

**TEXAS TECH UNIVERSITY  
SYSTEM**



**COMBINED  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2013**

**ANNUAL FINANCIAL REPORT**

**OF**

**TEXAS TECH UNIVERSITY SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2013

**LUBBOCK, TEXAS**

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TEXAS TECH UNIVERSITY SYSTEM™

Kent Hance, *Chancellor*

November 15, 2013

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, 2013. 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, 2013.

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 black ink that reads "Kent Hance".

Kent Hance  
Chancellor





## TEXAS TECH UNIVERSITY SYSTEM

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

November 15, 2013

Chancellor Kent Hance  
Texas Tech University System  
Lubbock, Texas 79409

Dear Chancellor Hance:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2013, 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  
Interim Assistant Vice President for Financial Affairs/Controller

Approved:

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

A handwritten signature in blue ink that reads "JB".

## 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

Joshua Heimbecker ..... Term Expires May 31, 2014 ..... San Angelo, TX

### Officers of the Board

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

### Fiscal Officers

Kent Hance.....Chancellor  
Jim Brunjes.....Vice Chancellor and Chief Financial Officer  
M. Duane Nellis ..... TTU President  
Tedd Mitchell..... TTUHSC President  
Brian May ..... ASU President

# **FINANCIAL STATEMENTS**

**UNAUDITED**

**Texas Tech University System (793)  
Combined Statement of Net  
Position August 31, 2013 and 2012**

<b>ASSETS</b>	2013	Restated 2012
Current Assets:		
Cash and Cash Equivalents	\$ 318,339,775.06	\$ 334,205,350.48
Restricted:		
Cash and Cash Equivalents	141,918,337.03	138,888,008.15
Legislative Appropriations	90,899,429.99	102,495,716.69
Receivables:		
Federal	31,547,188.25	43,244,907.60
Patient	20,463,738.98	18,490,185.96
Student	15,711,179.29	13,794,279.90
Contracts	20,533,135.69	15,012,347.13
Accounts	5,889,151.24	6,761,092.04
Interest and Dividends	302,156.21	429,533.64
Gifts	55,208,534.79	37,208,590.75
Other	4,833,578.75	3,414,768.29
Due From Other Agencies (Note 12)	23,238,893.03	15,951,600.40
Inventories	3,713,086.73	3,941,782.65
Prepaid Items	37,774,881.77	35,131,020.04
Loans and Contracts	1,744,161.06	1,589,894.98
Other Current Assets	450,000.00	450,000.00
Total Current Assets	772,567,227.87	771,009,078.70
Non-Current Assets:		
Restricted:		
Cash and Cash Equivalents	49,437,925.73	46,409,674.08
Investments (Note 3)	333,809,821.99	306,757,749.91
Gifts Receivable	47,174,516.42	44,860,564.78
Loans and Notes Receivable	3,472,639.34	3,381,625.39
Investments (Note 3)	943,402,760.01	814,958,004.72
Capital Assets (Note 2)		
Non-Depreciable or Non-Amortizable	148,142,882.37	131,296,681.21
Depreciable or Amortizable	2,508,304,929.02	2,430,360,460.92
Accumulated Depreciation and Amortization	(1,254,220,406.75)	(1,148,303,753.89)
Total Non-Current Assets	2,779,525,068.13	2,629,721,007.12
Total Assets	\$ 3,552,092,296.00	\$ 3,400,730,085.82

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 August 31, 2013 and 2012**

<b>LIABILITIES</b>	2013	Restated 2012
<b>Current Liabilities:</b>		
Accounts Payable	\$ 40,137,476.50	\$ 43,110,769.90
Payroll Payable	63,103,879.37	55,751,691.60
Unearned Revenue	177,558,510.37	176,861,640.27
Due to Other State Agencies (Note 12)	1,525,382.09	2,951,562.87
Employees' Compensable Leave (Note 5)	4,752,564.50	4,822,514.27
Capital Lease Payable (Note 5)	120,402.59	158,096.78
Claims Payable (Note 5)	1,060,964.04	1,307,405.59
Notes and Loans Payable (Note 5)	55,614,000.00	27,159,000.00
Bonds Payable (Note 5)	31,647,073.24	27,680,918.63
Funds Held for Others	29,254,926.36	31,540,625.16
Other Current Liabilities	4,537,236.07	4,566,663.19
<b>Total Current Liabilities</b>	<u>409,312,415.13</u>	<u>375,910,888.26</u>
<b>Non-Current Liabilities:</b>		
Employees' Compensable Leave (Note 5)	34,907,052.49	35,076,933.56
Capital Lease Payable (Note 5)	17,064.05	154,524.51
Claims Payable (Note 5)	13,085,223.14	14,073,836.67
Bonds Payable (Note 5)	488,742,028.45	520,389,101.71
Other Non-Current Liabilities	505,358.18	561,668.24
<b>Total Non-Current Liabilities</b>	<u>537,256,726.31</u>	<u>570,256,064.69</u>
<b>Total Liabilities</b>	<u>946,569,141.44</u>	<u>946,166,952.95</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	853,460,673.05	862,709,575.10
<b>Restricted:</b>		
<b>Nonexpendable:</b>		
Endowments	581,048,233.18	540,938,117.64
<b>Expendable:</b>		
Capital Projects	16,707,537.50	17,550,534.70
Higher Education Assistance Fund	44,387,373.83	36,332,942.81
Debt Service	27,226,002.81	27,939,252.34
Other	321,935,963.63	287,254,516.34
<b>Unrestricted</b>	<u>760,757,370.56</u>	<u>681,838,193.94</u>
<b>Total Net Position</b>	<u>\$ 2,605,523,154.56</u>	<u>\$ 2,454,563,132.87</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, 2013 and 2012**

	2013	Restated 2012
Operating Revenues		
Tuition and Fees	\$ 7,533,680.17	\$ 7,683,680.74
Tuition and Fees - Pledged	428,336,249.69	416,376,001.01
Less Discounts and Allowances	(85,340,483.19)	(87,313,883.73)
Professional Fees	229,673,197.83	221,495,670.95
Professional Fees - Pledged	1,084,113.08	1,383,730.84
Sales and Services of Auxiliary Enterprises - Pledged	134,543,166.48	127,435,337.49
Other Sales and Services	5,548,228.15	3,413,154.48
Other Sales and Services - Pledged	12,125,816.61	10,384,939.29
Federal Grants and Contracts (Schedule 1A)	55,730,482.49	55,226,944.54
Federal Grants and Contracts - Pledged (Schedule 1A)	4,938,273.97	4,621,196.87
Federal Grant Pass-Throughs from Other State Agencies (Schedule 1A)	5,171,291.57	5,409,010.05
State Grants and Contracts	2,405,701.52	6,971,250.85
State Grants and Contracts - Pledged	441,110.16	557,755.13
State Grant Pass-Throughs from Other State Agencies (Schedule 1B)	36,297,633.46	29,868,220.25
Local Governmental Grants and Contracts	45,149,849.37	51,598,507.15
Local Governmental Grants and Contracts - Pledged	1,232,541.87	1,167,555.82
Nongovernmental Grants and Contracts	121,527,074.44	102,736,432.49
Nongovernmental Grants and Contracts - Pledged	2,615,384.42	2,173,434.49
Other Revenue	17,633,820.48	0.00
Total Operating Revenues	1,026,647,132.57	961,188,938.71
Operating Expenses		
Instruction	422,943,672.68	402,418,122.92
Research	169,690,500.51	156,154,560.52
Public Service	126,734,690.58	123,657,539.68
Hospital and Clinic	62,818,871.45	58,968,217.08
Academic Support	193,240,901.77	173,013,053.48
Student Services	49,277,866.68	46,261,605.95
Institutional Support	98,167,021.18	91,260,469.14
Operations and Maintenance of Plant	78,828,529.19	72,258,199.94
Scholarships and Fellowships	57,033,472.08	63,533,836.28
Auxiliary Enterprises	118,418,863.78	109,665,264.20
Depreciation and Amortization	121,510,514.81	113,593,663.94
Total Operating Expenses	1,498,664,904.71	1,410,784,533.13
Operating Income (Loss)	\$ (472,017,772.14)	\$ (449,595,594.42)

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, 2013 and 2012**

	2013	Restated 2012
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 355,250,466.02	\$ 373,527,529.31
Federal Grants and Contracts (Schedule 1A)	41,131,806.40	45,245,956.50
State Grant Pass-Throughs from Other State Agencies (Schedule 1B)	45,000.00	2,000.00
Private Gifts	43,918,741.13	60,697,555.84
Private Gifts - Pledged	13,907,713.23	4,011,127.39
Investment Income (Expense)	45,210,642.79	9,748,527.52
Investment Income (Expense) - Pledged	15,321,203.96	10,190,644.77
Interest Expense on Capital Asset Financing	(24,706,601.38)	(24,015,837.61)
Gain (Loss) on Sale and Disposal of Capital Assets	(2,067,459.26)	(1,118,161.60)
Net Increase (Decrease) in Fair Value of Investments	29,496,227.98	20,344,111.33
Other Nonoperating Revenues (Expenses)	7,152,461.10	9,663,200.00
Other Nonoperating Revenues (Expenses) - Pledged	3,168,025.86	1,322,542.32
Total Nonoperating Revenues (Expenses)	527,828,227.83	509,619,195.77
 Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	 55,810,455.69	 60,023,601.35
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	44,652,684.00	44,652,684.00
Capital Contributions	3,181,813.70	11,675,832.56
Lapsed Appropriations	(516.02)	(1,280.84)
Contributions to Permanent and Term Endowments	48,888,881.70	21,137,053.98
Legislative Transfer Out (Note 12)	(2,706,875.77)	(2,919,683.08)
Increase Net Assets - Interagency Transfer Capital Assets (Note 12)	8,903.19	0.00
Decrease Net Assets - Interagency Transfer Capital Assets (Note 12)	(268,379.76)	0.00
Transfers In from Other State Agencies (Note 12)	8,453,949.25	7,877,932.04
Transfers Out to Other State Agencies (Note 12)	(7,060,894.29)	(10,374,542.70)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	95,149,566.00	72,047,995.96
 TOTAL CHANGES IN NET POSITION	 \$ 150,960,021.69	 \$ 132,071,597.31
 Beginning Net Position (September 1)	 2,558,272,866.07	 2,420,616,692.48
Restatement of Beginning Net Assets (Note 14)	(103,709,733.20)	(98,125,156.92)
 Ending Net Position (August 31)	 \$ 2,605,523,154.56	 \$ 2,454,563,132.87

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

**UNAUDITED**

**Texas Tech University System (793)  
Combined Matrix of Operating Expenses Reported by Function  
For the Years Ended August 31, 2013 and 2012**

<b>OPERATING EXPENSES</b>	<b>INSTRUCTION</b>	<b>RESEARCH</b>	<b>PUBLIC SERVICE</b>	<b>HOSPITAL AND CLINIC</b>	<b>ACADEMIC SUPPORT</b>	<b>STUDENT SERVICES</b>	<b>INSTITUTIONAL SUPPORT</b>
Cost of Goods Sold	\$ 151,609.86	\$ 2,955.50	\$ 92,955.48		\$ 36,377.47	\$ 11,191.25	\$ 136,121.21
Salaries and Wages	319,037,626.88	101,391,950.94	52,036,720.29	41,773,774.68	98,148,848.73	23,654,295.73	56,948,490.90
Payroll Related Costs	65,434,779.22	22,183,929.74	13,114,313.69	11,742,110.58	27,173,953.21	6,171,398.68	15,579,629.13
Professional Fees and Services	8,425,973.00	1,529,710.99	38,442,722.92	1,053,965.34	5,122,606.45	954,332.24	3,395,521.74
Federal Grant Pass-Through Expense	11,902.87	942,455.11	622,027.57				
State Grant Pass-Through Expense		235,968.20	283,553.94				
Travel	5,460,154.20	5,876,030.09	1,208,758.63	81,198.15	5,137,545.49	2,216,994.48	1,554,080.95
Materials and Supplies	7,339,903.86	12,755,606.36	11,860,538.17	5,968,034.36	9,132,772.45	3,115,789.21	2,471,562.53
Communications and Utilities	1,682,124.38	1,658,206.72	483,837.42	209,655.87	6,106,069.34	1,082,918.43	2,228,400.45
Repairs and Maintenance	1,285,094.24	3,062,005.15	464,420.59	245,964.48	5,067,513.94	1,044,021.61	1,856,940.70
Rentals and Leases	1,260,268.78	778,181.25	1,072,910.75	370,512.83	5,372,998.86	1,206,106.76	1,175,573.44
Printing and Reproduction	643,437.96	345,254.51	351,197.84	113,991.06	1,217,572.71	1,004,916.69	737,875.81
Depreciation and Amortization							
Bad Debt Expense	69.91	13,448.97	24,151.01		332.78	185,766.21	251,888.27
Interest	1,079.11	934.38	466.65	560.21	4,327.60	927.46	(1,103.87)
Scholarships	4,105,036.88	4,585,168.26	142,370.12		1,896,401.33	333,656.53	209,301.48
Claims and Judgments	1,050.00				739,000.00		14,326.87
Other Operating Expenses	8,103,561.53	14,328,694.34	6,533,745.51	1,259,103.89	28,084,581.41	8,295,551.40	11,608,411.57
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 422,943,672.68</b>	<b>\$ 169,690,500.51</b>	<b>\$ 126,734,690.58</b>	<b>\$ 62,818,871.45</b>	<b>\$ 193,240,901.77</b>	<b>\$ 49,277,866.68</b>	<b>\$ 98,167,021.18</b>

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

**UNAUDITED**

**Texas Tech University System (793)  
Combined Matrix of Operating Expenses Reported by  
Function For the Years Ended August 31, 2013 and 2012**

<b>OPERATING EXPENSES</b>	<b>OPERATIONS &amp; MAINTENANCE OF PLANT</b>	<b>SCHOLARSHIPS &amp; FELLOWSHIPS</b>	<b>AUXILIARY ENTERPRISES</b>	<b>DEPRECIATION &amp; AMORTIZATION</b>	<b>GRAND TOTAL</b>	<b>RESTATE 2012</b>
Cost of Goods Sold			\$ 12,936,439.64		\$ 13,367,650.41	\$ 11,783,338.97
Salaries and Wages	15,211,685.40	53,961.02	43,747,776.46		752,005,131.03	714,429,107.02
Payroll Related Costs	5,003,175.53	22,242.25	10,354,868.16		176,780,400.19	164,253,849.14
Professional Fees and Services	3,160,740.82		914,894.12		63,000,467.62	58,923,354.62
Federal Grant Pass-Through Expense					1,576,385.55	1,229,350.38
State Grant Pass-Through Expense					519,522.14	513,546.64
Travel	100,590.36		4,966,388.92		26,601,741.27	23,953,041.70
Materials and Supplies	3,201,744.85		8,316,569.31		64,162,521.10	68,018,987.26
Communications and Utilities	26,008,382.79		9,088,411.48		48,548,006.88	46,806,459.18
Repairs and Maintenance	17,562,868.29	28,576.09	7,021,921.48		37,639,326.57	33,956,813.90
Rentals and Leases	511,159.67		3,270,889.16		15,018,601.50	14,314,728.83
Printing and Reproduction	31,614.31		651,105.15		5,096,966.04	5,054,070.18
Depreciation and Amortization				121,510,514.81	121,510,514.81	113,593,663.94
Bad Debt Expense		90.00	247,870.47		723,617.62	1,169,272.77
Interest	557.26		3,636.24		11,385.04	14,406.74
Scholarships		56,928,602.72	22,267.29		68,222,804.61	74,215,154.46
Claims and Judgments					754,376.87	1,112,607.09
Other Operating Expenses	8,036,009.91		16,875,825.90		103,125,485.46	77,442,780.31
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 78,828,529.19</b>	<b>\$ 57,033,472.08</b>	<b>\$ 118,418,863.78</b>	<b>\$ 121,510,514.81</b>	<b>\$ 1,498,664,904.71</b>	<b>\$ 1,410,784,533.13</b>

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, 2013 and**  
**2012**

	2013	Restated 2012
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 267,705,957.28	\$ 239,060,622.76
Proceeds from Tuition and Fees	345,953,294.80	333,935,947.76
Proceeds from Grants and Contracts	269,200,650.27	268,558,970.37
Proceeds from Sales and Services of Auxiliary Enterprises	133,626,975.35	123,385,108.21
Proceeds from Collections of Loans to Students	4,988,257.32	4,613,659.17
Payments to Suppliers for Goods and Services	(195,889,148.75)	(199,626,889.22)
Payments to Employees for Salaries	(748,741,155.29)	(718,080,182.87)
Payments to Employees for Benefits	(173,107,168.89)	(164,663,326.04)
Payments for Loans Issued to Students	(5,445,349.47)	(3,815,162.11)
Payments for Other Expenses	(260,822,809.79)	(232,723,344.01)
Net Cash Used By Operating Activities	(362,530,497.17)	(349,354,595.98)
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	367,416,429.63	359,263,788.99
Proceeds from Gifts	86,642,440.38	62,082,651.64
Proceeds from Nonoperating Grants and Contracts	48,523,276.40	49,285,604.52
Proceeds from Other Financing Activities	12,709,238.77	16,260,497.31
Proceeds from Agency Transactions	258,484,378.92	324,323,049.72
Proceeds from Transfers In from Other State Agencies	1,155,925.06	0.00
Payments for Transfers to Other State Agencies	(5,244,217.54)	(8,189,809.03)
Payments for Other Uses	(270,970,869.01)	(278,876,537.87)
Net Cash Provided by Noncapital Financing Activities	498,716,602.61	524,149,245.28
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	60,012.29	148,209.30
Proceeds from Capital Debt Issuances	41,220,200.00	263,583,617.31
Proceeds from Capital Appropriations	44,157,567.38	35,310,884.91
Payments for Additions to Capital Assets	(109,662,977.82)	(153,328,726.33)
Payments for Principal Paid on Capital Debt	(40,530,626.16)	(219,875,000.00)
Payments for Interest Paid on Capital Debt	(23,477,912.99)	(27,128,795.30)
Payments for Other Capital Related Activities	(175,154.65)	(1,538,299.93)
Net Cash Used by Capital and Related Financing Activities	(88,408,891.95)	(102,828,110.04)
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	263,979,264.08	382,315,069.41
Proceeds from Interest and Investment Income	64,553,624.43	55,400,947.78
Payments to Acquire Investments	(386,117,096.89)	(454,041,664.14)
Net Cash Used by Investing Activities	(57,584,208.38)	(16,325,646.95)
<b>TOTAL NET CASH FLOWS</b>	<b>\$ (9,806,994.89)</b>	<b>\$ 55,640,892.31</b>
Beginning Cash & Cash Equivalents - September 1	520,070,098.24	464,693,066.50
Restatement to Beginning Cash & Cash Equivalents	(567,065.53)	(830,926.10)
Beginning Cash & Cash Equivalents - September 1, 2012 (Restated)	519,503,032.71	463,862,140.40
Ending Cash & Cash Equivalents - August 31	<b>\$ 509,696,037.82</b>	<b>\$ 519,503,032.71</b>

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, 2013 and  
2012**

	2013	Restated 2012
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (472,017,772.14)	\$ (449,595,594.42)
Adjustments:		
Depreciation and Amortization Expense	121,510,514.81	113,593,663.94
Bad Debt Expense	723,617.62	1,169,272.77
(Increase) Decrease in Accounts Receivables	(9,608,768.53)	(1,447,101.92)
(Increase) Decrease in Loans and Notes Receivable	(245,280.03)	532,306.93
(Increase) Decrease in Inventory	228,695.92	(449,010.03)
(Increase) Decrease in Due From Other Agencies	(869,709.80)	1,322,927.51
(Increase) Decrease in Prepaid Items	(1,354,579.56)	(6,764,936.93)
Increase (Decrease) in Accounts Payables	1,271,632.83	(2,057,195.13)
Increase (Decrease) in Payroll Payables	3,194,413.90	(1,708,686.31)
Increase (Decrease) in Deposits	(1,525.00)	0.00
Increase (Decrease) in Unearned Revenue	(2,360,879.89)	(1,456,934.33)
Increase (Decrease) in Compensable Leave	(239,830.84)	(1,107,576.23)
Increase (Decrease) in Claims Payable	(1,235,055.08)	(2,326,703.97)
Increase (Decrease) in Due To Other Agencies	(1,422,893.50)	694,590.53
Increase (Decrease) in Benefits Payable	(229,259.92)	0.00
Increase (Decrease) in Other Liabilities	126,182.04	246,381.61
Net Cash Used for Operating Activities	(362,530,497.17)	(349,354,595.98)
Noncash Transactions		
Donations of Capital Assets	3,181,813.70	11,675,832.56
Net Increase (Decrease) in Fair Value of Investments	29,496,227.98	20,344,111.31
Borrowing Under Capital Lease Purchase	0.00	274,250.30
Other	(519,034.34)	(914,597.17)
Total Noncash Transactions	\$ 32,159,007.34	\$ 31,379,597.00

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

## **POLICIES AND NOTES**



## UNAUDITED

### 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 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. These component units are described in more detail in Note 19.

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.

## UNAUDITED

### 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.

## UNAUDITED

### 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, discounts, issuance costs and gains/(losses) on bond refunding activities.

#### **Funds Held for Others**

Current balances in funds held for others result from the System acting as an agent or fiduciary for students and student organizations.

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

## UNAUDITED

### 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.

**UNAUDITED**

**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, 2013 is presented below.

	Balance 09/01/12	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'gy Trans	Reclassifications Dec-Int'gy Trans	Additions	Deletions	Balance 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				(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>

## UNAUDITED

### 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, 2012 is presented below.

	Balance		Reclassifications			Balance		
	09/01/11	Adjustments	Completed CIP	Inc-Int'gy Trans	Dec-Int'gy Trans	Additions	Deletions	08/31/12
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Non-depreciable or Non-amortizable Assets</b>								
Land and Land Improvements	\$13,927,666.83					3,573,974.91		\$17,501,641.74
Construction in Progress	154,516,516.17	(26,140.34)	(179,986,309.96)			70,279,391.71	(1,148,617.64)	43,634,839.94
Other Tangible Capital Assets	67,643,544.13					2,593,581.35	(76,925.95)	70,160,199.53
Total Non-depreciable or Non-amortizable Assets	236,087,727.13	(26,140.34)	(179,986,309.96)			76,446,947.97	(1,225,543.59)	131,296,681.21
<b>Depreciable Assets</b>								
Buildings and Building Improvements	1,419,650,778.41		179,986,309.96			37,813,943.68	(668,954.43)	1,636,782,077.62
Infrastructure	41,719,273.29							41,719,273.29
Facilities and Other Improvements	164,730,826.80	(34,797.00)				1,633,120.72		166,329,150.52
Furniture and Equipment	245,496,020.85	(176,948.33)				31,420,968.94	(4,919,318.70)	271,820,722.76
Vehicle, Boats and Aircraft	16,192,545.59	211,745.33				1,336,501.22	(932,728.90)	16,808,063.24
Other Capital Assets	153,651,016.91					12,087,161.72	(302,349.12)	165,435,829.51
Total Depreciable Assets	2,041,440,461.85	0.00	179,986,309.96			84,291,696.28	(6,823,351.15)	2,298,895,116.94
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(699,686,356.29)					(49,002,919.78)	448,513.16	(748,240,762.91)
Infrastructure	(13,005,090.33)					(1,466,884.55)		(14,471,974.88)
Facilities and Other Improvements	(62,452,725.25)	15,254.92				(6,644,352.44)		(69,081,822.77)
Furniture and Equipment	(142,605,830.60)	(2,766.96)				(22,942,168.37)	4,316,085.92	(161,234,680.01)
Vehicles, Boats and Aircraft	(11,544,147.64)	(12,487.96)				(1,252,290.72)	599,885.12	(12,209,041.20)
Other Capital Assets	(69,188,856.34)					(9,218,116.40)		(78,406,972.74)
Total Accumulated Depreciation	(998,483,006.45)	0.00				(90,526,732.26)	5,364,484.20	(1,083,645,254.51)
Depreciable Assets, Net	1,042,957,455.40	0.00	179,986,309.96			(6,235,035.98)	(1,458,866.95)	1,215,249,862.43
<b>Amortizable Assets - Intangible</b>								
Computer Software	119,814,599.15					11,825,006.83	(174,262.00)	131,465,343.98
Total Amortizable Assets - Intangible	119,814,599.15					11,825,006.83	(174,262.00)	131,465,343.98
Less Accumulated Amortization for:								
Computer Software	(41,763,821.70)					(23,066,931.68)	172,254.00	(64,658,499.38)
Total Accumulated Amortization	(41,763,821.70)					(23,066,931.68)	172,254.00	(64,658,499.38)
Amortizable Assets - Intangible, Net	78,050,777.45					(11,241,924.85)	(2,008.00)	66,806,844.60
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$1,357,095,959.98</b>	<b>(\$26,140.34)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$58,969,987.14</b>	<b>(\$2,686,418.54)</b>	<b>\$1,413,353,388.24</b>

**UNAUDITED**

**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, 2013 and August 31, 2012 was \$80,882,868.53, and \$62,324,139.76, respectively, as presented below:

**Business-Type Activities**

	<b>FY13</b>	<b>Restated FY12</b>
CASH IN BANK – CARRYING VALUE	\$ 80,882,868.53	\$ 62,324,139.76
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>\$ 80,882,868.53</b>	<b>\$ 62,324,139.76</b>
Proprietary Funds Current Assets Cash in Bank	\$ (18,100,299.66)	\$ (23,909,122.66)
Proprietary Funds Current Assets Restricted Cash in Bank	88,908,912.24	84,170,964.47
Proprietary Funds Non-Current Assets Restricted Cash in Bank	10,074,255.95	2,062,297.95
<b>Cash in Bank per AFR</b>	<b>\$ 80,882,868.53</b>	<b>\$ 62,324,139.76</b>

These amounts consist of all cash in local banks and are included on the 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, 2013, the total **bank balance** for Business-Type Activities was \$91,815,805.30. At August 31, 2012, the restated balance was \$69,001,280.98.

**UNAUDITED**

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

**Discrete Component Unit**

	<u>FY13</u>	<u>FY12</u>
CASH IN BANK – CARRYING VALUE	\$ 762,566.11	\$ 567,065.53
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>\$ 762,566.11</b>	<b>\$ 567,065.53</b>
Proprietary Funds Current Assets Cash in Bank	\$ 526,287.41	\$ 304,114.64
Proprietary Funds Current Assets Restricted Cash in Bank	236,278.70	262,950.89
Proprietary Funds Non-Current Assets Restricted Cash in Bank		
<b>Cash in Bank per AFR</b>	<b>\$ 762,566.11</b>	<b>\$ 567,065.53</b>

As of August 31, 2013, the total **bank balance** for Business-Type Activities for the Carr Foundation was \$762,928.95. At August 31, 2012, this balance was \$552,912.05.

**Investments**

The fair value of investments is as presented below for August 31, 2013, and August 31, 2012, respectively:

**Business-Type Activities**

Type of Security	Fair Value	
	<u>FY13</u>	<u>Restated FY12</u>
U. S. Government		
U.S. Treasury Securities	\$ 76,779,962.24	\$ 41,988,959.62
U.S. Treasury TIPs	16,538,631.15	4,757,182.91
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	143,562,398.00	80,082,250.00
Corporate Obligations	20,000.00	20,000.00
Corporate Asset and Mortgage Backed Securities	933,916.19	1,123.92
Equity	71,171,337.87	52,322,031.01
International Obligations	3,318,269.17	12,845,063.04
Fixed Income Money Market and Bond Mutual Fund	301,741,575.17	380,149,400.28
Mutual Funds - Domestic	57,198,044.28	45,262,255.03
Other Commingled Funds	175,759,609.78	118,520,537.03
Other Commingled Funds (Texpool)	202,512,899.63	258,753,085.12
International Other Commingled Funds	132,051,089.17	96,743,887.80
Real Estate	29,894,817.62	31,491,006.22
Externally Managed Investments:		
Domestic	428,431,172.35	393,948,426.49
International	10,645,624.73	6,095,785.87
Miscellaneous	11,273,761.68	10,516,803.18
<b>Total Investments</b>	<b>\$ 1,661,833,109.03</b>	<b>\$ 1,533,497,797.52</b>
Non-Current Investments	\$ 1,277,212,582.00	\$ 1,121,715,754.63
Items in Cash and Cash Equivalents:		
Money Market Funds	173,387,042.90	132,128,736.23
Texpool & TexSTAR Investments	211,233,484.13	279,653,306.66
<b>Total Investments</b>	<b>\$ 1,661,833,109.03</b>	<b>\$ 1,533,497,797.52</b>



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

**Discrete Component Unit**

Type of Security	Fair Value	
	FY13	FY12
U. S. Government		
U.S. Treasury Securities		
U.S. Treasury TIPs		
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)		
Corporate Obligations		
Corporate Asset and Mortgage Backed Securities		
Equity	6,821,037.25	5,664,486.66
International Obligations	320,168.24	1,439,059.54
Fixed Income Money Market and Bond Mutual Fund	6,932,723.70	4,787,649.47
Mutual Funds - Domestic	3,481,963.91	4,474,385.99
Other Commingled Funds	19,282,429.29	11,793,432.97
Other Commingled Funds (Texpool)		
International Other Commingled Funds	14,009,977.68	11,222,507.08
Real Estate	10,397,580.89	10,808,807.36
Externally Managed Investments:		
Domestic	50,819,582.35	51,906,830.70
International	1,465,266.55	826,473.31
Miscellaneous		
<b>Total Investments</b>	<b>\$ 113,530,729.86</b>	<b>\$ 102,923,633.08</b>
Non-Current Investments	\$ 113,530,729.86	\$ 102,923,633.08
Items in Cash and Cash Equivalents:		
Money Market Funds		
Texpool & TexSTAR Investments		
<b>Total Investments</b>	<b>\$ 113,530,729.86</b>	<b>\$ 102,923,633.08</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, 2013 and August 31, 2012.

Fiscal Year	Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
2013	5	9999	Equity	\$ 2,668,221.50	
2012	5	9999	Equity	\$ 2,312,867.42	

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The LTIF's policy is to limit international equity to between 10% and 20% of the portfolio; the STIF does not have a policy limit. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2013, is presented below.

<b>FY13</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		\$ 1,074,102.10	
05	9999	Australian dollar		367,637.46	\$ 149.22
05	9999	Brazilian real	\$ 517,610.30	8,887,560.79	
05	9999	Canadian dollar		816,741.35	
05	9999	Chilean Peso	349,460.31	802,485.23	
05	9999	Chinese yuan		9,437,799.89	298.43
05	9999	Colombian peso	716,145.83		
05	9999	Czech koruna		1,039,360.25	
05	9999	Danish krone		288,723.74	
05	9999	Egyptian pound		579,030.77	
05	9999	Euro	342,450.56	23,208,327.59	10,194,197.71
05	9999	Hong Kong dollar		3,819,071.89	
05	9999	Indian rupee		4,460,559.34	450,979.37
05	9999	Indonesian rupiah		2,438,806.42	
05	9999	Japanese yen		14,405,719.26	
05	9999	Kazakhstani tenge		385,192.91	
05	9999	Malaysian ringgit		810,467.35	
05	9999	Mexican peso		5,653,344.42	
05	9999	Nigerian naira	392,816.57		
05	9999	Norwegian krone		396,995.15	
05	9999	Panamanian balboa		397,496.34	
05	9999	Peruvian nuevo sol	239,486.37	930,882.86	
05	9999	Phillippine peso		1,138,397.64	
05	9999	Pound sterling		13,603,860.50	
05	9999	Russian ruble	448,591.35	1,474,701.09	
05	9999	Singapore dollar		1,263,166.36	
05	9999	South African rand	311,707.88	4,557,752.56	
05	9999	South Korean wan		9,047,243.29	
05	9999	Swedish krona		881,525.00	
05	9999	Swiss franc		8,242,359.11	
05	9999	New Taiwan dollar		6,319,318.04	
05	9999	Thai baht		1,804,629.41	
05	9999	New Turkish lira		2,782,461.96	
05	9999	UAE dirham		735,369.10	
		<b>Total</b>	<b>\$ 3,318,269.17</b>	<b>\$ 132,051,089.17</b>	<b>\$ 10,645,624.73</b>

At August 31, 2012, the exposure to foreign currency risk balances as restated were: International Obligations - \$12,845,063.04; International Other Commingled Funds - \$96,743,887.80; and International Externally Managed Investments - \$6,095,785.87.

**UNAUDITED**

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

**Discrete Component Unit**

<b>FY13</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		\$ 117,428.53	
05	9999	Australian dollar		50,601.72	\$ 20.54
05	9999	Brazilian real	\$ 49,942.42	1,003,866.64	
05	9999	Canadian dollar		25,172.42	
05	9999	Chilean Peso	33,718.21	90,456.66	
05	9999	Chinese yuan		1,069,692.97	41.08
05	9999	Colombian peso	69,098.42		
05	9999	Czech koruna		113,630.31	
05	9999	Danish krone		39,740.01	
05	9999	Egyptian pound		63,303.79	
05	9999	Euro	33,041.87	1,964,876.03	1,403,132.01
05	9999	Hong Kong dollar		439,709.67	
05	9999	Indian rupee		469,273.73	62,072.92
05	9999	Indonesian rupiah		276,484.99	
05	9999	Japanese yen		1,618,425.22	
05	9999	Kazakhstani tenge		43,419.19	
05	9999	Malaysian ringgit		93,155.12	
05	9999	Mexican peso		636,121.78	
05	9999	Nigerian naira	37,901.50		
05	9999	Norwegian krone		54,642.51	
05	9999	Panamanian balboa		54,711.50	
05	9999	Peruvian nuevo sol	23,107.21	104,929.72	
05	9999	Phillippine peso		136,691.72	
05	9999	Pound sterling		1,465,336.06	
05	9999	Russian ruble	43,283.01	170,182.14	
05	9999	Singapore dollar		173,862.55	
05	9999	South African rand	30,075.60	501,118.30	
05	9999	South Korean wan		1,055,633.89	
05	9999	Swedish krona		49,675.01	
05	9999	Swiss franc		895,627.89	
05	9999	New Taiwan dollar		622,546.15	
05	9999	Thai baht		213,993.75	
05	9999	New Turkish lira		315,271.90	
05	9999	UAE dirham		80,395.81	
		<b>Total</b>	<b>\$ 320,168.24</b>	<b>\$ 14,009,977.68</b>	<b>\$ 1,465,266.55</b>

At August 31, 2012, the exposure to foreign currency risk balances for the Carr Foundation were: International Obligations - \$1,439,059.54; International Other Commingled Funds - \$11,222,507.08; and International Externally Managed Investments - \$826,473.31.

**UNAUDITED**

**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, 2013, the System’s credit quality distribution for securities with credit risk exposure was as follows.

*Standard & Poor’s*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Unrated</b>
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

**Discrete Component Unit**

*Standard & Poor’s*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Unrated</b>
05	9999	U.S. Government Agency Obligations						
05	9999	Corporate Obligations						
05	9999	Corporate Asset and Mortgage Backed Securities						
05	9999	International Obligations		\$ 8,228.32	\$ 27,182.28	\$ 175,580.26	\$ 38,292.12	\$ 70,885.26
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 6,932,723.70

**UNAUDITED**

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

The System’s credit quality distribution for securities with credit risk exposure as of August 31, 2012 (restated) was as presented below.

*Standard & Poor’s*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Unrated</b>
05	9999	U.S. Government Agency Obligations	\$ 80,082,250.00					
05	9999	Corporate Obligations						\$ 20,000.00
05	9999	Corporate Asset and Mortgage Backed Securities	\$ 1,123.92					
05	9999	International Obligations		\$ 680,788.35	\$ 1,361,576.68	\$ 5,664,672.80	\$ 2,286,421.23	\$ 2,851,603.98
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ 132,128,736.23					\$ 248,020,664.05

**Discrete Component Unit**

*Standard & Poor’s*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Unrated</b>
05	9999	U.S. Government Agency Obligations						
05	9999	Corporate Obligations						
05	9999	Corporate Asset and Mortgage Backed Securities						
05	9999	International Obligations		\$ 76,270.15	\$ 152,540.31	\$ 634,625.26	\$ 256,152.59	\$ 319,471.23
			<b>AAAf</b>	<b>Aaf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 4,787,649.47

**Note 4: Short-Term Debt**

Texas Tech University System has no outstanding short-term debt as of August 31, 2013. The System also had no outstanding short-term debt as of August 31, 2012.

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

**Note 5: Long-Term Liabilities**

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>

During the year ended August 31, 2012, the following changes occurred in liabilities:

<b>Business-Type Activities</b>	<b>Balance 9/1/2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Other Changes</b>	<b>Balance 8/31/2012</b>	<b>Amounts due within one year</b>	<b>Amounts due Thereafter</b>
Claims Payable	\$ 17,707,946.23	\$ 0.00	\$ 2,326,703.97	\$ 0.00	\$ 15,381,242.26	\$ 1,307,405.59	\$ 14,073,836.67
Capital Lease Payable	274,344.71	274,250.30	235,973.72	0.00	312,621.29	158,096.78	154,524.51
Employees' Compensable Leave	41,007,024.06	324,053.75	1,431,629.98	0.00	39,899,447.83	4,822,514.27	35,076,933.56
Notes and Loans Payable	85,357,000.00	49,772,000.00	107,970,000.00	0.00	27,159,000.00	27,159,000.00	0.00
Bonds Payable	450,165,140.36	190,825,000.00	111,905,000.00	18,984,879.98	548,070,020.34	27,680,918.63	520,389,101.71
<b>Total Business-Type Activities</b>	<b>\$ 594,511,455.36</b>	<b>\$ 241,195,304.05</b>	<b>\$ 223,869,307.67</b>	<b>\$ 18,984,879.98</b>	<b>\$ 630,822,331.72</b>	<b>\$ 61,127,935.27</b>	<b>\$ 569,694,396.45</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.

**UNAUDITED**

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

**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 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 8/31/13 will mature in fiscal year 2014.

Commercial paper has short maturities up to 270 days with interest rates ranging from .09% to .20% for tax-exempt, and .13% to .17% for taxable paper.

*Summary of Debt Service Requirements for Notes Payable*

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 55,614,000.00	\$ 204,649.00	\$ 55,818,649.00
2015			
2016			
2017			
2018			
All Other Years			
<b>Total Requirements</b>	<b>\$ 55,614,000.00</b>	<b>\$ 204,649.00</b>	<b>\$ 55,818,649.00</b>

**Bonds Payable**

See Note 6 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.

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

#### Note 6: Bonded Indebtedness

##### Bonds Payable

Several bond issues were outstanding as of August 31, 2013 which are summarized in the paragraphs that follow.

##### **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
Original Issue Amount:	\$97,265,000
Issue Date:	September 23, 2003
Interest Rates:	2.00% to 5.25%
Maturity Date Range:	2004 through 2023
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$4,735,000.00 retired

##### **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
Original Issue Amount:	\$220,915,000.01
Issue Date:	February 2, 2006
Interest Rates:	4.00% to 5.00%
Maturity Date Range:	2006 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$5,410,000.00 retired

##### **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.
Original Issue Amount	\$170,825,000.00
Issue Date	March 3, 2009
Interest Rates	3.00% to 5.25%
Maturity Date Range	2009 through 2038
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$9,590,000.00 retired



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

**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.

Original Issue Amount	\$163,240,000.00
Issue Date	February 1, 2012
Interest Rates	2.00% to 5.00%
Maturity Date Range	2012 through 2041
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$7,195,000.00 retired

**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.

Original Issue Amount	\$27,585,000.00
Issue Date	February 1, 2012
Interest Rates	0.40% to 4.44%
Maturity Date Range	2012 through 2031
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$820,000.00 retired

**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>FY13</b>	<b>FY12</b>
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 712,874,316.21	\$ 764,244,016.45
Term of Commitment for Year Ending 8/31	2041	2041
Percentage of Revenue Pledged	100%	100%
Current Year Pledged Revenue	\$ 681,302,392.18	\$ 690,725,360.01
Current Year Principal and Interest Paid	\$ 51,369,700.24	\$ 50,676,828.05

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

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**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	2014	\$ 3,059,602.04	\$ 1,519,293.76	\$ 4,578,895.80
	2015	2,746,440.13	1,366,313.68	4,112,753.81
	2016	2,626,342.79	1,228,991.66	3,855,334.45
	2017-2021	10,398,490.51	4,272,292.48	14,670,782.99
	2022-2026	4,720,000.00	2,328,000.00	7,048,000.00
	2027-2031	4,640,000.00	1,266,750.00	5,906,750.00
	2032-2036	2,195,000.00	166,000.00	2,361,000.00
<b>Totals</b>		<b>\$ 30,385,875.47</b>	<b>\$ 12,147,641.58</b>	<b>\$ 42,533,517.05</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 \$3,962,489 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.

**Note 7: Derivative Instruments**

As of August 31, 2013 and August 31, 2012, Texas Tech University System held no material direct derivative investments. Investment managers in invested vehicles like hedge funds do employ derivatives, and the values associated with those managers reflect those securities.

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

**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, 2013 and 2012.

Assets Under Capital Leases	Business-Type Activities	
	FY13	FY12
Equipment	\$ 690,812.72	\$ 690,812.72
Less: Accumulated Depreciation	(213,824.29)	(138,480.09)
<b>Total</b>	<b>\$ 476,988.43</b>	<b>\$ 552,332.63</b>

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at August 31, 2013, are as follows:

Fiscal Year Ended August 31	Business-Type Activities			Total Future Minimum Lease Payments
	Principal	Interest		
2014	\$ 120,402.59	\$ 3,351.94	\$	123,754.53
2015	17,064.05	332.90		17,396.95
2016	0.00	0.00		0.00
2017	0.00	0.00		0.00
2018	0.00	0.00		0.00
<b>Total</b>	<b>\$ 137,466.64</b>	<b>\$ 3,684.84</b>	<b>\$</b>	<b>141,151.48</b>
Minimum Lease Payments			\$	141,151.48
Less: The amount representing interest at TTUHSC's borrowing rate of interest			\$	(3,684.84)
Present Value of Minimum Lease Payments			<b>\$</b>	<b>137,466.64</b>

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

**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, 2013 and 2012:

Fund Type	Amount	
	FY13	FY12
Proprietary Fund	\$ 5,086,715.38	\$ 4,777,551.48

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
2014	\$ 5,238,317.66
2015	5,111,196.20
2016	2,279,333.78
2017	4,840,486.43
2018	4,874,994.50
2019 - 2023	2,274,112.40
2024 - 2028	89,158.80
2029 - 2033	89,158.80
2034 - 2038	89,158.80
<b>Total Minimum Future Lease Rental Payments</b>	<b><u>\$ 24,885,917.37</u></b>

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, 2013 and 2012:

Fund Type	Amount	
	FY13	FY12
Proprietary Fund	\$ 843,953.43	\$ 852,556.67

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

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, 2013:

<b>Fiscal Year Ended August 31,</b>	<b>Minimum Future Rentals</b>
2014	\$ 886,079.13
2015	897,765.83
2016	909,524.31
2017	919,397.28
2018	929,420.06
<b>Total Minimum Future Lease Rental Income</b>	<b>\$ 4,542,186.61</b>

The cost, accumulated depreciation and carrying value of these assets as of August 31, 2013 and 2012 were as follows:

<b>Value of Leased Building Space</b>	<b>FY13</b>	<b>FY12</b>
Historical Cost of Leased Building Space	\$ 21,717,989.11	\$ 17,996,076.31
Less: Accumulated Depreciation	<u>(11,247,016.44)</u>	<u>(10,195,052.90)</u>
<b>Total Carrying Value of Leased Building Space</b>	<b>\$ 10,470,972.67</b>	<b>\$ 7,801,023.41</b>
Percentage of Full Carrying Value of Leased Space	8.71%	7.46%

**Note 9: Pension Plans**

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, 2013 and 2012 are:

	<b>FY13</b>	<b>FY12</b>
Member Contributions	\$ 18,321,568.04	\$ 17,870,523.33
Employer Contributions	<u>19,191,765.31</u>	<u>18,829,758.77</u>
<b>Total</b>	<b>\$ 37,513,333.35</b>	<b>\$ 36,700,282.10</b>

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

Not applicable.

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

Not applicable.

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

**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, 2013 and 2012 follow:

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

**Due from / to Other State Agencies**

Agency Name	Agency Number	D23 Fund	FY13		FY12	
			Due from Other Agencies	Due to Other Agencies	Due from Other Agencies	Due to Other Agencies
Office of the Governor	300	5124		\$ 870,053.35		\$ 22,302.97
Office of the Governor	300	5524				2,069,820.58
Office of the Governor	300	7999	\$ 18,888.25		\$ 63,763.70	
Texas Workforce Commission	320	5026	34,842.31		33,836.19	
Commission on State Emergency Communications	477	7999	142,280.30			
Texas Department of State Health Services	537	0001	4,419.21			
Texas Department of State Health Services	537	0273	81,531.74		182,908.98	
Texas Department of State Health Services	537	7999	279,497.80			
Cancer Prevention and Research Institute of Texas	542	7639	187,841.59		473,403.34	
Cancer Prevention and Research Institute of Texas	542	7999	1,431,123.18			
Texas Department of Agriculture	551	0001			126,012.94	
Texas Department of Agriculture	551	0005			74,027.61	
Texas Department of Agriculture	551	5026	32,095.87	1,697.53		
Texas Agrilife Extension Service	555	7999	41,643.02	39,634.48	46,086.05	54,842.09
Texas Agrilife Research	556	7999	22,302.74	8,424.74	70,727.79	111,498.46
Texas Water Development Board	580	1358	193,149.28		464,487.41	
Texas Water Development Board	580	4832			8,641.41	
Texas Commission on Environmental Quality	582	0340			20,126.95	
Texas Commission on Environmental Quality	582	1515	3,883.60		1,698.91	
Texas Department of Motor Vehicles	608	5015	8,433.92		91,369.91	
Texas Education Agency	701	0148	293,361.58		248,798.84	
Texas A&M University System	710	7999		40,018.08		
Texas A&M Engineering Experiment Station	712	7999	12,852.99	19,164.25		
Tarleton State University	713	7999		91,977.98		106,363.70
The University of Texas at Arlington	714	7999	78,559.59		51,279.69	
The University of Texas System	720	0810	4,271,338.93		5,073,932.72	
The University of Texas System	720	7999		95,385.98		1,915.78
The University of Texas at Austin	721	7999	27,623.06	722.68	31,002.29	
The University of Texas Medical Branch at Galveston	723	7999	20,996.84			
The University of Texas - El Paso	724	7999	7,191.93		7,689.94	
The University of Texas Southwest Medical Center - Dallas	729	7999			32,868.62	
The University of Houston	730	7999				1,525.09
Texas A&M University - Kingsville	732	7999			12,367.18	
Midwestern State University	735	7999		71,815.56		55,664.31
The University of Texas at Dallas	738	7999			79,292.96	
The University of Texas at San Antonio	743	7999	14,506.52			11,927.52
The University of Texas HSC - Houston	744	7999		33,159.38		
The University of Texas HSC - San Antonio	745	7999	1,649.86		2,361.62	1,220.50
The University of North Texas	752	7999				7,178.96
Texas State University - San Marcos	754	7999		26,800.27	35,270.31	
Stephen F. Austin State University	755	7999	415,441.02		415,441.02	
Sul Ross State University	756	7999		9,124.09		10,368.38
West Texas A&M University	757	0001		32,901.19		44,360.77
West Texas A&M University	757	7999		110,391.30	33,502.76	110,791.59
Texas A&M University - Corpus Christi	760	7999	17,815.49	1,902.71	2,978.02	14,437.96
The University of North Texas Health Sciences Center	763	7999			3,745.67	
Texas School for the Blind and Visually Impaired	771	0001	74,756.75		48,748.90	
The Higher Education Coordinating Board	781	0001	84,934.74	72,208.52	123,967.26	327,344.21
Texas Parks and Wildlife Department	802	0931			29,149.73	
Texas Parks and Wildlife Department	802	0951	94,532.02		184,179.64	
Texas Parks and Wildlife Department	802	5043	13,296.87			
Comptroller of Public Accounts	902	0214	15,175,956.23		7,877,932.04	
Comptroller State Energy Conservation Office	907	0224	152,145.80			
<b>Total Due from / Due to Other Agencies</b>			<b>\$ 23,238,893.03</b>	<b>\$ 1,525,382.09</b>	<b>\$ 15,951,600.40</b>	<b>\$ 2,951,562.87</b>

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

**Transfers from / to Other State Agencies**

Agency Name	Agency Number	D23 Fund	FY13		FY12	
			Transfers In	Transfers Out	Transfers In	Transfers Out
Texas Public Financing Authority	347	0507		\$ 114,788.74	\$	118,546.04
Texas Public Financing Authority	347	0735		573.48		2,329.47
Texas Public Financing Authority	347	7999		531,379.86		515,819.20
Health and Human Services Commission	529	0001		0.00		3,200,000.00
Texas State University System	758	7999		1,816,676.75		2,184,733.67
Texas Higher Education Coordinating Board	781	0001		96,697.58		92,070.21
Texas Higher Education Coordinating Board	781	0542		54,041.96		97,975.48
Texas Higher Education Coordinating Board	781	5103		4,391,785.14		4,163,068.63
Texas Higher Education Coordinating Board	781	5144		54,950.78		
Comptroller of Public Accounts	902	0214	\$ 8,453,949.25		\$ 7,877,932.04	
<b>Total Transfers to / from Other Agencies</b>			<b>\$ 8,453,949.25</b>	<b>\$ 7,060,894.29</b>	<b>\$ 7,877,932.04</b>	<b>\$ 10,374,542.70</b>

**Legislative Transfers In / Out**

Agency Name	Agency Number	D23 Fund	FY13		FY12	
			Legislative Transfers In	Legislative Transfers Out	Legislative Transfers In	Legislative Transfers Out
Texas State University System	758	0001		\$ 2,706,875.77		\$ 2,919,683.08
<b>Total Legislative Transfers In / Out</b>				<b>\$ 2,706,875.77</b>		<b>\$ 2,919,683.08</b>

**Interagency Capital Asset Transfers**

Agency Name	Agency Number	Net Asset Increase	Net Asset Decrease
Department of State Health Services	537	\$ 8,903.19	
Texas A&M Engineering Experiment Station	712		32,170.21
Texas State University	754		236,209.55
<b>Total Capital Asset Transfers to / from Other Agencies</b>		<b>\$ 8,903.19</b>	<b>\$ 268,379.76</b>

There were no interagency capital asset transfers in FY12 other than between the component agencies of the Texas Tech University System. Those transactions are eliminated for reporting purposes.

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.



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

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

Due to the determination by the State of Texas Comptroller that the Angelo State University Robert G. and Nona K. Carr Scholarship Foundation financial transactions should be reported as a discretely presented component unit rather than as a blended component unit as previously reported, Texas Tech University System had a restatement of beginning net position for the years ended August 31, 2013, and August 31, 2012. Cash and Cash Equivalent beginning balances were also restated as presented below:

<b>Combined Statement of Revenues, Expenses and Changes in Net Position</b>	<b>FY13</b>	<b>FY12</b>
Beginning Net Position, September 1	\$ 2,558,272,866.07	\$ 2,420,616,692.48
Restatements	<u>(103,709,733.20)</u>	<u>(98,125,156.92)</u>
Beginning Net Position, September 1 as Restated	2,454,563,132.87	2,322,491,535.56
Changes in Net Position	<u>150,960,021.69</u>	<u>132,071,597.31</u>
Ending Net Position, August 31	<u>\$ 2,605,523,154.56</u>	<u>\$ 2,454,563,132.87</u>

<b>Combined Statement of Cash Flows</b>	<b>FY13</b>	<b>FY12</b>
Beginning Cash & Cash Equivalents, September 1	\$ 520,070,098.24	\$ 464,693,066.50
Restatements	<u>(567,065.53)</u>	<u>(830,926.10)</u>
Beginning Cash & Cash Equivalents, September 1 as Restated	519,503,032.71	463,862,140.40
Total Net Cash Flows	<u>(9,806,994.89)</u>	<u>55,640,892.31</u>
Ending Cash & Cash Equivalents, August 31	<u>\$ 509,696,037.82</u>	<u>\$ 519,503,032.71</u>

There were several errors in classifications of some items on the financial statements for the year ended August 31, 2012. These items were restated on the comparative financial statement balances and are summarized below. None of these transactions resulted in any restatement of fund balances or net position. Also included in this table are the transactions removing the Carr Foundation from the balances for FY12.

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

<b>Statement</b>		<b>Description</b>		<b>Restatement Amounts</b>		
				FY12 Discretely Presented		
		<b>FY12 as reported</b>	<b>Correction</b>	<b>Component Unit</b>	<b>Restated FY12</b>	
	Reclassified gifts for permanent and term endowments					
	Changes due to removal of all Carr Foundation transactions					
SNP	Unrestricted Cash and Cash Equivalents	\$334,509,465.12		\$ (304,114.64)	\$334,205,350.48	
SNP	Restricted Cash and Cash Equivalents	139,150,959.04		(262,950.89)	138,888,008.15	
SNP	Accounts Receivable	6,998,099.20		(237,007.16)	6,761,092.04	
SNP	Restricted Investments	409,681,382.99		(102,923,633.08)	306,757,749.91	
SNP	Accounts Payable	43,111,039.76		(269.86)	43,110,769.90	
SNP	Payroll Payable	55,769,394.31		(17,702.71)	55,751,691.60	
SNP	Net Position - Nonexpendable Endowments	624,471,943.08	20,476,235.86	(104,010,061.30)	540,938,117.64	
SNP	Net Position - Expendable Other	286,954,188.24		300,328.10	287,254,516.34	
SNP	Net Position - Unrestricted	702,314,429.80	(20,476,235.86)		681,838,193.94	
SRECNP	Contributions to Permanent and Term Endowments	660,818.12	20,476,235.86		21,137,053.98	
SRECNP	Private Gifts	81,186,791.70	(20,489,235.86)		60,697,555.84	
SRECNP	Capital Contributions	11,662,832.56	13,000.00		11,675,832.56	
	Corrected scholarship allowance calculation and reclassified scholarship expenses					
	Changes due to removal of all Carr Foundation transactions					
				FY12 Discretely Presented		
		<b>FY12 as reported</b>	<b>Correction</b>	<b>Component Unit</b>	<b>Restated FY12</b>	
SRECNP	Less Discounts and Allowances	\$ (92,619,048.34)	\$ 5,305,164.61		\$ (87,313,883.73)	
SRECNP	Instruction	414,210,623.33	(11,792,500.41)		402,418,122.92	
SRECNP	Research	156,157,560.52	(3,000.00)		156,154,560.52	
SRECNP	Public Service	123,658,739.68	(1,200.00)		123,657,539.68	
SRECNP	Academic Support	173,014,313.48	(1,260.00)		173,013,053.48	
SRECNP	Institutional Support	91,607,077.80	(3,800.00)	(342,808.66)	91,260,469.14	
SRECNP	Scholarships and Fellowships	44,484,285.75	19,049,550.53		63,533,836.28	
SRECNP	Auxiliary Enterprises	111,607,889.71	(1,942,625.51)		109,665,264.20	
SRECNP	Investment Income (Expense)	17,459,209.75		(7,710,682.23)	9,748,527.52	
SRECNP	Net Increase (Decrease) in Fair Value of Investments	18,560,814.04		1,783,297.29	20,344,111.33	
Matrix	Salaries and Wages (Natural Classification)	714,651,628.88		(222,521.86)	714,429,107.02	
Matrix	Payroll Related Costs (Natural Classification)	164,300,016.80		(46,167.66)	164,253,849.14	
Matrix	Professional Fees and Services (Natural Classification)	58,959,207.29		(35,852.67)	58,923,354.62	
Matrix	Travel (Natural Classification)	23,960,871.18		(7,829.48)	23,953,041.70	
Matrix	Materials and Supplies (Natural Classification)	68,038,893.22		(19,905.96)	68,018,987.26	
Matrix	Communications and Utilities (Natural Classification)	46,806,578.69		(119.51)	46,806,459.18	
Matrix	Rentals and Leases (Natural Classification)	14,316,167.71		(1,438.88)	14,314,728.83	
Matrix	Printing and Reproduction (Natural Classification)	5,054,233.62		(163.44)	5,054,070.18	
Matrix	Scholarships and Fellowships (Natural Classification)	55,165,603.93	19,049,550.53		74,215,154.46	
Matrix	Other Expenses (Natural Classification)	91,195,975.43	(13,744,385.92)	(8,809.20)	77,442,780.31	
	Reclassified amounts on the cash flow statement and corrected to report gross amounts for proceeds and payments					
	Changes due to removal of all Carr Foundation transactions					
				FY12 Discretely Presented		
		<b>FY12 as reported</b>	<b>Correction</b>	<b>Component Unit</b>	<b>Restated FY12</b>	
Cash Flow	Proceeds from Tuition and Fees	\$328,630,783.15	\$ 5,305,164.61		\$333,935,947.76	
Cash Flow	Proceeds from Grants and Contracts	272,588,387.39	(4,029,417.02)		268,558,970.37	
Cash Flow	Proceeds from Collections of Loans to Students	1,583,116.94	3,030,542.23		4,613,659.17	
Cash Flow	Payments to Suppliers for Goods and Services	(192,210,951.75)	(7,481,216.28)	65,278.81	(199,626,889.22)	
Cash Flow	Payments for Loans Issued to Students	(784,619.88)	(3,030,542.23)		(3,815,162.11)	
Cash Flow	Payments to Employees for Salaries	(718,308,340.71)		228,157.84	(718,080,182.87)	
Cash Flow	Payments to Employees for Benefits	(164,709,493.70)		46,167.66	(164,663,326.04)	
Cash Flow	Payments for Other Operating Expenses	(234,908,114.88)	2,176,051.67	8,719.20	(232,723,344.01)	
Cash Flow	Proceeds from State Appropriations	342,498,422.79	16,765,366.20		359,263,788.99	
Cash Flow	Proceeds from Gifts	61,885,677.05		196,974.59	62,082,651.64	
Cash Flow	Proceeds from Nonoperating Grants and Contracts	45,256,187.50	4,029,417.02		49,285,604.52	
Cash Flow	Proceeds from Other Financing Activities	15,111,838.01	1,148,659.30		16,260,497.31	
Cash Flow	Proceeds from Agency Transactions	59,593,895.98	264,729,153.74		324,323,049.72	
Cash Flow	Payments for Other Noncapital Uses	(12,998,724.83)	(265,877,813.04)		(278,876,537.87)	
Cash Flow	Proceeds from Capital Appropriations	52,076,251.11	(16,765,366.20)		35,310,884.91	
Cash Flow	Proceeds from Investment Sales and Maturities	389,700,451.02		(7,385,381.61)	382,315,069.41	
Cash Flow	Proceeds from Interest and Investment Income	55,726,248.38		(325,300.60)	55,400,947.78	
Cash Flow	Payments to Acquire Investments	(461,470,908.82)		7,429,244.68	(454,041,664.14)	
Cash Flow	Reconciliation of Operating Loss	(449,938,403.08)	342,808.66		(449,595,594.42)	
Cash Flow	Reconciling Item-(Increase) Decrease in Accounts Receivables	2,582,315.10	(4,029,417.02)		(1,447,101.92)	
Cash Flow	Reconciling Item-Increase (Decrease) in Accounts Payables	(2,062,709.98)	5,514.85		(2,057,195.13)	
Cash Flow	Non-cash Item-Donations of Capital Assets	14,362,832.56	(2,687,000.00)		11,675,832.56	
Cash Flow	Non-cash Item-Net Increase (Decrease) in Fair Value of Investments	18,560,814.04	1,783,297.27		20,344,111.31	

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

**Note 15: Contingencies and Commitments**

**Contingencies**

At August 31, 2013, 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.

**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 as of August 31, 2013 and 2012 is presented in the table below.

Investment Funds	Fair Value	
	FY13	Restated FY12
Domestic	\$ 428,431,172.35	\$ 393,948,426.49
International	\$ 10,645,624.73	\$ 6,095,785.87
Remaining Commitment - Domestic	\$ 95,565,541.45	\$ 108,044,997.00

**Discrete Component Unit**

Investment Funds	Fair Value	
	FY13	FY12
Domestic	\$ 50,819,582.35	\$ 51,906,830.70
International	\$ 1,465,266.55	\$ 826,473.31
Remaining Commitment - Domestic	\$ 13,005,559.00	\$ 14,489,431.00

**Note 16: Subsequent Events**

Texas Tech University System has no subsequent events to report as of August 31, 2013 or August 31, 2012.

**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.

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

#### Note 18: Management Discussion and Analysis

The Texas Tech University System is composed of a central administrative unit, the Texas Tech University System Administration and three component institutions – Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University. These three separate academic institutions are governed by the ten-member Board of Regents. The Regents are appointed by the Governor of the State of Texas to six-year terms with the exception of a student Regent who is appointed to a one-year term. The Chancellor is the chief executive officer of the System and is appointed by and reports directly to the Board of Regents. The Chancellor and his staff are supported by the administrative agency, the Texas Tech University System Administration.

Texas Tech University, based in Lubbock, is one of the state's largest major comprehensive universities. Over 33,000 students enroll annually, coming from 50 states and more than 117 foreign countries. These students choose from among 152 undergraduate, 107 masters, and 64 doctoral programs.

Texas Tech University Health Sciences Center has an enrollment of over 4,000 students in its schools of medicine, nursing, allied health, pharmacy, and the graduate school of biomedical sciences. The Lubbock campus serves as the administrative hub for the Health Sciences Center, with regional campuses located in Abilene, Amarillo, Dallas, El Paso, Midland and Odessa.

Angelo State University, based in San Angelo, became part of the Texas Tech University System on September 1, 2007. Angelo State University enrolls approximately 7,000 students from 210 of Texas' 254 counties, 41 other states and 22 countries. Angelo State University offers 43 undergraduate degrees, 20 master's degrees and one doctoral degree with more than 100 majors and areas of concentration.

On May 18, 2013, Governor Rick Perry signed Texas Senate Bill 120, which established a fourth component of the Texas Tech University system, Texas Tech University Health Sciences Center at El Paso.

The Texas Tech University System employs more than 17,000 faculty and staff. The annual combined budget of the System totals more than \$1.6 billion; approximately \$369 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, and Angelo State University. 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.

#### 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.

**UNAUDITED**

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

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, and its financial transactions are blended with those of TTU. The NWRC was founded to support wind energy research at TTU and, working through Collaborative Research and Development Agreements, to develop industry-leading research projects. TTU controls all assets of the NWRC and may modify the NWRC's budget. Of the nine member Board of Directors, five members are TTU personnel, and TTU may remove appointed Board members at will. Financial records may be obtained at Box 41091, Lubbock, TX 79409. August 31 is the fiscal year end of the NWRC.

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

<b>Condensed Statement of Net Position</b>	<b>Blended Component Units</b>		
	<b>TTFI</b>	<b>TTPA</b>	<b>NWRC</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	437,525,848.23		
Expendable:			
Other	39,342,680.87		304,260.36
Unrestricted	13,366,360.61	2,519,878.43	
Total Net Position	\$ 490,234,889.71	\$ 2,519,878.43	\$ 304,260.36

**UNAUDITED**

**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	\$	\$	\$
Sales and Services	253,253.38		
Professional Fees		25,439,034.13	
Federal Contracts		186,821.06	
Private Contracts and Grants	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>
Non-operating Revenue (Expense)			
Private Gifts	(13,173,174.06)		
Investment Income (Expense)	24,557,766.96	45,796.57	
Other Non-operating Income	2,692,132.34		
Total Non-operating Revenues and Expenses	<u>14,076,725.24</u>	<u>45,796.57</u>	<u>0.00</u>
Other Revenues, Expenses, Gains, Losses and Transfers			
Contributions to Endowments	48,812,348.50		
Transfers to Components/Other Funds	<u>(11,820,390.70)</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>

	<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	\$ (1,756,223.94)	\$ 25,208,820.91	\$ (90,054.24)
Net Cash Provided (Used) by Noncapital Financing Activities	25,918,465.64	(25,306,538.69)	
Net Cash Provided (Used) by Capital and Related Financing Activities			
Net Cash Provided (Used) by Investing Activities	<u>(21,230,072.39)</u>	<u>45,796.57</u>	
Total Net Cash Flows	<u>2,932,169.31</u>	<u>(51,921.21)</u>	<u>(90,054.24)</u>
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)	<u>\$ 11,726,153.86</u>	<u>\$ 4,112,964.78</u>	<u>\$ 304,260.36</u>

**UNAUDITED**

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

The condensed financial statements for these component units as of August 31, 2012 are presented below.

<b>Condensed Statement of Net Position</b>	<b>Blended Component Units</b>		
	<b>TTFI</b>	<b>TTPA</b>	<b>NWRC</b>
Total Assets	\$ 441,893,093.63	\$ 4,215,664.25	\$ 406,790.40
Total Liabilities	<u>301,102.10</u>	<u>1,663,698.30</u>	<u>12,475.80</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt			
Restricted:			
Nonexpendable:			
Endowments	383,922,808.02		
Expendable:			
Other	49,612,038.99		394,314.60
Unrestricted	<u>8,057,144.52</u>	<u>2,551,965.95</u>	
Total Net Position	<u>\$ 441,591,991.53</u>	<u>\$ 2,551,965.95</u>	<u>\$ 394,314.60</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>	<b>Blended Component Units</b>		
	<b>TTFI</b>	<b>TTPA</b>	<b>NWRC</b>
Operating Revenues	\$	\$	\$
Sales and Services	114,419.61		
Professional Fees		30,650,222.21	
Federal Contracts		357,104.00	
State Grants			575,000.00
Private Contracts and Grants		42,842.75	
Operating Expenses			
Research			168,185.31
Academic Support	3,038,298.64		
Public Service		809,868.81	
Operating Income (Loss)	<u>(2,923,879.03)</u>	<u>30,240,300.15</u>	<u>406,814.69</u>
Non-operating Revenue (Expense)			
Private Gifts	32,722,789.00		
Investment Income (Expense)	(3,364,290.55)	11,819.92	
Other Non-operating Income	<u>1,165,359.30</u>		
Total Non-operating Revenues and Expenses	<u>30,523,857.75</u>	<u>11,819.92</u>	<u>0.00</u>
Other Revenues, Expenses, Gains, Losses and Transfers			
Transfers to Components/Other Funds	<u>(51,740,595.20)</u>	<u>(30,619,331.86)</u>	
Total Change in Net Position	<u>(24,140,616.48)</u>	<u>(367,211.79)</u>	<u>406,814.69</u>
Beginning Net Position (September 1, 2011)	465,732,608.01	2,919,177.74	(12,500.09)
Ending Net Position (August 31, 2012)	<u>\$ 441,591,991.53</u>	<u>\$ 2,551,965.95</u>	<u>\$ 394,314.60</u>

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**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</b>	<b>TIPA</b>	<b>NWRC</b>
Net Cash Provided (Used) by Operating Activities	\$ (1,395,951.13)	\$ 32,712,308.63	\$ 406,814.69
Net Cash Provided (Used) by Noncapital Financing Activities	(23,601,740.68)	(30,619,331.86)	
Net Cash Provided (Used) by Capital and Related Financing Activities			
Net Cash Provided (Used) by Investing Activities	5,529,576.06	11,819.92	
Total Net Cash Flows	(19,468,115.75)	2,104,796.69	406,814.69
Beginning Cash and Cash Equivalents (September 1, 2011)	28,262,100.30	2,060,089.30	(12,500.09)
Ending Cash and Cash Equivalents (August 31, 2012)	\$ 8,793,984.55	\$ 4,164,885.99	\$ 394,314.60

*Discretely Presented Component Unit*

The Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation is 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.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets are summarized in the table below.

The System’s spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives while protecting the inflation-adjusted value of the principal. The following factors are considered in the spending policy: the duration and preservation of the LTIF, the purposes of the System and the LTIF, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the System and the overall investment policy. The distribution of spendable earnings shall not exceed 6% nor be less than 4% of the average NAV of the LTIF for the 12 quarters just ended.



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

Donor Restricted Endowment	Amount of Net Appreciation *		Reported in Statement of Net Position
	FY13	Restated FY12	
True Endowments	\$ 64,250,410.00	\$ 38,259,467.41	Restricted Expendable
Term Endowments	\$ 74,255.55	\$ 54,630.56	Restricted Expendable
Total	<u>\$ 64,324,665.55</u>	<u>\$ 38,314,097.97</u>	

\*There was a positive fair value adjustment totaling \$27,593,039.80 for fiscal year 2013, and a restated positive fair value adjustment of \$9,183,537.76 for fiscal year 2012.

**Discrete Component Unit**

Donor Restricted Endowment	Amount of Net Appreciation *		Reported in Statement of Net Position
	FY13	FY12	
True Endowments	\$ 3,407,286.14	\$ (545,306.42)	Restricted Expendable

\*There was a positive fair value adjustment totaling \$3,952,592.56 for fiscal year 2013, and a negative fair value adjustment of \$(1,783,297.29) for fiscal year 2012.

**Note 23: Extraordinary and Special Items**

Texas Tech University System has no special or extraordinary items to report as of August 31, 2013, nor for the year ended August 31, 2012.

**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, 2013 or as of August 31, 2012.

**Note 25: Termination Benefits**

Texas Tech University System has no reportable voluntary or involuntary termination benefits as of August 31, 2013. The System also had no reportable benefits as of August 31, 2012.

**Note 26: Segment Information**

Texas Tech University System has no reportable segments as of August 31, 2013 or as of August 31, 2012.

**Note 27: Service Concession Arrangements**

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

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

**Note 28: Troubled Debt Restructuring**

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

**Note 29: Deferred Outflows 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, 2013.

# **SCHEDULES**

**UNAUDITED**

**Texas Tech University System  
Combined Schedule 1A - Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2013**

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

The System did not receive any non-monetary federal assistance in fiscal year 2013.

**Note 2: Reconciliation:**

Federal Grants and Contracts (SRECNP)	\$ 55,730,482.49
Federal Grants and Contracts - Pledged (SRECNP)	4,938,273.97
Federal Grants and Contracts Pass Throughs (SRECNP)	5,171,291.57
Non-Operating Federal Grant and Contracts (SRECNP)	41,131,806.40
Total Federal Revenues	<u>106,971,854.43</u>

Reconciling Items:

New Loans Processed	245,594,517.00
Federal Fixed Fee Basis Contract Revenues	(633,005.25)
Federal Revenues Received Under Vendor Relationship	(2,830,809.07)
Texas A&M Research Foundation	<u>(8,509.76)</u>

Total Federal Financial Assistance \$ 349,094,047.35

**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	\$	\$	\$	\$ 77,950.48
93.264 Nurse Faculty Loan Program	127,500.00		127,500.00	228,403.21
93.364 Nursing Student Loans				31,911.06
93.408 ARRA - Nurse Faculty Loan Program				277,711.98
Total U.S. Department of Health and Human Services	<u>\$ 127,500.00</u>	<u>\$</u>	<u>\$ 127,500.00</u>	<u>\$ 615,976.73</u>
U.S. Department of Education				
84.268 Federal Direct Student Loans	\$ 244,683,407.00	\$	\$ 244,683,407.00	\$
84.038 Federal Perkins Loan Program	783,610.00	112,129.61	895,739.61	3,009,395.95
Total U.S. Department of Education	<u>\$ 245,467,017.00</u>	<u>\$ 112,129.61</u>	<u>\$ 245,579,146.61</u>	<u>\$ 3,009,395.95</u>
Total Student Loans	<u>\$ 245,594,517.00</u>	<u>\$ 112,129.61</u>	<u>\$ 245,706,646.61</u>	<u>\$ 3,625,372.68</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 2013.**

**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 2013.

**UNAUDITED**

**Texas Tech University System  
Combined Schedule 1A - Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2013**

**Note 7: Federal Deferred Revenue**

The deferred revenue of \$832,324.34 is federal grant prepayments that have not yet been earned.

	Balance 9/1/12	Net Change	Balance 8/31/13
10.200	\$ 0.00	\$ 546.13	\$ 546.13
10.303	3.22	(3.22)	0.00
11.468	16,552.41	(16,552.41)	0.00
12.000	15,275.60	(13,495.15)	1,780.45
12.300	0.00	188,924.78	188,924.78
12.351	116,493.97	(43,008.54)	73,485.43
12.420	198,302.60	229,215.00	427,517.60
12.800	18,679.32	(18,679.32)	0.00
12.910	749,454.54	(726,768.73)	22,685.81
15.669	0.00	7,273.00	7,273.00
15.820	0.00	0.06	0.06
43.000	11,489.99	(11,489.99)	0.00
43.003	637.30	(637.30)	0.00
47.000	0.00	0.06	0.06
47.041	8,104.18	22,865.48	30,969.66
47.050	9,202.80	(11.03)	9,191.77
47.082	10,831.57	(10,831.57)	0.00
66.509	70.12	(70.12)	0.00
66.514	15,716.07	(15,716.07)	0.00
81.000	1,229.86	15,911.01	17,140.87
81.049	204.39	3,835.77	4,040.16
81.087	309.91	(309.91)	0.00
84.031	3,020.37	13,774.56	16,794.93
84.047	2,234.41	(2,234.41)	0.00
84.048	1,525.98	(1,525.98)	0.00
84.153	15.53	(15.53)	0.00
84.325	16,867.19	(16,867.19)	0.00
84.367	20,000.00	(20,000.00)	0.00
84.928	12,686.76	(12,686.76)	0.00
93.000	5,565.41	(4,813.12)	752.29
93.121	15,796.19	(15,796.19)	0.00
93.279	0.00	15,962.10	15,962.10
93.510	2,056.73	13,202.51	15,259.24
93.701	7,310.66	(7,310.66)	0.00
	<u>\$ 1,259,637.08</u>	<u>\$ (427,312.74)</u>	<u>\$ 832,324.34</u>

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

No System component was the recipient of CFDA 10.551 funding for FY 2013.

UNAUDITED

**Texas Tech University System (793)**  
**Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies**  
**For the Year Ended August 31, 2013**

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 Grants	\$ 18,888.25
	300.0005	Emerging Technology Grant	<u>1,179,753.34</u>
		<i>Total for Office of the Governor</i>	<u>1,198,641.59</u>
457		<b>Texas State Board of Public Accountancy</b>	
	457.0001	5th Year Accounting Student Scholarship Program	<u>11,444.00</u>
477		<b>Commission on State Emergency Communications</b>	
	477.0001	Poison Control Centers	<u>651,068.35</u>
537		<b>Department of State Health Services</b>	
	537.0006	Epilepsy Project	225,214.67
	537.0026	Indigent Care	4,902.63
	537.0035	Healthy Texas Babies Initiative	266,370.06
	537.0043	Medicares	<u>29,380.97</u>
		<i>Total for Department of State Health Services</i>	<u>525,868.33</u>
542		<b>Cancer Prevention and Research Institute of Texas</b>	
	542.0017	A Public-Private Partnership for Cancer Prevention in Rural Communities	85,280.44
	542.0018	Implementation of the Clinical Practice Guidelines for Treating Tobacco Use and Dependence in Oncology and Primary Care Settings	114,079.20
	542.0020	Integrated Microfluidic Technology for High Throughput Screening of the Metastatic Potential of Tumor Cells	(4,008.29)
	542.0021	Beam-Scanning Radar for Tumor Tracking in Lung Cancer Radiotherapy	106,452.32
	542.0022	Identification of Rheb and Notch-Dependent	412,817.52
	542.0023	Transporter-Targeted Drug Delivery	265,483.13
	542.0024	North Texas Clinical Pharmacology Cancer Core	400,507.08
	542.0025	Establishing a Cancer Clinical Rese	315,505.78
	542.0026	West Texas Cancer Survivors Network	36,535.68
	542.0027	Access to Breast Care for West TX-ABC 4 WT	860,990.52
	542.0028	ACCION-Against Colorectal Cancer in Our Neighborhoods	1,051,275.85
	542.0029	Anti-Neuroblastoma Activity	423,066.25
	542.0030	Validation of MCL1 Promoter	226,192.30
	542.0031	Molecular Mechanisms	205,564.71
	542.0032	Project 12-Tumor Banking for Genomi	368,374.98
	542.0033	Administrative Core	67,742.81
	542.0034	Biobanking of Cell Lines/Xenografts	381,490.66
	542.0035	New Cancer Direct Xenografts	261,446.03

UNAUDITED

**Texas Tech University System (793)**  
**Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies**  
**For the Year Ended August 31, 2013**

Agency Number	Grant ID	Agency Name Grant Description	Amount
	542.0036	Multiphoton Laser Scan Microscope	19,869.77
	542.0037	Manufacture/Formulation/IND-Directe	159,396.88
		<i>Total for Cancer Prevention and Research Institute of Texas</i>	<u>5,758,063.62</u>
551		<b>Texas Department of Agriculture</b>	
	551.0003	Enology and Viticulture Education and Research Grant	210.81
	551.0014	Molecular Breeding for Improvement	(4,134.60)
	551.0020	Enhancing Cotton Fiber	(30,732.74)
	551.0032	Natural Fibers Research Grant	98,197.37
		<i>Total for Texas Department of Agriculture</i>	<u>63,540.84</u>
580		<b>Texas Water Development Board</b>	
	580.0018	WSC - Agriculture Water Conservation	1,028,172.22
	580.0019	WSC - Research	105,036.13
		<i>Total for Texas Water Development Board</i>	<u>1,133,208.35</u>
582		<b>Texas Commission on Environmental Quality</b>	
	582.0005	Effectiveness and Utility of Surface Application for Removal of Pharmaceutical and Personal Care Product Microcontaminants	21,267.24
	582.0011	Refining Rates for On-site Surface Application	14,051.04
	582.0096	Literature Search on Available Wastewater Disinfection Technologies	7,135.60
		<i>Total for Texas Commission on Environmental Quality</i>	<u>42,453.88</u>
710		<b>Texas A&amp;M University System</b>	
	710.0008	ETF-NCTM Research Program	9,981.92
720		<b>University of Texas System</b>	
	720.0002	Joint Admission Medical Program (JAMP)	200,802.06
738		<b>University of Texas - Dallas</b>	
	738.0001	Texas Analog Research Superiority Program	64,622.24
781		<b>Texas Higher Education Coordinating Board</b>	
	781.0001	Family Practice Residency Program	359,859.68
	781.0006	Nursing and Allied Health	(11,618.40)
	781.0008	TEXAS Grant Program	13,661,799.00
	781.0010	Advanced Research Program	173,438.39
	781.0013	Professional Nursing Shortage Reduction Program	776,186.00
	781.0021	Texas Research Incentive Program - HB51	1,952,537.04
	781.0023	College Work Study Program	169,522.27
	781.0026	College Readiness - Outreach	18,214.95

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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, 2013**

Agency Number	Grant ID	Agency Name Grant Description	Amount
	781.0028	Top 10% Scholarships	1,570,000.00
	781.0029	Work Study Mentorship Program	89,000.00
	781.0038	Emergency and Trauma Care	120,063.00
	781.0055	Texas Research Incentive Program - HB1025	<u>7,745,035.62</u>
		<i>Total for Texas Higher Education Coordinating Board</i>	<u>26,624,037.55</u>
802		<b>Texas Parks and Wildlife</b>	
	802.0064	Orchid Conservation: Species Status Assessments and Field Biology	26,063.42
	802.0065	Evaluation and Refinement of Guadalupe Bass	<u>32,837.31</u>
		<i>Total for Texas Parks and Wildlife</i>	<u>58,900.73</u>
		<b>Total State Grant Pass-through Revenues from Other State Agencies</b>	<u>\$ 36,342,633.46</u>
<b>Pass-through to:</b>			
555		<b>Texas Agrilife Extension Service</b>	
	733.0002	An Integrated Approach to Water Conservation	\$ 178,878.69
	733.0004	Auditing Irrigation Systems in the Texas High Plains	<u>27,331.46</u>
		<i>Total for Texas Agrilife Extension Service</i>	<u>206,210.15</u>
711		<b>Texas A&amp;M University</b>	
	739.0001	CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods	<u>9,779.50</u>
744		<b>University of Texas Health Sciences Center at Houston</b>	
	739.0001	CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods	<u>86,884.70</u>
752		<b>University of North Texas</b>	
	733.0007	CPRIT Beam Scanning Radar for Tumor Tracking	<u>29,758.05</u>
757		<b>West Texas A&amp;M University</b>	
	739.0002	Basic/Core Area Health Education Center	<u>186,889.74</u>
		<b>Total State Grant Pass-through Expenditures to Other State Agencies</b>	<u>\$ 519,522.14</u>



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Texas Tech University System (793)  
 Combined Schedule 2A - Miscellaneous Bond  
 Information For the Year Ended August 31, 2013

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	2.00%	5.25%	2004	2/15/2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	220,915,000.01	4.00%	5.00%	2006	2/15/2031	2/15/2016
Rev Fin Sys Ref & Imp Bds 12th Ser '09	170,825,000.00	3.00%	5.25%	2009	2/15/2038	2/15/2019
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	163,240,000.00	2.00%	5.00%	2012	8/15/2041	8/15/2021
Rev Fin Sys Ref Bds Tax 15th Ser '12B	<u>27,585,000.00</u>	0.40%	4.44%	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, 2013

Description of Issue	Bonds Outstanding 9/1/12	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/13
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03	\$ 9,480,000.00		\$ 4,735,000.00		\$ 4,745,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	194,790,000.00		5,410,000.00		189,380,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09	130,985,000.00		9,590,000.00		121,395,000.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	159,200,000.00		7,195,000.00		152,005,000.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B	27,185,000.00		820,000.00		26,365,000.00
Total	<u>\$ 521,640,000.00</u>	<u>\$ 0.00</u>	<u>\$ 27,750,000.00</u>	<u>\$ 0.00</u>	<u>\$ 493,890,000.00</u>

Description of Issue	Unamortized Premium	Unamortized Gain/ (Loss) on Refunding	Other Adjustments	Net Bonds Outstanding 8/31/13	Amounts Due Within One Year
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03				\$ 4,745,000.00	\$ 4,475,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06				189,380,000.00	10,245,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 6,828,324.24			128,223,324.24	10,118,408.06
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	19,670,777.45			171,675,777.45	5,983,665.18
Rev Fin Sys Ref Bds Tax 15th Ser '12B				26,365,000.00	825,000.00
Total	<u>\$ 26,499,101.69</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 520,389,101.69</u>	<u>\$ 31,647,073.24</u>

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 \$2,083,665.18.

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**Texas Tech University System (793)  
Combined Schedule 2C - Debt Service Requirements  
For the Year Ended August 31, 2013**

Description of Issue	Fiscal Year	Principal	Interest	Total
Revenue Bonds				
Rev Fin Sys Ref & Imp Bds 9th Ser '03				
	2014	\$ 4,475,000.00	\$ 131,306.25	\$ 4,606,306.25
	2015	25,000.00	13,181.25	38,181.25
	2016	25,000.00	11,868.75	36,868.75
	2017	25,000.00	10,556.25	35,556.25
	2018	30,000.00	9,112.50	39,112.50
	2019-2023	165,000.00	21,412.50	186,412.50
		<u>4,745,000.00</u>	<u>197,437.50</u>	<u>4,942,437.50</u>
Rev Fin Sys Ref & Imp Bds 10th Ser '06				
	2014	10,245,000.00	8,755,070.01	19,000,070.01
	2015	10,780,000.00	8,229,445.02	19,009,445.02
	2016	11,320,000.00	7,676,945.03	18,996,945.03
	2017	11,625,000.00	7,103,320.04	18,728,320.04
	2018	14,555,000.00	6,507,040.06	21,062,040.06
	2019-2023	69,995,000.00	22,759,382.37	92,754,382.37
	2024-2028	50,230,000.00	7,848,374.89	58,078,374.89
	2029-2031	10,630,000.00	592,362.50	11,222,362.50
		<u>189,380,000.00</u>	<u>69,471,939.92</u>	<u>258,851,939.92</u>
Rev Fin Sys Ref & Imp Bds 12th Ser '09				
	2014	9,810,000.00	5,760,431.25	15,570,431.25
	2015	9,375,000.00	5,378,906.25	14,753,906.25
	2016	8,005,000.00	4,944,406.26	12,949,406.26
	2017	8,400,000.00	4,534,281.26	12,934,281.26
	2018	5,400,000.00	4,189,281.26	9,589,281.26
	2019-2023	27,580,000.00	16,962,906.30	44,542,906.30
	2024-2028	35,425,000.00	9,124,281.30	44,549,281.30
	2029-2033	7,575,000.00	3,589,328.16	11,164,328.16
	2034-2038	9,825,000.00	1,343,343.75	11,168,343.75
		<u>121,395,000.00</u>	<u>55,827,165.79</u>	<u>177,222,165.79</u>
Rev Fin Sys Ref & Imp Bds 14th Ser '12A				
	2014	3,900,000.00	6,945,975.00	10,845,975.00
	2015	8,575,000.00	6,828,975.00	15,403,975.00
	2016	8,845,000.00	6,571,725.00	15,416,725.00
	2017	9,115,000.00	6,306,375.00	15,421,375.00
	2018	9,565,000.00	5,850,625.00	15,415,625.00
	2019-2023	44,400,000.00	21,981,837.50	66,381,837.50
	2024-2028	19,755,000.00	14,562,250.00	34,317,250.00
	2029-2033	22,665,000.00	9,316,500.00	31,981,500.00
	2034-2038	19,020,000.00	3,531,000.00	22,551,000.00
	2039-2041	6,165,000.00	499,600.00	6,664,600.00
		<u>152,005,000.00</u>	<u>82,394,862.50</u>	<u>234,399,862.50</u>
Rev Fin Sys Ref Bds Tax 15th Ser '12B				
	2014	825,000.00	909,059.00	1,734,059.00
	2015	870,000.00	899,819.00	1,769,819.00
	2016	870,000.00	888,335.00	1,758,335.00
	2017	890,000.00	875,111.00	1,765,111.00
	2018	1,315,000.00	858,023.00	2,173,023.00
	2019-2023	7,135,000.00	3,724,416.50	10,859,416.50
	2024-2028	8,475,000.00	2,399,131.00	10,874,131.00
	2029-2031	5,985,000.00	539,016.00	6,524,016.00
		<u>26,365,000.00</u>	<u>11,092,910.50</u>	<u>37,457,910.50</u>
Total Principal and Interest		<u>\$ 493,890,000.00</u>	<u>\$ 218,984,316.21</u>	<u>\$ 712,874,316.21</u>

**UNAUDITED**

**Texas Tech University System (793)  
 Combined Schedule 2D - Analysis of Funds Available for Debt  
 Service For the Year Ended August 31, 2013**

<u>Description of Issue</u>	<u>Pledged and Other Sources and Related Expenditures for FY2013</u>			
	<u>Net Available for Debt Service</u>			
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenses/Expenditures and Capital Outlay</u>	<u>Debt Service</u>	
			<u>Principal</u>	<u>Interest</u>
Revenue Bonds:				
Rev Fin Sys Ref & Imp Bds 9th Ser '03		\$	4,735,000.00	\$ 367,150.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06			5,410,000.00	9,146,444.98
Rev Fin Sys Ref & Imp Bds 12th Ser '09			9,590,000.00	6,099,381.26
Rev Fin Sys Ref & Imp Bds 14th Ser '12A			7,195,000.00	7,089,875.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B			820,000.00	916,849.00
<b>Total</b>	<b>\$ 681,302,392.18</b>	<b>\$ (B)</b>	<b>\$ 27,750,000.00</b>	<b>\$ 23,619,700.24</b>

(A) Beginning balances as of 09/01/12 of \$386,871,974.25 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$567,949,664.78.

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Texas Tech University System (793)  
Combined Schedule 2E - Defeased Bonds Outstanding  
For the Year Ended August 31, 2013

Description of Issue	Year Defeased	Par Value Outstanding
Revenue Bonds		\$ 0.00
		\$ 0.00

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Texas Tech University System (793)  
Combined Schedule 2F - Early Extinguishment and Refunding  
For the Year Ended August 31, 2013

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

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Texas Tech University System  
Combined Schedule 3 - Reconciliation of Cash in State Treasury  
For the Year Ended August 31, 2013

<b>Cash in State Treasury</b>	<b>Current Unrestricted</b>
Local Revenue (Fund 0227)	\$ 1,362,302.54
Local Revenue (Fund 0239)	14,714,121.58
Local Revenue (Fund 0255)	14,144,746.04
Permanent Health Fund - El Paso Campus (Fund 0820)	9,399,054.94
Permanent Health Fund - Other Campuses (Fund 0821)	<u>2,148,289.76</u>
Total Cash in State Treasury	<u>\$ 41,768,514.86</u>

**DISCRETELY PRESENTED  
COMPONENT UNIT**



UNAUDITED

**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**  
**August 31, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 526,287.41	\$ 304,114.64
Restricted:		
Cash and Cash Equivalents (Note 3)	236,278.70	262,950.89
Accounts Receivable	315,096.09	237,007.16
Total Current Assets	1,077,662.20	804,072.69
Non-Current Assets:		
Restricted:		
Investments (Note 3)	113,530,729.86	102,923,633.08
Total Non-Current Assets	113,530,729.86	102,923,633.08
Total Assets	114,608,392.06	103,727,705.77
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	14,760.89	269.86
Payroll Payable	23,288.20	17,702.71
Total Current Liabilities	38,049.09	17,972.57
Non-Current Liabilities	0.00	0.00
Total Liabilities	38,049.09	17,972.57
<b>NET POSITION</b>		
Restricted:		
Non-Expendable:		
Endowments	110,964,827.22	104,010,061.30
Expendable:		
Other	3,605,515.75	(300,328.10)
Total Net Position	\$ 114,570,342.97	\$ 103,709,733.20

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

**UNAUDITED**

**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 August  
31, 2013 and 2012**

	2013	2012
<b>OPERATING REVENUES</b>		
Total Operating Revenues	\$ 0.00	\$ 0.00
<b>OPERATING EXPENSES</b>		
Salaries and Wages	218,998.85	222,521.86
Payroll Related Costs	44,209.88	46,167.66
Professional Fees and Services	50,440.82	35,852.67
Travel	9,354.49	7,829.48
Materials and Supplies	27,989.36	19,905.96
Communication and Utilities	1,438.28	119.51
Rentals and Leases	2,175.02	1,438.88
Printing and Reproduction	746.45	163.44
Other Operating Expenses	16,972.61	8,809.20
Total Operating Expenses	372,325.76	342,808.66
Operating Income (Loss)	(372,325.76)	(342,808.66)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income (Expense)	7,280,342.97	7,710,682.23
Net Increase (Decrease) in Fair Value of Investments	3,952,592.56	(1,783,297.29)
Total Nonoperating Revenues (Expenses)	11,232,935.53	5,927,384.94
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	10,860,609.77	5,584,576.28
<b>OTHER REVENUES, EXPENSES, GAINS, LOSSES, and TRANSFERS</b>		
Net Other Revenues, Expenses, Gains, Losses, and Transfers	0.00	0.00
Total Change in Net Position	10,860,609.77	5,584,576.28
Beginning Net Position (September 1)	103,709,733.20	98,125,156.92
Ending Net Position (August 31)	\$ 114,570,342.97	\$ 103,709,733.20

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