.66	2,914,676.05	A
Swaps	15,257,966.00	0.00	0.00	29,948.59	A

Texas Tech University System had no derivative investments subject to reporting requirements as of August 31, 2013.

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

## Discrete Component Unit

Investment Derivatives	<u>Assets</u>		<u>Liabilities</u>		Counterparty Rating
	Notional	Notional	Fair Value at August 31, 2014	Fair Value at August 31, 2014	
Futures Contracts	\$ 19,442,452.37	\$ 1,205,142.68	\$ 164,974.56	\$ 33,801.82	A
Options	11,145,505.82	6,742,480.47	427,899.73	345,993.00	A
Swaps	1,811,230.25	0.00	0.00	3,555.11	A

The Carr Foundation had no derivative investments subject to reporting requirements as of August 31, 2013.

**Note 4: Short-Term Debt**

Texas Tech University System has no outstanding short-term debt as of August 31, 2014. The System also had no outstanding short-term debt as of August 31, 2013.

**Note 5: Long-Term Liabilities**

During the year ended August 31, 2014, the following changes occurred in liabilities:

Business-Type Activities	Balance 9/1/2013	Additions	Reductions	Other Changes	Balance 8/31/2014	Amounts due within one year	Amounts due Thereafter
Claims Payable	\$ 14,146,187.18	\$ 0.00	\$ 1,001,808.90	\$ 0.00	\$ 13,144,378.28	\$ 1,051,550.26	\$ 12,092,828.02
Capital Lease Payable	137,466.64	0.00	120,402.59	0.00	17,064.05	17,064.05	0.00
Employees' Compensable Leave	39,659,616.99	2,168,411.81	173,087.71	0.00	41,654,941.09	5,045,810.98	36,609,130.11
Notes and Loans Payable	55,614,000.00	78,700,000.00	19,351,000.00	0.00	114,963,000.00	114,963,000.00	0.00
Bonds Payable	520,389,101.69	0.00	29,255,000.00	(2,392,073.24)	488,742,028.45	31,968,233.73	456,773,794.72
<b>Total Business-Type Activities</b>	<b>\$ 629,946,372.50</b>	<b>\$ 80,868,411.81</b>	<b>\$ 49,901,299.20</b>	<b>\$ (2,392,073.24)</b>	<b>\$ 658,521,411.87</b>	<b>\$ 153,045,659.02</b>	<b>\$ 505,475,752.85</b>

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

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

<b>Business-Type Activities</b>	<b>Balance 9/1/2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Other Changes</b>	<b>Balance 8/31/2013</b>	<b>Amounts due within one year</b>	<b>Amounts due thereafter</b>
Claims Payable	\$ 15,381,242.26	\$ 0.00	\$ 1,235,055.08	\$ 0.00	\$ 14,146,187.18	\$ 1,060,964.04	\$ 13,085,223.14
Capital Lease Payable	312,621.29	0.00	175,154.65	0.00	137,466.64	120,402.59	17,064.05
Employees' Compensable Leave	39,899,447.83	453,066.99	692,897.83	0.00	39,659,616.99	4,752,564.50	34,907,052.49
Notes and Loans Payable	27,159,000.00	41,220,200.00	12,780,626.16	15,426.16	55,614,000.00	55,614,000.00	0.00
Bonds Payable	548,070,020.34	0.00	27,750,000.00	69,081.35	520,389,101.69	31,647,073.24	488,742,028.45
<b>Total Business-Type Activities</b>	<b>\$ 630,822,331.72</b>	<b>\$ 41,673,266.99</b>	<b>\$ 42,633,733.72</b>	<b>\$ 84,507.51</b>	<b>\$ 629,946,372.50</b>	<b>\$ 93,195,004.37</b>	<b>\$ 536,751,368.13</b>

**Claims Payable**

Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel.

**Capital Lease Obligations**

See Note 8 for detailed information on capital lease obligations.

**Employees' Compensable Leave**

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

**Notes and Loans Payable**

Commercial paper, both taxable and non-taxable, was issued during the fiscal year to finance various construction projects. Debt service for the obligation is provided in general appropriation for tuition revenue bonds and revenue from various projects. All commercial paper outstanding at 8/31/14 will mature in fiscal year 2015.

Commercial paper has short maturities up to 270 days with interest rates ranging from .04% to .14% for tax-exempt, and .10% to .15% for taxable paper.

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

*Summary of Debt Service Requirements for Notes Payable*

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 114,963,000.00	\$ 565,526.10	\$ 115,528,526.10
2016			
2017			
2018			
2019			
All Other Years			
<b>Total Requirements</b>	<b>\$ 114,963,000.00</b>	<b>\$ 565,526.10</b>	<b>\$ 115,528,526.10</b>

**Bonds Payable**

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

**Pollution Remediation Obligations**

Texas Tech University is waiting further review by the Texas Commission on Environmental Quality to determine the responsible party and the cost for pollution remediation activities on land that the University owns in Carson County, Texas.

**Note 6: Bonded Indebtedness**

**Bonds Payable**

Detailed supplemental bond information is disclosed in the Combined:

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

Several bond issues were outstanding as of August 31, 2014 and are summarized in the paragraphs that follow.

**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003**

Purpose:	Refunding of Series A Notes and Series 1993 bonds, construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other System construction of capital improvement projects and costs of issuance.
Issue Date:	September 23, 2003
Original Issue Amount:	\$97,265,000.00, all bonds authorized have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, Tenth Series 2006**

Purpose:	For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall, renovation of the Student Union Building, Medical Education Building project in El Paso and various dormitories and other University construction of capital improvement projects.
Issue Date:	February 2, 2006
Original Issue Amount:	\$220,915,000.01, all bonds authorized have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 12<sup>th</sup> Series 2009**

Purpose:	For current refunding of Series A Notes and Series 1999 bonds, to pay for construction of the new College of Business Administration Building, renovation of the existing College of Business Administration Building, construction of the Lanier Professional Development Center, construction of the Student Leisure Pool, and other System construction of capital improvement projects. Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects. For current refunding of ASU portion of Texas State University System bonds and construction of Centennial Village.
Issue Date:	March 3, 2009
Original Issue Amount:	\$170,825,000.00, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Revenue Financing System Refunding and Improvement Bonds, 14<sup>th</sup> Series 2012A**

Purpose:	For refunding of \$96,469,500 of Revenue Financing System Commercial Paper Notes Series A, a partial current refunding of \$4,215,000 of Revenue Financing System Bonds Series 2001 and of \$355,000 of Texas State University System Revenue Financing System Bonds Series 2002 representing ASU's portion. For partial advanced refunding of \$52,460,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new College of Business Administration Building, the new TTU Boston & 18 <sup>th</sup> Street Residence Hall and Dining Facility, the new ASU Plaza Verde Phase I Residence Hall & Dining Facilities, Jones Stadium East Side Expansion and other System capital improvement projects.
Issue Date:	February 1, 2012
Original Issue Amount:	\$163,240,000.00, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

**Revenue Financing System Refunding Bonds, 15<sup>th</sup> Series 2012B (Taxable)**

Purpose:	For current refunding of \$27,710,000 of Revenue Financing System Bonds Taxable Series 2001.
Issue Date	February 1, 2012
Original Issue Amount	\$27,585,000.00, all authorized bonds have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

**Pledged Future Revenues**

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

<b>Pledged Future Revenues</b>	<b>Business-Type Activities</b>	
	<b>FY14</b>	<b>FY13</b>
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 661,117,474.70	\$ 712,874,316.21
Term of Commitment for Year Ending 8/31	2041	2041
Percentage of Revenue Pledged	100%	100%
Current Year Pledged Revenue	\$ 723,525,171.28	\$ 681,302,392.18
Current Year Principal and Interest Paid	\$ 51,756,841.51	\$ 51,369,700.24

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



**Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)****Sources of Debt-Service Revenue**

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

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

<b>Description</b>	<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
All Issues	2015	\$ 2,780,000.00	\$ 1,301,169.85	\$ 4,081,169.85
	2016	2,626,342.79	1,228,991.66	3,855,334.45
	2017	2,756,131.48	1,097,674.54	3,853,806.02
	2018-2022	9,367,359.03	3,752,367.94	13,119,726.97
	2023-2027	3,835,000.00	2,092,000.00	5,927,000.00
	2028-2032	4,870,000.00	1,034,750.00	5,904,750.00
	2033-2036	1,125,000.00	56,250.00	1,181,250.00
<b>Totals</b>		<b>\$ 27,359,833.30</b>	<b>\$ 10,563,203.99</b>	<b>\$ 37,923,037.29</b>

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$3,959,056.00 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

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

**Note 7: Derivative Instruments**

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

The following disclosures summarize the System’s derivative activity as reported in the financial statements.

<b>Investment Derivatives</b>	<b>Changes in Fair Value</b>		<b>Fair Value at August 31, 2014</b>		
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional</b>
Futures	Investment Revenue	\$ 962,104.90	Investments	\$ 962,104.90	\$ 133,764,108.38
Options	Investment Revenue	600,756.39	Investments	600,756.39	32,294,607.66
Swaps	Investment Revenue	(26,075.47)	Investments	(26,075.47)	13,284,722.57

**Fair value**

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

**Investment Derivatives**

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

As of August 31, 2013, Texas Tech University System held no material direct derivative investments.

**Note 8: Leases**

**Capital Leases**

The System has entered into long-term capital leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of August 31, 2014 and 2013.

<b>Assets Under Capital Leases</b>	<b>Business-Type Activities</b>	
	<b>FY14</b>	<b>FY13</b>
Equipment	\$ 352,140.42	\$ 690,812.72
Less: Accumulated Depreciation	(111,361.80)	(213,824.29)
<b>Total</b>	<b>\$ 240,778.62</b>	<b>\$ 476,988.43</b>

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

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at August 31, 2014, are as follows:

Fiscal Year Ended August 31	Business-Type Activities		Total Future Minimum Lease Payments
	Principal	Interest	
2015	\$ 17,064.05	\$ 335.09	\$ 17,399.14
2016	0.00	0.00	0.00
2017	0.00	0.00	0.00
2018	0.00	0.00	0.00
2019	0.00	0.00	0.00
<b>Total</b>	<b>\$ 17,064.05</b>	<b>\$ 335.09</b>	<b>\$ 17,399.14</b>
Minimum Lease Payments			\$ 17,399.14
Less: The amount representing interest at TTUHSC's borrowing rate of interest			\$ (335.09)
Present Value of Minimum Lease Payments			<b>\$ 17,064.05</b>

**Operating Leases**

Texas Tech University System has entered into various operating leases for buildings and equipment. Included in the expenditures reported in the financial statements is the following amount of rent paid or due under operating lease obligations as of August 31, 2014 and 2013:

Fund Type	Amount	
	FY14	FY13
Proprietary Fund	\$ 5,678,630.17	\$ 5,086,715.38

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

Fiscal Year Ended August 31,	Minimum Future Lease Payments
2015	\$ 3,700,395.34
2016	3,187,284.67
2017	2,406,357.65
2018	2,041,692.69
2019	1,825,526.82
2020 - 2024	4,227,834.00
2025 - 2029	2,589,118.80
2030 - 2034	2,172,458.80
2035 - 2038	65,383.12
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 22,216,051.89</b>

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

Texas Tech University System has operating lease income for leased building space to outside parties under various operating leases. Included in the revenues reported in the financial statements is the following for rent received under non-cancelable operating leases as of August 31, 2014 and 2013:

Fund Type	Amount	
	FY14	FY13
Proprietary Fund	\$ 1,476,982.54	\$ 843,953.43

The System had no reported contingent rental revenues. Future minimum lease rental income under non-cancelable operating leases having an initial term in excess of one year is as follows as of August 31, 2014:

Fiscal Year Ended August 31,	Minimum Future Rentals
2015	\$ 1,457,309.08
2016	1,457,607.08
2017	1,462,088.72
2018	1,462,437.19
2019	1,219,385.12
<b>Total Minimum Future Lease Rental Income</b>	<b>\$ 7,058,827.19</b>

The cost, accumulated depreciation and carrying value of these assets as of August 31, 2014 and 2013 were as follows:

Value of Leased Building Space	FY14	FY13
Historical Cost of Leased Building Space	\$ 21,954,134.92	21,717,989.11
Less: Accumulated Depreciation	(11,799,580.11)	(11,247,016.44)
<b>Total Carrying Value of Leased Building Space</b>	<b>\$ 10,154,554.81</b>	<b>\$ 10,470,972.67</b>
Leased Percentage of Full Carrying Value	9.37%	8.71%

**Note 9: Pension Plans and Optional Retirement Program**

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher’s Retirement System and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal years ended August 31, 2014 and 2013 are:

	FY14	FY13
Member Contributions	\$ 19,014,148.01	\$ 18,321,568.04
Employer Contributions	20,639,873.67	19,191,765.31
<b>Total</b>	<b>\$ 39,654,021.68</b>	<b>\$ 37,513,333.35</b>

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

**Note 10: Deferred Compensation (administering agencies only)**

Not applicable.

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

Not applicable.

**Note 12: Interfund Activity and Transactions**

As explained in Note 1 on interfund activities and transactions, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

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

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

Individual balances and activity at August 31, 2014 and 2013 follow:

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

Due from / to Other State Agencies

Agency Name	Agency Number	D23 Fund	FY14		FY13	
			Due from Other Agencies	Due to Other Agencies	Due from Other Agencies	Due to Other Agencies
Office of the Governor	300	5124		\$ 1,198,965.51		\$ 870,053.35
Office of the Governor	300	7999	\$ 44,829.33		\$ 18,888.25	
Texas Workforce Commission	320	5026			34,842.31	
Commission on State Emergency Communications	477	7999	108,179.49		142,280.30	
Texas Department of State Health Services	537	0001			4,419.21	
Texas Department of State Health Services	537	0273	43,793.83		81,531.74	
Texas Department of State Health Services	537	7999	451,711.77		279,497.80	
Cancer Prevention and Research Institute of Texas	542	7639	258,606.41		187,841.59	
Cancer Prevention and Research Institute of Texas	542	7999	1,166,817.32		1,431,123.18	
Texas Department of Agriculture	551	5026	5,785.70		32,095.87	1,697.53
Texas Agrilife Extension Service	555	7999	90,400.09	99.39	41,643.02	39,634.48
Texas Agrilife Research	556	7999	20,872.33	532.60	22,302.74	8,424.74
Texas Water Development Board	580	1358	439,002.36		193,149.28	
Texas Commission on Environmental Quality	582	1515	5,667.08			
Texas Commission on Environmental Quality	582	1535	23,803.56		3,883.60	
Soil and Water Conservation Board	592	0001	55,740.37			
Texas Department of Motor Vehicles	608	5015	12,922.52		8,433.92	
Texas Education Agency	701	0148	181,102.11		293,361.58	
Texas A&M University System	710	7999				40,018.08
Texas A&M Engineering Experiment Station	712	7999	21,794.13	12,790.91	12,852.99	19,164.25
Tarleton State University	713	7999		43,056.74		91,977.98
The University of Texas at Arlington	714	7999	73,912.83		78,559.59	
The University of Texas System	720	0810	5,658,168.49		4,271,338.93	
The University of Texas System	720	7999		109,398.42		95,385.98
The University of Texas at Austin	721	7999	63,951.04	11,452.24	27,623.06	722.68
The University of Texas Medical Branch at Galveston	723	7999	12,954.34		20,996.84	
The University of Texas - El Paso	724	7999	19,828.77		7,191.93	
The University of Texas Southwest Medical Center - Dallas	729	7999	9,831.48			
Midwestern State University	735	7999		29,956.35		71,815.56
The University of Texas at San Antonio	743	7999			14,506.52	
The University of Texas HSC - Houston	744	7999	9,727.36	2,528.10		33,159.38
The University of Texas HSC - San Antonio	745	7999			1,649.86	
Texas State University - San Marcos	754	7999				26,800.27
Stephen F. Austin State University	755	7999	398,221.96		415,441.02	
Sul Ross State University	756	7999				9,124.09
West Texas A&M University	757	0001		48,442.06		32,901.19
West Texas A&M University	757	7999		132,168.08		110,391.30
Texas A&M University - Corpus Christi	760	7999			17,815.49	1,902.71
Texas School for the Blind and Visually Impaired	771	0001	75,223.32		74,756.75	
Texas Higher Education Coordinating Board	781	0001		74,020.57	84,934.74	72,208.52
Texas Parks and Wildlife Department	802	0921	113,932.21			
Texas Parks and Wildlife Department	802	0951	136,858.30		94,532.02	
Texas Parks and Wildlife Department	802	3043	39,077.87			
Texas Parks and Wildlife Department	802	5043	0.00		13,296.87	
Comptroller of Public Accounts	902	0214	20,824,433.79		15,175,956.23	
Comptroller State Energy Conservation Office	907	0224	0.00		152,145.80	
<b>Total Due from / Due to Other Agencies</b>			<b>\$ 30,367,150.16</b>	<b>\$ 1,663,410.97</b>	<b>\$ 23,238,893.03</b>	<b>\$ 1,525,382.09</b>

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

Transfers from / to Other State Agencies

Agency Name	Agency Number	D23 Fund	FY14		FY13	
			Transfers In	Transfers Out	Transfers In	Transfers Out
Texas Public Financing Authority	347	0507			\$ 114,788.74	
Texas Public Financing Authority	347	0735				573.48
Texas Public Financing Authority	347	7999		545,852.85		531,379.86
Texas State University System	758	7999		1,814,379.17		1,816,676.75
Texas Higher Education Coordinating Board	781	0001		99,948.53		96,697.58
Texas Higher Education Coordinating Board	781	0542				54,041.96
Texas Higher Education Coordinating Board	781	5103		4,378,556.44		4,391,785.14
Texas Higher Education Coordinating Board	781	5144		61,538.58		54,950.78
Comptroller of Public Accounts	902	0214	\$ 8,815,806.83		\$ 8,453,949.25	
<b>Total Transfers to / from Other Agencies</b>			<b>\$ 8,815,806.83</b>	<b>\$ 6,900,275.57</b>	<b>\$ 8,453,949.25</b>	<b>\$ 7,060,894.29</b>

Legislative Transfers In / Out

Agency Name	Agency Number	D23 Fund	FY14		FY13	
			Legislative Transfers In	Legislative Transfers Out	Legislative Transfers In	Legislative Transfers Out
Texas State University System	758	0001		\$ 2,764,516.63		\$ 2,706,875.77
<b>Total Legislative Transfers In / Out</b>				<b>\$ 2,764,516.63</b>		<b>\$ 2,706,875.77</b>

Interagency Capital Asset Transfers

Agency Name	Agency Number	FY14		FY13	
		Net Asset Increase	Net Asset Decrease	Net Asset Increase	Net Asset Decrease
Department of State Health Services	537	\$ 2,367.86		\$ 8,903.19	
Texas A&M University	711		\$ 92,524.86		
Texas A&M Engineering Experiment Station	712				32,170.21
University of Texas at El Paso	724		15,985.03		
University of Texas Health Sciences Center at San Antonio	745	8,064.09			
Texas State University System	754	32,405.44			236,209.55
Texas Parks and Wildlife	802		9,549.14		
<b>Total Capital Asset Transfers to / from Other Agencies</b>		<b>\$ 52,386.53</b>	<b>\$ 108,509.89</b>	<b>\$ 8,903.19</b>	<b>\$ 268,379.76</b>

The detailed state grant pass-through information is listed on the Combined Schedule 1B – Schedule of State Grant Pass-Throughs from/to State Agencies.

**Note 13: Continuance Subject to Review**

Texas Tech University System is not subject to the Texas Sunset Act.

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

**Note 14: Adjustments to Fund Balances and Net Position**

Texas Tech University made an adjustment for FY13 that required the restatement of the ending Net Position for FY13, and the beginning Net Position for FY14 on the Texas Tech University System Combined Statement of Revenues, Expenses and Changes in Net Position as indicated below:

<u>Combined Statement of Revenues, Expenses and Changes in Net Position</u>	<u>FY13</u>
Beginning Net Position, September 1	\$ 2,605,523,154.56
Restatements	<u>(1,824,666.02)</u>
Ending Net Position, August 31	<u>\$ 2,603,698,488.54</u>

This restatement to Net Position was to correct a prior year error in recording allowances for other receivables, and affected the following financial statement elements:

<u>Statement</u>	<u>Description</u>	<u>Restatement Amounts</u>		
		<u>FY13 as reported</u>	<u>Correction</u>	<u>FY13 restated</u>
SNP	Other Receivables	\$ 4,833,578.75	\$ (1,824,666.02)	\$ 3,008,912.73
SNP	Net Position, Unrestricted	760,757,370.56	(1,824,666.02)	758,932,704.54
SRECNP	Tuition and Fees-Pledged	428,336,249.69	(1,824,666.02)	
	Other Tuition and Fee Changes not affecting Net Position		(8,073,352.23)	418,438,231.44
Cash Flow	(Increase) Decrease in Accounts Receivable	(9,608,768.53)	1,824,666.02	(7,784,102.51)



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

Reclassification of several items in the financial records of System components resulted in the restatement of comparative financial statement balances for the year ended August 31, 2013 as summarized below. These reclassifications required no restatement of fund balances or net position.

Statement	Description	Restatement Amounts		
		FY13 as reported	Correction	FY13 restated
SRECNP	Tuition and Fees	\$ 7,533,680.17	\$ 7,308,786.07	\$ 14,842,466.24
SRECNP	Travel	26,601,741.27	1,300,247.74	27,901,989.01
SRECNP	Rentals and Leases	15,018,601.50	(1,300,247.74)	13,718,353.76
SRECNP	Materials and Supplies	64,162,521.10	3,204,142.46	67,366,663.56
SRECNP	Scholarships	68,222,804.61	(3,204,142.46)	65,018,662.15
SRECNP	Private Gifts	43,918,741.13	13,006,861.40	56,925,602.53
SRECNP	Private Gifts-Pledged	13,907,713.23	(13,006,861.40)	900,851.83
SRECNP	Investment Income	45,210,642.79	(4,955,302.19)	40,255,340.60
SRECNP	Investment Income-Pledged	15,321,203.96	4,955,302.19	20,276,506.15
SRECNP	Other Nonoperating Revenues (Expenses)	7,152,461.10	996,678.06	8,149,139.16
SRECNP	Other Nonoperating Revenues (Expenses)-Pledged	3,168,025.86	(232,111.90)	2,935,913.96
Cash Flow	Proceeds from Tuition and Fees	\$ 345,953,294.80	\$ (764,566.16)	\$ 345,188,728.64
Cash Flow	Proceeds from Other Financing Activities	12,709,238.77	764,566.16	13,473,804.93
Cash Flow	Payments to Employees for Salaries	(748,741,155.29)	(2,777,090.61)	(751,518,245.90)
Cash Flow	Payments to Employees for Benefits	(173,107,168.89)	2,777,090.61	(170,330,078.28)
Cash Flow	Payments for Additions to Capital Assets	(109,662,977.82)	(175,154.65)	(109,838,132.47)
Cash Flow	Payments for Other Capital Related Activities	(175,154.65)	175,154.65	0.00
Cash Flow	Reconciliation of Operating Loss	(472,017,772.14)	(2,589,232.18)	(474,607,004.32)
Cash Flow	Increase (Decrease) in Deposits	(1,525.00)	1,525.00	0.00
Cash Flow	Increase (Decrease) in Other Liabilities	126,182.04	(1,525.00)	124,657.04
Cash Flow	Increase (Decrease) in Payroll Payable	3,194,413.90	(2,783,739.55)	410,674.35
Cash Flow	Increase (Decrease) in Benefits Payable	(229,259.92)	2,783,739.55	2,554,479.63

**Note 15: Contingencies and Commitments****Contingencies**

At August 31, 2014, lawsuits and claims involving Texas Tech University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

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

Texas Tech University System entered into capital commitments with investment managers for future funding of investment funds. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers. The fair value of externally managed investments and remaining commitments as of August 31, 2014 and 2013 is presented in the table below.

Investment Funds	Fair Value	
	FY14	FY13
Domestic	\$ 648,226,323.15	\$ 428,431,172.35
International	\$ 2,310,882.96	\$ 10,645,624.73
Remaining Commitment - Domestic	\$ 116,723,150.71	\$ 95,565,541.45

**Discrete Component Unit**

Investment Funds	Fair Value	
	FY14	FY13
Domestic	\$ 76,634,664.88	\$ 50,819,582.35
International	\$ 315,064.24	\$ 1,465,266.55
Remaining Commitment - Domestic	\$ 15,913,956.83	\$ 13,005,559.00

**Note 16: Subsequent Events**

Texas Tech University System intends to issue Revenue Financing System Bonds totaling \$111,239,000.00 in February of 2015, of which \$67,030,364.00 has already been issued as commercial paper as of August 31, 2014. Texas Tech University's portion of that issuance will be \$102,075,000.00, with probable projects to include construction and renovations to the Research and Technology Park, the Rawls College of Business Administration wing addition, Jones Stadium North Colonnade, Bayer Crop Sciences projects, and the Plant & Soil Sciences building. The bond issue will refund the outstanding commercial paper issued for the West Housing complex and the College of Education Burkhart Center for Autism. Texas Tech University Health Sciences Center at El Paso's portion will be \$9,164,000.00, to be used for the Gayle Greve Hunt School of Nursing.

**Note 17: Risk Management**

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

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

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

The Texas Tech University System is governed by a nine-member Board of Regents appointed by the Governor of Texas. Members of the board serve six-year, staggered terms. In addition to the nine members, there also is one student regent who serves a one-year term and is appointed by the governor. A list of the current members of the Board of Regents is included in the organizational data.

The board reviews major issues and establishes policy for the System and its components. The board also appoints the chancellor who is the chief executive officer of the System. As chief executive officer, the chancellor carries out the policies of the System as determined by the regents and has direct responsibility for all aspects of oversight and management of the components.

The chancellor of the Texas Tech University System is Robert L. Duncan.

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

The Texas Tech University System employs more than 17,000 faculty and staff. The annual combined budget of the System totals more than \$1.7 billion; approximately \$425 million of these funds are appropriated by the Texas Legislature. The total enrollment across all components is more than 44,000 students.

The Texas Tech University System is committed to providing the highest quality and most efficient resources and services to its components. Throughout all institutions and centers, the System strives to increase accessibility, enhance instruction and infrastructure formula funding, provide necessary financial aid, produce and commercialize new technologies, strengthen academic quality and reputation, advance research, improve productivity and efficiency, and further the quality and availability of health care for all Texans.

**Note 19: The Financial Reporting Entity**

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

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

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

**Individual Component Unit Disclosures**

*Blended Component Units*

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

The Texas Tech Foundation, Inc. (TTFI), Box 41102, Lubbock, TX 79409, is a not-for-profit 501(c)(3) organization, exempt from income taxes. TTFI was founded to financially support and serve the fundraising needs of all colleges, schools, programs, and campuses of the Texas Tech University System (TTUS). The Foundation was formed to seek and obtain gifts for all the TTUS institutions; to receive, hold, invest and administer property of any type given to the institutions; and to make expenditures to or for the benefit of the TTUS institutions. The members of the Foundation Board are appointed by and serve at the will of the TTUS Board of Regents. This Board of Regents also has the ability to veto, override or modify decisions of TTFI, and they can modify or approve TTFI's budget. Based on these criteria, the financial transactions of TTFI have been blended into the financial statements of TTUS. August 31 is the Foundation's fiscal year end.

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

The National Wind Resource Center (NWRC), a not-for-profit 501(c)(3) organization exempt from income taxes, was formed by Texas Tech University (TTU) in 2010 to support wind energy research at TTU. This organization was dissolved as of August 31, 2014.

The condensed financial statements for these component units as of August 31, 2014 are presented below.

	<b>Blended Component Units</b>		
	<b>TTFI</b>	<b>TTPA</b>	<b>NWRC</b>
<b>Condensed Statement of Net Position</b>			
Total Assets	\$ 554,292,214.22	\$ 4,047,780.61	\$ 166,550.18
Total Liabilities	553,978.92	1,644,631.46	166,550.18
Net Position:			
Invested in Capital Assets, Net of Related Debt			
Restricted:			
Nonexpendable:			
Endowments	440,960,282.63		
Expendable:			
Other	100,413,657.54		
Unrestricted	12,364,295.13	2,403,149.15	
Total Net Position	\$ 553,738,235.30	\$ 2,403,149.15	\$ 0.00

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

	<b>Blended Component Units</b>		
	<b>TIFI</b>	<b>TIPA</b>	<b>NWRC</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating Revenues	\$	\$	\$
Other Sales and Services	254,758.67		
Professional Fees		20,014,105.78	
Federal Grants and Contracts		208,636.00	
State Grants and Contracts			(241,550.18)
Nongovernmental Grants and Contracts	155,000.00	39,991.46	
Operating Expenses			
Research			62,710.18
Academic Support	2,998,659.26		
Public Service		550,191.65	
Operating Income (Loss)	<u>(2,588,900.59)</u>	<u>19,712,541.59</u>	<u>(304,260.36)</u>
Nonoperating Revenues (Expenses)			
Investment Income (Expense)	59,895,589.46	30,589.16	
Other Nonoperating Revenues	2,542,266.18		
Total Nonoperating Revenues and Expenses	<u>62,437,855.64</u>	<u>30,589.16</u>	<u>0.00</u>
Other Revenues, Expenses, Gains, Losses and Transfers			
Contributions to Permanent and Term Endowments	28,178,724.05		
Transfers to Components/Other Funds	<u>(24,524,333.51)</u>	<u>(19,859,860.03)</u>	
Total Other Revenues, Expenses, Gains, Losses and Transfers	3,654,390.54	(19,859,860.03)	0.00
Total Change in Net Position	<u>63,503,345.59</u>	<u>(116,729.28)</u>	<u>(304,260.36)</u>
Beginning Net Position (September 1, 2013)	490,234,889.71	2,519,878.43	304,260.36
Ending Net Position (August 31, 2014)	<u>\$ 553,738,235.30</u>	<u>\$ 2,403,149.15</u>	<u>\$ 0.00</u>

	<b>Blended Component Units</b>		
	<b>TIFI</b>	<b>TIPA</b>	<b>NWRC</b>
<b>Condensed Statement of Cash Flows</b>			
Net Cash Provided (Used) by Operating Activities	\$ (3,038,196.67)	\$ 19,706,705.71	\$ (304,260.36)
Net Cash Provided (Used) by Noncapital Financing Activities	26,848,161.05	(19,859,860.03)	
Net Cash Provided (Used) by Capital and Related Financing Activities			
Net Cash Provided (Used) by Investing Activities	<u>(26,733,016.58)</u>	<u>30,589.16</u>	
Total Net Cash Flows	<u>(2,923,052.20)</u>	<u>(122,565.16)</u>	<u>(304,260.36)</u>
Beginning Cash and Cash Equivalents (September 1, 2013)	11,726,153.86	4,112,964.78	304,260.36
Ending Cash and Cash Equivalents (August 31, 2014)	<u>\$ 8,803,101.66</u>	<u>\$ 3,990,399.62</u>	<u>\$ 0.00</u>

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

The condensed financial statements for these component units as of August 31, 2013 are presented below.

	<b>Blended Component Units</b>		
	<b>TIFI Restated</b>	<b>TIPA</b>	<b>NWRC</b>
<b>Condensed Statement of Net Position</b>			
Total Assets	\$ 491,203,389.27	\$ 4,160,789.22	\$ 304,260.36
Total Liabilities	968,499.56	1,640,910.79	
Net Position:			
Invested in Capital Assets, Net of Related Debt			
Restricted:			
Nonexpendable:			
Endowments	404,480,282.98		
Expendable:			
Other	72,388,246.12		304,260.36
Unrestricted	13,366,360.61	2,519,878.43	
Total Net Position	<u>\$ 490,234,889.71</u>	<u>\$ 2,519,878.43</u>	<u>\$ 304,260.36</u>
<b>Blended Component Units</b>			
	<b>TIFI Restated</b>	<b>TIPA</b>	<b>NWRC</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating Revenues	\$	\$	\$
Other Sales and Services	253,253.38		
Professional Fees		25,439,034.13	
Federal Grants and Contracts		186,821.06	
Nongovernmental Grants and Contracts	155,000.00	28,321.75	
Operating Expenses			
Research			90,054.24
Academic Support	2,834,038.24		
Public Service		425,522.34	
Operating Income (Loss)	<u>(2,425,784.86)</u>	<u>25,228,654.60</u>	<u>(90,054.24)</u>
Nonoperating Revenues (Expenses)			
Private Gifts	(13,173,174.06)		
Investment Income (Expense)	36,732,716.99	45,796.57	
Other Nonoperating Revenues	2,692,132.34		
Total Nonoperating Revenues and Expenses	<u>26,251,675.27</u>	<u>45,796.57</u>	<u>0.00</u>
Other Revenues, Expenses, Gains, Losses and Transfers			
Contributions to Permanent and Term Endowments	48,812,348.50		
Transfers to Components/Other Funds	<u>(23,995,340.73)</u>	<u>(25,306,538.69)</u>	
Total Change in Net Position	<u>48,642,898.18</u>	<u>(32,087.52)</u>	<u>(90,054.24)</u>
Beginning Net Position (September 1, 2012)	441,591,991.53	2,551,965.95	394,314.60
Ending Net Position (August 31, 2013)	<u>\$ 490,234,889.71</u>	<u>\$ 2,519,878.43</u>	<u>\$ 304,260.36</u>

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

<b>Condensed Statement of Cash Flows</b>	<b>Blended Component Units</b>		
	<b>TIFI Restated</b>	<b>TIPA</b>	<b>NWRC</b>
Net Cash Provided (Used) by Operating Activities	\$ (1,756,223.94)	\$ 25,208,820.91	\$ (90,054.24)
Net Cash Provided (Used) by Noncapital Financing Activities	13,743,515.61	(25,306,538.69)	
Net Cash Provided (Used) by Capital and Related Financing Activities			
Net Cash Provided (Used) by Investing Activities	(9,055,122.36)	45,796.57	
<b>Total Net Cash Flows</b>	<b>2,932,169.31</b>	<b>(51,921.21)</b>	<b>(90,054.24)</b>
Beginning Cash and Cash Equivalents (September 1, 2012)	8,793,984.55	4,164,885.99	394,314.60
Ending Cash and Cash Equivalents (August 31, 2013)	<b>\$ 11,726,153.86</b>	<b>\$ 4,112,964.78</b>	<b>\$ 304,260.36</b>

*Discretely Presented Component Unit*

The Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation financial statements are included in these statements at the end of this report as a discretely presented component unit of the TTU System. The Foundation is a separate not-for-profit 501(c)(3) organization, exempt from income taxes and was established solely for the benefit of providing academic scholarships to the students of Angelo State University. The nine member Foundation Board of Trustees is comprised of all members of the TTU System Board of Regents, who have the ability to appoint, hire, reassign or dismiss those persons responsible for the operation of the Foundation. The Foundation has a fiscal year end of August 31, and the financial records of the Foundation are audited annually by an independent accounting firm. The Foundation's complete audited financial statements can be obtained from the Carr Foundation at Box 11007C, ASU Station, San Angelo, TX 76909.

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

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

**Note 21: N/A****Note 22: Donor Restricted Endowments**

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech University System endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

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

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

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

<b>Donor Restricted Endowment</b>	<b>Amount of Net Appreciation *</b>		<b>Reported in Combined Statement of Net Position</b>
	<b>FY14</b>	<b>FY13</b>	
True Endowments	\$ 119,075,257.11	\$ 64,250,410.00	Restricted Expendable
Term Endowments	\$ 117,104.95	\$ 74,255.55	Restricted Expendable
Total	<u>\$ 119,192,362.06</u>	<u>\$ 64,324,665.55</u>	

\*There was a positive fair value adjustment totaling \$54,847,683.28 for fiscal year 2014, and a positive fair value adjustment of \$27,593,039.80 for fiscal year 2013.

**Discrete Component Unit**

<b>Donor Restricted Endowment</b>	<b>Amount of Net Appreciation *</b>		<b>Reported in Statement of Net Position</b>
	<b>FY14</b>	<b>FY13</b>	
True Endowments	\$ 13,145,987.22	\$ 3,407,286.14	Restricted Expendable

\*There was a positive fair value adjustment totaling \$9,738,701.09 for fiscal year 2014, and a positive fair value adjustment of \$3,952,592.56 for fiscal year 2013.

**Note 23: Extraordinary and Special Items**

Texas Tech University System has no special or extraordinary items to report as of August 31, 2014, nor for the year ended August 31, 2013.

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

Texas Tech University System has no reportable disaggregation of receivable and payable balances as of August 31, 2014 or as of August 31, 2013.

**Note 25: Termination Benefits**

Texas Tech University System has no reportable voluntary or involuntary termination benefits as of August 31, 2014. The System also had no reportable benefits as of August 31, 2013.

**Note 26: Segment Information**

Texas Tech University System has no reportable segments as of August 31, 2014 or as of August 31, 2013.

**Note 27: Service Concession Arrangements**

Texas Tech University System had no service concession arrangements as of August 31, 2014 or as of August 31, 2013.



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

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

Texas Tech University System had no deferred outflows or inflows of resources to report for the year ended August 31, 2014, or for the year ended August 31, 2013.

**Note 29: Troubled Debt Restructuring**

Texas Tech University System had no troubled debt restructuring for the year ended August 31, 2014, or for the year ended August 31, 2013.

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

Texas Tech University System had no non-exchange financial guarantees to report for the year ended August 31, 2014.

# **SCHEDULES**

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**Texas Tech University System (793)  
Combined Schedule 1A - Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2014**

**Note 1: Non-Monetary Assistance:**

The System did not receive any non-monetary federal assistance in fiscal year 2014.

**Note 2: Reconciliation:**

Federal Grants and Contracts (SRECNP)	\$ 61,332,584.32
Federal Grants and Contracts - Pledged (SRECNP)	4,983,831.67
Federal Grants and Contracts Pass-Throughs (SRECNP)	4,988,558.69
Nonoperating Federal Grants and Contracts (SRECNP)	<u>45,224,794.96</u>
Total Federal Revenues	<u>116,529,769.64</u>

Reconciling Items:

New Loans Processed	261,938,828.00
Federal Fixed Fee Basis Contract Revenues	(867,877.80)
Federal Revenues Received Under Vendor Relationship	(2,826,832.38)
Texas A&M Research Foundation	(1,067.82)
Other Reconciling Items	<u>(9,572.30)</u>

Total Federal Financial Assistance	<u>\$ 374,763,247.34</u>
------------------------------------	--------------------------

**Note 3a: Student Loans Processed and Administrative Costs Recovered:**

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$	\$	\$	\$ 61,677.28
93.264 Nurse Faculty Loan Program	326,000.00		326,000.00	412,548.57
93.364 Nursing Student Loans				30,411.06
93.408 ARRA - Nurse Faculty Loan Program				235,437.59
Total U.S. Department of Health and Human Services	<u>\$ 326,000.00</u>	<u>\$</u>	<u>\$ 326,000.00</u>	<u>\$ 740,074.50</u>
U.S. Department of Education				
84.038 Federal Perkins Loan Program	671,185.00	16,447.60	687,632.60	4,047,048.60
84.268 Federal Direct Student Loans	<u>\$ 260,941,643.00</u>	<u>\$</u>	<u>\$ 260,941,643.00</u>	<u>\$</u>
Total U.S. Department of Education	<u>\$ 261,612,828.00</u>	<u>16,447.60</u>	<u>261,629,275.60</u>	<u>4,047,048.60</u>
Total Student Loans	<u>\$ 261,938,828.00</u>	<u>\$ 16,447.60</u>	<u>\$ 261,955,275.60</u>	<u>\$ 4,787,123.10</u>

The federal Perkins Loan program at ASU is outsourced to ESCI.

The federal Perkins Loan program at TTU is outsourced to Campus Partners.

**Note 3b: Federally Funded Loans Processed and Administrative Costs Recovered:** None

**Note 4: Depository Libraries for Governmental Publications**

TTU and ASU participates as a depository library in the government printing office's depository libraries for government publications program, CFDA 40.001. The University is the legal custodian of government publications which remain the property of the federal government. The publications are not assigned a value by the government printing office.

**Note 5: Unemployment Insurance Funds** - No System component was the recipient of CFDA 17.225 funding for FY 2014.

**Note 6: Rebates for the Special Supplemental Food Program for Women, Infants, and Children (WIC)**

No System component was the recipient of CFDA 10.557 funding for FY 2014.

**Note 7: Federal Deferred Revenue (no longer required)**

**Note 8: Supplemental Nutrition Assistance Program (SNAP)**

No System component was the recipient of CFDA 10.551 funding for FY 2014.

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Texas Tech University System (793)  
 Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies  
 For the Year Ended August 31, 2014

Agency Number	Grant ID	Agency Name Grant Description	Amount
<b>Pass-through from:</b>			
300		<b>Office of the Governor</b>	
	300.0004	Criminal Justice Planning Grants	\$ 281,842.30
	300.0006	Emerging Technology Grant	1,363,166.21
		<i>Total for Office of the Governor</i>	<u>1,645,008.51</u>
457		<b>Texas State Board of Public Accountancy</b>	
	457.0001	5th Year Accounting Student Scholarship Program	<u>28,717.00</u>
477		<b>Commission on State Emergency Communications</b>	
	477.0001	Poison Control Centers	<u>594,397.29</u>
537		<b>Department of State Health Services</b>	
	537.0006	Epilepsy Project	231,815.97
	537.0012	Public Health Emergency Response	97.05
	537.0024	Family Health Services	370,577.43
	537.0035	Healthy Texas Babies Initiative	424.79
	537.0043	Medicares	<u>24,995.11</u>
		<i>Total for Department of State Health Services</i>	<u>627,910.35</u>
542		<b>Cancer Prevention and Research Institute of Texas</b>	
	542.0014	PP101174 - Access to Breast Care for West Texas – ABC 4 WT	230,437.15
	542.0023	PP110060 - Health Behavior Change Through Public and Professional Education and Training	(72.00)
	542.0026	PP110086 - Health Behavior Change Through Public and Professional Education and Training	(117.59)
	542.0029	PP110156 - ACCION: Against Colorectal Cancer in our Neighborhoods	888,903.05
	542.0045	PP120108 - Evidence-Based Cancer Research Services	312,528.05
	542.0132	RP100762 - Enhancing the Anti-neuroblastoma Activity of Fenretinide	302,313.32
	542.0149	RP101073 - Molecular Mechanisms of Novel Inhibitors of the Multidrug Resistance P-Glycoprotein	21,587.17
	542.0177	RP101353-P12 - P12:Richard Gibbs	143,963.79
	542.0280	RP110763-AC - Administrative Core	57,873.88
	542.0281	RP110763-C1 - C1: Biobanking of Cell Lines and Xenografts	90,592.80
	542.0283	RP110763-P3 - P3: Establishing and Characterizing New Cancer Direct Xenografts	275,386.71
	542.0287	RP110786 - Multiphoton Laser Scanning Microscope for Cancer Research and Drug Discovery	24,159.25
	542.0291	RP120053 - High Impact/High Risk Research Awards	55,392.46
	542.0296	RP120168 - Identification of Rheb and Notch-dependent Pathways in Tuberous Sclerosis	244,652.05
	542.0328	RP120489 - Transporter-Targeted Drug Delivery and Treatment of Brain Metastases	248,769.29
	542.0329	RP120495 - North Texas Clinical Pharmacology Cancer Core	287,881.21
	542.0332	RP120528 - Establishing a Cancer Clinical Research Core facility at Texas Tech University HSC	385,162.37
	542.0383	RP121060 - Manufacture, Formulation, and IND-directed Toxicology	330,874.82
	542.0400	RP130266 - RATIONAL Redox-Driven Non-Toxic Therapeutics Strategies	76,920.76
	542.0403	RP130293 - High Impact/High Risk Research Awards	113,938.37

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**Texas Tech University System (793)**  
**Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies**  
**For the Year Ended August 31, 2014**

Agency Number	Grant ID	Agency Name Grant Description	Amount
<b>Pass-through from:</b>			
	542.0422	RP130547 - Pharmacokinetics and Pharmacogenomics of 13-cis-retinoic Acid	133,186.52
	542.0430	RP130624 - Individual Investigator Research Awards	256,626.83
	542.0435	PP130068 - The El Paso and Hudspeth County Breast Cancer Education Program	115,037.75
	542.0436	PP130083 - De Casa En Casa: Preventing Cervical Cancer in El Paso and Hudspeth County	176,531.25
	542.0442	PP130071 - West Texas Cancer Survivors Network - Phase II (WTCSN - II)	52,497.11
		<i>Total for Cancer Prevention and Research Institute of Texas</i>	<u>4,825,026.37</u>
555		<b>Texas A&amp;M AgriLife Extension Service</b>	
	551.0002	Increasing Breast Cancer and Cervical Screening and Diagnostic Services	984.43
	551.0008	Quail Education and Research Initiative	104,764.74
		<i>Total for Texas A&amp;M AgriLife Extension Service</i>	<u>105,749.17</u>
580		<b>Texas Water Development Board</b>	
	580.0018	WSC - Agriculture Water Conservation	<u>730,670.75</u>
592		<b>Soil and Water Conservation Board</b>	
	592.0002	Water Supply Enhancement of Pharmaceutical and Personal Care Product Microcontaminants	<u>213,246.85</u>
710		<b>Texas A&amp;M University System</b>	
	710.0008	ETF-NCTM Research Program	<u>40,018.08</u>
720		<b>University of Texas System</b>	
	720.0002	Joint Admission Medical Program (JAMP)	<u>279,586.12</u>
738		<b>University of Texas at Dallas</b>	
	738.0001	Texas Analog Research Superiority Program	<u>69,977.28</u>
781		<b>Texas Higher Education Coordinating Board</b>	
	781.0001	Family Practice Residency Program	781,360.00
	781.0006	Nursing and Allied Health	528.88
	781.0008	TEXAS Grant Program	15,780,037.00
	781.0010	Advanced Research Program	23,688.44
	781.0013	Professional Nursing Shortage Reduction Program	448,343.00
	781.0021	Texas Research Incentive Program - HB51	13,332,074.77
	781.0023	College Work Study Program	219,683.07
	781.0026	College Readiness - Outreach	5,250.00
	781.0028	Top 10% Scholarships	1,095,500.00
	781.0029	Work Study Mentorship Program	50,000.00
	781.0038	Emergency and Trauma Care	244,999.51
	781.0039	Outreach and Success	20,000.00
	781.0059	GME Expansion HB 1025	130,000.00
	781.0061	Hazelwood Exemption HB 1025	3,006,841.00
		<i>Total for Texas Higher Education Coordinating Board</i>	<u>35,138,305.67</u>

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Texas Tech University System (793)  
 Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies  
 For the Year Ended August 31, 2014

Agency Number	Grant ID	Agency Name Grant Description	Amount
<b>Pass-through from:</b>			
802		<b>Texas Parks and Wildlife</b>	
	802.0064	Orchid Conservation: Species Status Assessments and Field Biology	3,508.99
	802.0074	Orchid Conservation: Species Status Assessments and Field Biology	19,946.64
	802.0075	Quail Habitat Improvements on Private Lands in the Rolling Plains of TX	131,370.76
	802.0076	Mapping Suitable Habitat for Tx Horned Lizards in Central Tx	26,788.08
		<i>Total for Texas Parks and Wildlife</i>	<u>181,614.47</u>
		<b>Total State Grant Pass-through Revenues from Other State Agencies</b>	<u>\$ 44,480,227.91</u>
<b>Pass-through to:</b>			
555		<b>Texas Agrilife Extension Service</b>	
	733.0002	An Integrated Approach to Water Conservation	<u>\$ 106,712.72</u>
556		<b>Texas Agrilife Research</b>	
	733.0004	Auditing Irrigation Systems in the Texas High Plains	<u>11,286.77</u>
711		<b>Texas A&amp;M University</b>	
	739.0001	CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods	<u>6,131.27</u>
744		<b>University of Texas Health Sciences Center at Houston</b>	
	739.0001	CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods	<u>72,098.49</u>
752		<b>University of North Texas</b>	
	733.0002	Basic/Core Area Health Education Center	238,538.00
	733.0007	CPRIT Beam Scanning Radar for Tumor Tracking	<u>38,228.83</u>
		<i>Total for University of North Texas</i>	<u>276,766.83</u>
		<b>Total State Grant Pass-through Expenditures to Other State Agencies</b>	<u>\$ 472,996.08</u>

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Texas Tech University System (793)  
 Combined Schedule 2A - Miscellaneous Bond Information  
 For the Year Ended August 31, 2014

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Final Maturity Date	
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 9th Ser '03	\$ 97,265,000.00	2.0000%	5.2500%	2004	2/15/2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	220,915,000.01	4.0000%	5.0000%	2006	2/15/2031	2/15/2016
Rev Fin Sys Ref & Imp Bds 12th Ser '09	170,825,000.00	3.0000%	5.2500%	2009	2/15/2038	2/15/2019
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	163,240,000.00	2.0000%	5.0000%	2012	8/15/2041	8/15/2021
Rev Fin Sys Ref Bds Tax 15th Ser '12B	<u>27,585,000.00</u>	0.4000%	4.4400%	2012	8/15/2031	8/15/2021
Total	<u>\$ 679,830,000.01</u>					

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Texas Tech University System (793)  
 Combined Schedule 2B - Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2014

Description of Issue	Bonds Outstanding 9/1/13	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/14
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03	\$ 4,745,000.00		\$ 4,475,000.00		\$ 270,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	189,380,000.00		10,245,000.00		179,135,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09	121,395,000.00		9,810,000.00		111,585,000.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	152,005,000.00		3,900,000.00		148,105,000.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B	26,365,000.00		825,000.00		25,540,000.00
<b>Total</b>	<b>\$ 493,890,000.00</b>	<b>\$ 0.00</b>	<b>\$ 29,255,000.00</b>	<b>\$ 0.00</b>	<b>\$ 464,635,000.00</b>

Description of Issue	Unamortized Premium	Unamortized Discount	Other Adjustments	Net Bonds Outstanding 8/31/14	Amounts Due Within One Year
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03				\$ 270,000.00	\$ 25,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06				179,135,000.00	10,780,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 6,519,916.18			118,104,916.18	9,683,408.06
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	17,587,112.27			165,692,112.27	10,609,825.67
Rev Fin Sys Ref Bds Tax 15th Ser '12B				25,540,000.00	870,000.00
<b>Total</b>	<b>\$ 24,107,028.45</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 488,742,028.45</b>	<b>\$ 31,968,233.73</b>

Note: 12th Series amount due within one year includes bond premium amortization of \$308,408.06. The 14th Series amount due within one year includes bond premium amortization of \$2,034,825.67.



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Texas Tech University System (793)  
 Combined Schedule 2C - Debt Service Requirements  
 For the Year Ended August 31, 2014

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Ref & Imp Bds 9th Ser '03	2015	\$ 25,000.00	\$ 13,181.25
	2016	25,000.00	11,868.75
	2017	25,000.00	10,556.25
	2018	30,000.00	9,112.50
	2019	30,000.00	7,537.50
	2020-2023	<u>135,000.00</u>	<u>13,875.00</u>
		<u>270,000.00</u>	<u>66,131.25</u>
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2015	10,780,000.00	8,229,445.02
	2016	11,320,000.00	7,676,945.03
	2017	11,625,000.00	7,103,320.04
	2018	14,555,000.00	6,507,040.06
	2019	15,195,000.00	5,878,491.31
	2020-2024	66,860,000.00	19,597,466.01
	2025-2029	43,815,000.00	5,497,249.94
	2030-2031	<u>4,985,000.00</u>	<u>226,912.50</u>
		<u>179,135,000.00</u>	<u>60,716,869.91</u>
Rev Fin Sys Ref & Imp Bds 12th Ser '09	2015	9,375,000.00	5,378,906.25
	2016	8,005,000.00	4,944,406.26
	2017	8,400,000.00	4,534,281.26
	2018	5,400,000.00	4,189,281.26
	2019	4,975,000.00	3,929,906.26
	2020-2024	29,005,000.00	15,548,281.30
	2025-2029	30,390,000.00	7,478,053.17
	2030-2034	7,975,000.00	3,189,756.28
	2035-2038	<u>8,060,000.00</u>	<u>873,862.50</u>
		<u>111,585,000.00</u>	<u>50,066,734.54</u>
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	2015	8,575,000.00	6,828,975.00
	2016	8,845,000.00	6,571,725.00
	2017	9,115,000.00	6,306,375.00
	2018	9,565,000.00	5,850,625.00
	2019	10,040,000.00	5,372,375.00
	2020-2024	38,095,000.00	19,909,062.50
	2025-2029	20,340,000.00	13,574,500.00
	2030-2034	23,200,000.00	8,183,250.00
	2035-2039	16,140,000.00	2,599,000.00
	2040-2041	<u>4,190,000.00</u>	<u>253,000.00</u>
		<u>148,105,000.00</u>	<u>75,448,887.50</u>
Rev Fin Sys Ref Bds Tax 15th Ser '12B	2015	870,000.00	899,819.00
	2016	870,000.00	888,335.00
	2017	890,000.00	875,111.00
	2018	1,315,000.00	858,023.00
	2019	1,345,000.00	826,200.00
	2020-2024	7,360,000.00	3,502,217.50
	2025-2029	8,815,000.00	2,060,864.00
	2030-2031	<u>4,075,000.00</u>	<u>273,282.00</u>
		<u>25,540,000.00</u>	<u>10,183,851.50</u>
Total Principal and Interest		<u>\$ 464,635,000.00</u>	<u>\$ 196,482,474.70</u>

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Texas Tech University System (793)  
 Combined Schedule 2D - Analysis of Funds Available for Debt Service  
 For the Year Ended August 31, 2014

<b>Pledged and Other Sources and Related Expenditures for FY2014</b>				
<b>Description of Issue</b>	<b>Net Available for Debt Service</b>		<b>Debt Service</b>	
	<b>Total Pledged and Other Sources</b>	<b>Operating Expenses/Expenditures and Capital Outlay</b>	<b>Principal</b>	<b>Interest</b>
Revenue Bonds:				
Rev Fin Sys Ref & Imp Bds 9th Ser '03			\$ 4,475,000.00	\$ 131,306.25
Rev Fin Sys Ref & Imp Bds 10th Ser '06			10,245,000.00	8,755,070.01
Rev Fin Sys Ref & Imp Bds 12th Ser '09			9,810,000.00	5,760,431.25
Rev Fin Sys Ref & Imp Bds 14th Ser '12A			3,900,000.00	6,945,975.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B			825,000.00	909,059.00
<b>Total</b>	<b>\$ 723,525,171.28</b>	<b>\$ (B)</b>	<b>\$ 29,255,000.00</b>	<b>\$ 22,501,841.51</b>

(A) Beginning balances as of 09/01/13 of \$574,224,194.76 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$576,349,833.15.

UNAUDITED

Texas Tech University System (793)  
Combined Schedule 2E - Defeased Bonds Outstanding  
For the Year Ended August 31, 2014

<u>Description of Issue</u>	<u>Year Defeased</u>	<u>Par Value Outstanding</u>
Revenue Bonds		\$ 0.00
		<u>\$ 0.00</u>

UNAUDITED

Texas Tech University System (793)  
 Combined Schedule 2F - Early Extinguishment and Refunding  
 For the Year Ended August 31, 2014

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

NOTE:

In FY 2014, \$1,597,512.15 of Texas State University System debt on behalf of Angelo State University was refunded and new debt was financed by Texas State University System on behalf of Angelo State University. The refunded bonds were Angelo State University's portion of the Texas State University System 2004 series of bonds. This refunding resulted in debt service savings of \$31,583.96 and a total present value savings of \$30,969.15.

UNAUDITED

**Texas Tech University System (793)**  
**Combined Schedule 3 - Reconciliation of Cash in State Treasury**  
**For the Year Ended August 31, 2014**

<b>Cash in State Treasury</b>	<b>Current Unrestricted</b>
Local Revenue (Fund 0227)	\$ 2,962,358.75
Local Revenue (Fund 0239)	16,348,440.09
Local Revenue (Fund 0255)	5,671,150.97
Permanent Health Fund - El Paso Campus (Fund 0820)	8,285,633.35
Permanent Health Fund - Other Campuses (Fund 0821)	<u>3,597,578.83</u>
 Total Cash in State Treasury	 <u><u>\$ 36,865,161.99</u></u>

**DISCRETELY PRESENTED  
COMPONENT UNIT**

**Texas Tech University System (793)**  
**Statement of Net Position**  
**Discretely Presented Component Unit - Angelo State University**  
**Robert G. Carr and Nona K. Carr Scholarship Foundation**  
**For the Years Ended August 31, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 343,867.03	\$ 526,287.41
Restricted:		
Cash and Cash Equivalents (Note 3)	192,426.35	236,278.70
Accounts Receivable	3,724.81	315,096.09
Total Current Assets	540,018.19	1,077,662.20
Non-Current Assets:		
Restricted:		
Investments (Note 3)	131,545,156.56	113,530,729.86
Total Non-Current Assets	131,545,156.56	113,530,729.86
Total Assets	132,085,174.75	114,608,392.06
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	185.00	14,760.89
Payroll Payable	22,704.98	23,288.20
Total Current Liabilities	22,889.98	38,049.09
Non-Current Liabilities	0.00	0.00
Total Liabilities	22,889.98	38,049.09
<b>NET POSITION</b>		
Restricted:		
Nonexpendable:		
Endowments	118,916,297.55	110,964,827.22
Expendable:		
Other	13,145,987.22	3,605,515.75
Total Net Position	\$ 132,062,284.77	\$ 114,570,342.97

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

**Texas Tech University System (793)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Discretely Presented Component Unit - Angelo State University**  
**Robert G. Carr and Nona K. Carr Scholarship Foundation**  
**For the Years Ended August 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Total Operating Revenues	\$ 0.00	\$ 0.00
<b>OPERATING EXPENSES</b>		
Salaries and Wages	236,285.48	218,998.85
Payroll Related Costs	67,567.04	44,209.88
Professional Fees and Services	36,554.30	50,440.82
Travel	9,167.47	9,354.49
Materials and Supplies	32,358.42	27,989.36
Communication and Utilities	783.60	1,438.28
Rentals and Leases	2,701.86	2,175.02
Printing and Reproduction	929.33	746.45
Other Operating Expenses	<u>12,455.56</u>	<u>16,972.61</u>
Total Operating Expenses	<u>398,803.06</u>	<u>372,325.76</u>
Operating Income (Loss)	<u>(398,803.06)</u>	<u>(372,325.76)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income (Expense)	9,985,930.17	7,280,342.97
Net Increase (Decrease) in Fair Value of Investments	7,055,140.79	3,952,592.56
Other Nonoperating Revenues (Expenses) - Pledged	<u>849,673.90</u>	<u>0.00</u>
Total Nonoperating Revenues (Expenses)	<u>17,890,744.86</u>	<u>11,232,935.53</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	17,491,941.80	10,860,609.77
<b>OTHER REVENUES, EXPENSES, GAINS, LOSSES, and TRANSFERS</b>		
Total Other Revenues, Expenses, Gains, Losses, and Transfers	<u>0.00</u>	<u>0.00</u>
Total Changes in Net Position	<u>17,491,941.80</u>	<u>10,860,609.77</u>
Beginning Net Position (September 1)	114,570,342.97	103,709,733.20
Ending Net Position (August 31)	<u>\$ 132,062,284.77</u>	<u>\$ 114,570,342.97</u>

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