

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2013

ANNUAL FINANCIAL REPORT

OF

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**

FOR THE YEAR ENDED AUGUST 31, 2013

LUBBOCK, TEXAS

**Texas Tech University
System Administration (768)**

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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
Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

To Agency Heads Addressed:

We are pleased to submit the annual financial report of Texas Tech University System Administration for the year ended 08/31/2013, in compliance with Texas Government Code Annotated, Section 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. 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. 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)*.

As indicated by the following letter of transmittal, this report has been prepared by the Texas Tech University office of Financial Services and Tax to provide a summary of the institution’s financial records, and to present a complete picture of the fiscal affairs of the Texas Tech University System Administration. If you have any questions, please contact Elisabeth Grisham, Financial Reporting Manager at 806-742-2970.

Sincerely,

A handwritten signature in black ink, appearing to read "Kent Hance".

Kent Hance
Chancellor





TEXAS TECH UNIVERSITY

Financial Services and Tax

November 15, 2013

Chancellor Kent Hance
Texas Tech University System Administration
Lubbock, Texas 79409

Chancellor Hance:

Submitted herein is the Annual Financial Report of Texas Tech University System Administration for the fiscal year ended August 31, 2013.

The accompanying Annual Financial Report has been prepared in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

This Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (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 742-2970.

Sincerely,

A handwritten signature in blue ink that reads "Elisabeth Grisham".

Elisabeth Grisham, CPA
Financial Reporting Manager

Approved:

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

Jim Brunjes
Texas Tech University System Administration
Chief Financial Officer

Texas Tech University System Administration (768)
Organizational Data
August 31, 2013

Board of Regents

Term Expires

Mickey L. Long (**Chair**)January 31, 2015 Midland, TX
Larry K. Anders (**Vice Chair**)January 31, 2017.....Dallas, TX

John Esparza.....January 31, 2019 Austin, TX
L. Frederick FrancisJanuary 31, 2019 El Paso, TX
Tim Lancaster.....January 31, 2019 Abilene, TX
Debbie Montford... ..January 31, 2017 San Antonio, TX
Nancy Neal.....January 31, 2015Lubbock, TX
John D. SteinmetzJanuary 31, 2017Lubbock, TX
John WalkerJanuary 31, 2015 Houston, TX

Joshua Heimbecker (**Student Regent**)...May 31, 2014..... San Angelo, TX

Ben W. Lock (**Staff**)..... Secretary

Fiscal Officers

Kent Hance.....Chancellor
Jim Brunjes.....Vice Chancellor and Chief Financial Officer

UNAUDITED
TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION (768)

FINANCIAL STATEMENTS

UNAUDITED

Texas Tech University System Administration (768)
Statement of Net Position
August 31, 2013 and 2012

| | 2013 | 2012 |
|---|------------------|------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 15,153,387.75 | \$ 7,936,514.32 |
| Restricted: | | |
| Cash and Cash Equivalents | 673,824.78 | 1,157,947.43 |
| Legislative Appropriations | 564,005.97 | 645,010.08 |
| Interest and Dividends | 10,375.57 | 14,075.04 |
| Gift Receivables | 7,275.00 | 9,700.00 |
| Accounts Receivable | 0.00 | 41,596.86 |
| Other Receivables | 539.00 | 2,328.70 |
| Prepaid Items | 211,993.55 | 11,604.50 |
| Total Current Assets | 16,621,401.62 | 9,818,776.93 |
| Non-Current Assets: | | |
| Restricted: | | |
| Cash and Cash Equivalents | 5,681,349.83 | 3,917,518.53 |
| Investments (Note 3) | 749,689.66 | 412,849.34 |
| Gift Receivables | 0.00 | 19,360.78 |
| Investments (Note 3) | 1,054,401.15 | 1,025,362.62 |
| Capital Assets (Note 2) | | |
| Depreciable or Amortizable | 2,102,218.29 | 2,149,042.16 |
| Accumulated Depreciation and Amortization | (619,573.20) | (639,501.58) |
| Total Non-Current Assets | 8,968,085.73 | 6,884,631.85 |
| Total Assets | \$ 25,589,487.35 | \$ 16,703,408.78 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 177,768.58 | \$ 29,818.22 |
| Payroll Payable | 984,304.64 | 841,760.60 |
| Unearned Revenues | 3,000,000.00 | 0.00 |
| Due to Other State Agencies (Note 12) | 209,916.55 | 308,506.94 |
| Employees' Compensable Leave (Note 5) | 117,844.98 | 125,529.25 |
| Notes and Loans Payable (Note 5) | 960,468.99 | 960,468.99 |
| Funds Held for Others | 125,901.01 | 0.00 |
| Other Current Liabilities | 6,801.91 | 179.29 |
| Total Current Liabilities | 5,583,006.66 | 2,266,263.29 |
| Non-Current Liabilities: | | |
| Employees' Compensable Leave (Note 5) | 864,196.46 | 920,547.86 |
| Total Non-Current Liabilities | 864,196.46 | 920,547.86 |
| Total Liabilities | \$ 6,447,203.12 | \$ 3,186,811.15 |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | \$ 522,176.10 | \$ 549,071.59 |
| Restricted: | | |
| Nonexpendable: | | |
| Endowments | 364,943.95 | 350,281.93 |
| Expendable: | | |
| Capital Projects | 5,623,504.30 | 3,742,808.73 |
| Debt Service | (179.29) | (179.29) |
| Other | 509,240.45 | 987,911.42 |
| Unrestricted | 12,122,598.72 | 7,886,703.25 |
| Total Net Position | \$ 19,142,284.23 | \$ 13,516,597.63 |

The accompanying notes to the financial statements are an integral part of this statement.

Texas Tech University System Administration (768)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|---------------------------|---------------------------|
| Operating Revenues | | |
| State Grant Pass-Throughs (Schedule 1B) | \$ 98,590.39 | \$ 91,493.06 |
| Total Operating Revenues | <u>\$ 98,590.39</u> | <u>\$ 91,493.06</u> |
| Operating Expenses | | |
| Public Service | \$ 98,590.39 | \$ 91,493.06 |
| Institutional Support | 16,570,812.68 | 13,543,475.35 |
| Depreciation and Amortization | <u>102,744.40</u> | <u>110,359.01</u> |
| Total Operating Expenses | <u>\$ 16,772,147.47</u> | <u>\$ 13,745,327.42</u> |
| Operating Income (Loss) | <u>\$ (16,673,557.08)</u> | <u>\$ (13,653,834.36)</u> |
| Nonoperating Revenues (Expenses) | | |
| Legislative Revenue | \$ 2,487,984.84 | \$ 2,422,425.39 |
| Private Gifts | 0.00 | 20.00 |
| Investment Income (Expense) | 23,511.47 | 363,782.75 |
| Investment Income (Expense) - Pledged | 7,561,963.63 | 2,115,173.46 |
| Interest Expense on Capital Asset Financing | (3,210.18) | (22,389.04) |
| Loss on Sale and Disposal of Capital Assets | (153,412.09) | 0.00 |
| Net Increase in Fair Value of Investments | 20,288.08 | 23,118.92 |
| Other Nonoperating Revenues (Expenses) | <u>14.16</u> | <u>2,854.86</u> |
| Total Nonoperating Revenues (Expenses) | <u>\$ 9,937,139.91</u> | <u>\$ 4,904,986.34</u> |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers | \$ (6,736,417.17) | \$ (8,748,848.02) |
| Other Revenues, Expenses, Gains, Losses and Transfers | | |
| Contributions to Permanent and Term Endowments | \$ (2,285.78) | \$ 6,129.50 |
| Legislative Transfer In (Note 12) | 3,456,302.00 | 3,456,302.00 |
| Transfers In from Texas Tech Foundation, Inc. | 1,721,129.00 | 1,755,000.00 |
| Transfers In from Components | <u>7,186,958.55</u> | <u>1,842,807.21</u> |
| Total Other Revenues, Expenses, Gains, Losses and Transfers | <u>\$ 12,362,103.77</u> | <u>\$ 7,060,238.71</u> |
| TOTAL CHANGES IN NET POSITION | <u>\$ 5,625,686.60</u> | <u>\$ (1,688,609.31)</u> |
| Beginning Net Position (September 1, 2012 and 2011) | \$ 13,516,597.63 | \$ 15,205,206.94 |
| Ending Net Position (August 31, 2013 and 2012) | <u>\$ 19,142,284.23</u> | <u>\$ 13,516,597.63</u> |

The accompanying notes to the financial statements are an integral part of this statement.

Texas Tech University System Administration (768)
Matrix of Operating Expenses by Function
For the Years Ended August 31, 2013 and 2012

| Natural Classification | Functional Classification | | | Total | Prior Year |
|---------------------------------|---------------------------|-------------------------|-------------------------------|-------------------------|-------------------------|
| | Public Service | Institutional Support | Depreciation and Amortization | | |
| Salaries and Wages | \$ | \$ 10,072,274.94 | \$ | \$ 10,072,274.94 | \$ 9,180,064.32 |
| Payroll Related Costs | 21.57 | 2,252,284.05 | | 2,252,305.62 | 2,043,794.53 |
| Professional Fees and Services | 98,568.82 | 1,803,859.18 | | 1,902,428.00 | 799,128.92 |
| Travel | | 407,554.39 | | 407,554.39 | 336,400.95 |
| Materials and Supplies | | 320,230.72 | | 320,230.72 | 258,597.77 |
| Communications and Utilities | | 236,388.81 | | 236,388.81 | 217,791.02 |
| Repairs and Maintenance | | 194,262.24 | | 194,262.24 | 112,707.82 |
| Rentals and Leases | | 419,534.78 | | 419,534.78 | 664,218.86 |
| Printing and Reproduction | | 72,817.38 | | 72,817.38 | 42,218.35 |
| Depreciation and Amortization | | | 102,744.40 | 102,744.40 | 110,359.01 |
| Interest | | 112.18 | | 112.18 | 66.15 |
| Other Operating Expenses | | 791,494.01 | | 791,494.01 | (20,020.28) |
| Total Operating Expenses | \$ 98,590.39 | \$ 16,570,812.68 | \$ 102,744.40 | \$ 16,772,147.47 | \$ 13,745,327.42 |

The accompanying notes to the financial statements are an integral part of this statement.

Texas Tech University System Administration (768)
Statement of Cash Flows
For the Years Ended August 31, 2013 and 2012

| Cash Flows from Operating Activities | 2013 | 2012 |
|--|---------------------------|---------------------------|
| Payments to Suppliers for Goods and Services | \$ (587,310.34) | \$ (413,523.94) |
| Payments to Employees for Salaries | (9,991,976.87) | (9,250,578.33) |
| Payments to Employees for Benefits | (2,252,305.62) | (2,043,794.53) |
| Payments for Other Expenses | (3,549,685.77) | (1,980,035.90) |
| Net Cash Used By Operating Activities | <u>(16,381,278.60)</u> | <u>(13,687,932.70)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Proceeds from State Appropriations | 2,568,988.95 | 2,589,763.99 |
| Proceeds from Gifts | 19,500.00 | 10,995.14 |
| Proceeds from Transfers from Components | 11,625,789.39 | 9,654,930.29 |
| Proceeds from Transfers from Texas Tech Foundation, Inc | 1,721,129.00 | 1,755,000.00 |
| Proceeds from Agency Transactions | 125,901.01 | 0.00 |
| Proceeds from Other Financing Activities | 3,000,014.16 | 2,854.86 |
| Payments for Transfers to Components | (982,528.84) | (4,355,821.08) |
| Net Cash Provided by Noncapital Financing Activities | <u>18,078,793.67</u> | <u>9,657,723.20</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Payments for Additions to Capital Assets | (441,254.55) | (162,326.11) |
| Payments for Principal Paid on Capital Debt | 0.00 | (8,766.69) |
| Payments for Interest Paid on Capital Debt | (3,262.24) | (22,344.47) |
| Net Cash Used by Capital and Related Financing Activities | <u>(444,516.79)</u> | <u>(193,437.27)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Investment Sales and Maturities | 5,163,287.14 | 2,462,721.84 |
| Proceeds from Interest and Investment Income | 2,931,103.10 | 2,308,530.57 |
| Payments to Acquire Investments | (850,806.44) | (860,806.53) |
| Net Cash Provided by Investing Activities | <u>7,243,583.80</u> | <u>3,910,445.88</u> |
| TOTAL NET CASH FLOWS | <u>\$ 8,496,582.08</u> | <u>\$ (313,200.89)</u> |
| Beginning Cash & Cash Equivalents (September 1, 2012 and 2011) | 13,011,980.28 | 13,325,181.17 |
| Ending Cash & Cash Equivalents (August 31, 2013 and 2012) | <u>\$ 21,508,562.36</u> | <u>\$ 13,011,980.28</u> |
| <hr/> | | |
| Reconciliation of Operating Loss to Net Cash Flows from Operating Activities | | |
| Operating Loss | \$ (16,673,557.08) | \$ (13,653,834.36) |
| Adjustments: | | |
| Depreciation Expense | 102,744.40 | 110,359.01 |
| (Increase) Decrease in Accounts Receivable | 43,386.56 | 7,318.81 |
| (Increase) Decrease in Prepaid Items | 11,604.50 | 5,928.00 |
| Increase (Decrease) in Accounts Payable | 154,625.04 | 7,039.71 |
| Increase (Decrease) in Payroll Payable | 142,544.04 | (115,779.63) |
| Increase (Decrease) in Due to Other State Agencies | (98,590.39) | (91,493.06) |
| Increase (Decrease) in Compensable Leave | (64,035.67) | 42,528.82 |
| Net Cash Used for Operating Activities | <u>\$ (16,381,278.60)</u> | <u>\$ (13,687,932.70)</u> |
| Noncash Transactions | | |
| Net Change in Fair Value of Investments | \$ 20,288.08 | \$ 23,118.92 |

The accompanying notes to the financial statements are an integral part of this statement.

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TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION (768)

NOTES to the
FINANCIAL STATEMENTS

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TEXAS TECH UNIVERSITY SYSTEM ADMINISTRATION (768)

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Texas Tech University System Administration 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.

Due to the significant changes related to 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 statements to be in compliance with generally accepted accounting principles (GAAP). 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; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Basis of Accounting

The accounting records of Texas Tech University System Administration are maintained using a modified accrual basis. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB Statements 34 and 35. For financial reporting purposes, Texas Tech University System Administration is considered a special-purpose government engaged only in business-type activities. Accordingly, Texas Tech University System Administration'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.

Cash and Cash Equivalents

For the purpose of financial statement reporting, cash and cash equivalents are defined as all cash on hand, cash in banks, reimbursements due from the State Treasury, and temporary investments with original maturities of 90 days or less. Texas Tech University System Administration utilizes bank deposits and eligible investment pools as cash equivalents in its Short/Intermediate Term Investment Fund.

Texas Tech University System Administration records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair market value.

Investments

The Texas Tech University System Administration accounts for its investments at fair market value, as determined by quoted market prices, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Receivables

Interest and income receivable consists of amounts due from investment holdings, cash management pools, and cash invested in various short-term investment items. Pledged gift receivables expected to be collected within one year are reported as current assets, with the remaining portions reported as non-current.

Prepaid Items

Prepaid items include items such as insurance, subscriptions, prepaid postage, prepaid travel costs and similar services which benefit more than one accounting period. These are recorded as assets, with the recognition of the expenditure deferred until the accounting period when the items are used or consumed.

Capital Assets

Furniture, equipment, and vehicles with a cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds for buildings, building improvements, facilities and other improvements are \$100,000. The capitalization threshold for infrastructure is \$500,000. These assets are capitalized at cost. Donated assets are reported at fair market value on the acquisition date. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charged to operating expenses in the year in which the expense was incurred. Depreciation is based on allocation methods and estimated lives prescribed by the State Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights with a limited useful life 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. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

Accounts Payable

Accounts Payable and Payroll Payable represent the liability for the value of assets or services received, and wages/salaries owed at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the Statement of Net Position.

Net Position

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

Invested in Capital Assets, Net of Related Debt

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

Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Restricted Net Position

Restricted net position results when constraints placed on net position use are either externally imposed by a party external to the System such as creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net position consists of net position, which does not meet the definition of restricted net position. Unrestricted net position often has constraints on resources, which are imposed by management, but can be moved or modified.

Interfund Activity and Transactions

Texas Tech University System Administration is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units. Interfund transactions are defined as financial transactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

Note 2: Capital Assets

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the State Property Accounting (SPA) system. Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, (8) Facilities and Other Improvements, (9) Land Use Rights, (10) Computer Software, or (11) Other Intangible Capital Assets. The changes to fixed asset balances are summarized below for August 31, 2013 and August 31, 2012, respectively.

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

As of August 31, 2013:

| | PRIMARY GOVERNMENT | | | | | | | |
|---|------------------------|-------------|-------------------|----------------------|------------------------|----------------------|------------------------|------------------------|
| | Balance 9/1/12 | Adjustments | Reclassifications | | | Additions | Deletions | Balance 8/31/13 |
| | | | Completed CIP | Inc-Int'agy Trans | Dec-Inter'agy Trans | | | |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Depreciable Assets | | | | | | | | |
| Buildings and Building Improvements | \$ 1,652,114.00 | | | | | | | \$ 1,652,114.00 |
| Facilities and Other Improvements | 101,095.39 | | | | | | | 101,095.39 |
| Furniture and Equipment | 158,511.46 | | | | | (90,094.56) | | 68,416.90 |
| Vehicle, Boats and Aircraft | 71,717.00 | | | | | (20,386.00) | | 51,331.00 |
| Total Depreciable Assets at Historical Cost | 1,983,437.85 | - | - | - | - | - | (110,480.56) | 1,872,957.29 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Building Improvements | (362,651.22) | | | | | (71,341.32) | | (433,992.54) |
| Facilities and Other Improvements | (41,280.60) | | | | | (10,109.52) | | (51,390.12) |
| Furniture and Equipment | (141,690.17) | | | | | (3,656.44) | 89,486.78 | (55,859.83) |
| Vehicles, Boats and Aircraft | (60,780.68) | | | | | (3,546.85) | 20,386.00 | (43,941.53) |
| Total Accumulated Depreciation | (606,402.67) | - | - | - | - | (88,654.13) | 109,872.78 | (585,184.02) |
| Depreciable Assets, Net | 1,377,035.18 | - | - | - | - | (88,654.13) | (607.78) | 1,287,773.27 |
| Intangible Capital Assets – Amortizable | | | | | | | | |
| Computer Software – Intangible | 165,604.31 | | | | | 229,261.00 | (165,604.31) | 229,261.00 |
| Total Intangible Assets at Historical Cost | 165,604.31 | - | - | - | - | 229,261.00 | (165,604.31) | 229,261.00 |
| Less Accumulated Amortization for: | | | | | | | | |
| Computer Software – Intangible | (33,098.91) | | | | | (14,090.27) | 12,800.00 | (34,389.18) |
| Total Accumulated Amortization | (33,098.91) | - | - | - | - | (14,090.27) | 12,800.00 | (34,389.18) |
| Amortizable Assets, Net | 132,505.40 | - | - | - | - | 215,170.73 | (152,804.31) | 194,871.82 |
| Business-Type Activities Capital Assets, Net | \$ 1,509,540.58 | \$ - | \$ - | \$ - | \$ - | \$ 126,516.60 | \$ (153,412.09) | \$ 1,482,645.09 |

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

As of August 31, 2012:

| | PRIMARY GOVERNMENT | | | | | | | Balance 8/31/12 |
|---|---------------------------------|-------------|-----------------------------------|---------------------------------------|---|--------------|-----------|--------------------|
| | Balance 9/1/11 | Adjustments | Reclassification Completed CIP | Reclassification Inc-Int'agy Trans | Reclassification Dec-Inter'agy Trans | Additions | Deletions | |
| | BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Depreciable Assets | | | | | | | | |
| Buildings and Building Improvements | \$ 1,652,114.00 | | | | | | | \$ 1,652,114.00 |
| Facilities and Other Improvements | 101,095.39 | | | | | | | 101,095.39 |
| Furniture and Equipment | 148,989.66 | | | | | 9,521.80 | | 158,511.46 |
| Vehicle, Boats and Aircraft | 71,717.00 | | | | | | | 71,717.00 |
| Total Depreciable Assets at Historical Cost | 1,973,916.05 | - | - | - | - | 9,521.80 | - | 1,983,437.85 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Buildings and Building Improvements | (291,309.90) | | | | | (71,341.32) | | (362,651.22) |
| Facilities and Other Improvements | (31,171.02) | | | | | (10,109.58) | | (41,280.60) |
| Furniture and Equipment | (136,628.18) | | | | | (5,061.99) | | (141,690.17) |
| Vehicles, Boats and Aircraft | (57,233.47) | | | | | (3,547.21) | | (60,780.68) |
| Total Accumulated Depreciation | (516,342.57) | - | - | - | - | (90,060.10) | - | (606,402.67) |
| Depreciable Assets, Net | 1,457,573.48 | - | - | - | - | (80,538.30) | - | 1,377,035.18 |
| Intangible Capital Assets – Amortizable | | | | | | | | |
| Computer Software – Intangible | 12,800.00 | | | | | 152,804.31 | | 165,604.31 |
| Total Intangible Assets at Historical Cost | 12,800.00 | - | - | - | - | 152,804.31 | - | 165,604.31 |
| Less Accumulated Amortization for: | | | | | | | | |
| Computer Software – Intangible | (12,800.00) | | | | | (20,298.91) | | (33,098.91) |
| Total Accumulated Amortization | (12,800.00) | - | - | - | - | (20,298.91) | - | (33,098.91) |
| Amortizable Assets, Net | - | - | - | - | - | 132,505.40 | - | 132,505.40 |
| Business-Type Activities Capital Assets, Net | \$ 1,457,573.48 | \$ - | \$ - | \$ - | \$ - | \$ 51,967.10 | \$ - | \$ 1,509,540.58 |

Note 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University System Administration’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 Administration 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 Administration 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 Administration 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 Administration 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 with donor instructions to maintain in their original form, and bond proceeds invested in external investment pools.

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Deposits of Cash in Bank

As of August 31, 2013, the carrying amount of deposits was \$16,173,824.39 as presented below:

Business-Type Activities

| | |
|---|-------------------------|
| CASH IN BANK – CARRYING VALUE | \$ 16,173,824.39 |
| 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 | |
| Cash in Bank per AFR | <u>\$ 16,173,824.39</u> |
| Proprietary Funds Current Assets Cash in Bank | \$ 14,440,419.78 |
| Proprietary Funds Current Assets Restricted Cash in Bank | 642,073.41 |
| Proprietary Funds Non-Current Assets Restricted Cash in Bank | <u>1,091,331.20</u> |
| Cash in Bank per AFR | <u>\$ 16,173,824.39</u> |

As of August 31, 2012, the carrying amount of deposits was \$6,459,668.90 as presented below:

Business-Type Activities

| | |
|---|------------------------|
| CASH IN BANK – CARRYING VALUE | \$ 6,459,668.90 |
| 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 | |
| Cash in Bank per AFR | <u>\$ 6,459,668.90</u> |
| Proprietary Funds Current Assets Cash in Bank | \$ 7,129,550.26 |
| Proprietary Funds Current Assets Restricted Cash in Bank | 1,040,210.37 |
| Proprietary Funds Non-Current Assets Restricted Cash in Bank | <u>(1,710,091.73)</u> |
| Cash in Bank per AFR | <u>\$ 6,459,668.90</u> |

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 and August 31, 2012, the total **bank balance** for Business-Type Activities was \$17,828,976.65 and \$7,376,206.47, respectively.

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Investments

As of August 31, 2013, the fair value of investments is as presented below.

| Type of Security | Fair Value |
|---|------------------------|
| Business-Type Activities | |
| U. S. Government | |
| U.S. Treasury Securities | \$ 179,535.45 |
| U.S. Treasury TIPs | 38,682.26 |
| U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.) | 335,778.60 |
| Corporate Asset and Mortgage Backed Securities | 2,182.33 |
| Equity | 89,004.92 |
| International Obligations | 4,341.27 |
| Fixed Income Money Market and Bond Mutual Fund | 631,214.34 |
| Mutual Funds | 94,499.29 |
| Other Commingled Funds | 4,308,581.97 |
| Other Commingled Funds (Texpool) | 804,848.77 |
| International Other Commingled Funds | 159,208.75 |
| Real Estate | 22,467.29 |
| Externally Managed Investments: | |
| Domestic | 459,235.52 |
| International | 9,248.02 |
| Total Investments | <u>\$ 7,138,828.78</u> |
| | |
| Non-Current Investments | \$ 1,804,090.81 |
| | |
| Items in Cash and Cash Equivalents: | |
| Money Market Funds | 405,535.56 |
| Texpool & TexSTAR Investments | 4,929,202.41 |
| Total Investments | <u>\$ 7,138,828.78</u> |

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

As of August 31, 2012, the fair value of investments is as presented below.

| Type of Security | Fair Value |
|---|-------------------------------|
| Business-Type Activities | |
| U. S. Government | |
| U.S. Treasury Securities | \$ 85,683.24 |
| U.S. Treasury TIPs | 9,712.43 |
| U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.) | 163,498.75 |
| Equity | 54,285.47 |
| International Obligations | 13,953.71 |
| Fixed Income Money Market and Bond Mutual Fund | 734,999.29 |
| Mutual Funds | 52,739.42 |
| Other Commingled Funds | 5,439,503.54 |
| Other Commingled Funds (Texpool) | 941,319.78 |
| International Other Commingled Funds | 101,818.57 |
| Real Estate | 25,935.04 |
| Externally Managed Investments: | |
| Domestic | 361,676.28 |
| International | 5,397.82 |
| Total Investments | <u><u>\$ 7,990,523.34</u></u> |
| Non-Current Investments | \$ 1,438,211.96 |
| Items in Cash and Cash Equivalents: | |
| Money Market Funds | 269,758.70 |
| Texpool & TexSTAR Investments | 6,282,552.68 |
| Total Investments | <u><u>\$ 7,990,523.34</u></u> |

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. The exposure to foreign currency risk as of August 31, 2013 and August 31, 2012 respectively, is as follows.

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

As of August 31, 2013:

| Fund Type | GAAP Fund | Foreign Currency | International Obligation | International Other Commingled Funds | International Externally Managed Investments |
|-----------|-----------|--------------------|--------------------------|--------------------------------------|--|
| 05 | 9999 | Argentine peso | | \$ 1,257.92 | |
| 05 | 9999 | Australian dollar | | 319.37 | \$ 0.13 |
| 05 | 9999 | Brazilian real | \$ 677.19 | 10,064.46 | |
| 05 | 9999 | Canadian dollar | | 1,641.40 | |
| 05 | 9999 | Chilean peso | 457.20 | 910.73 | |
| 05 | 9999 | Chinese yuan | | 10,648.30 | 0.26 |
| 05 | 9999 | Colombian peso | 936.93 | | |
| 05 | 9999 | Czech koruna | | 1,217.23 | |
| 05 | 9999 | Danish krone | | 250.82 | |
| 05 | 9999 | Egyptian pound | | 678.12 | |
| 05 | 9999 | Euro | 448.01 | 33,294.47 | 8,855.86 |
| 05 | 9999 | Hong Kong dollar | | 4,235.73 | |
| 05 | 9999 | Indian rupee | | 5,420.32 | 391.77 |
| 05 | 9999 | Indonesian rupiah | | 2,750.89 | |
| 05 | 9999 | Japanese yen | | 16,406.56 | |
| 05 | 9999 | Kazakhstani tenge | | 437.15 | |
| 05 | 9999 | Malaysian ringgit | | 900.58 | |
| 05 | 9999 | Mexican peso | | 6,427.96 | |
| 05 | 9999 | Nigerian naira | 513.92 | | |
| 05 | 9999 | Norwegian krone | | 344.88 | |
| 05 | 9999 | Panamanian balboa | | 345.31 | |
| 05 | 9999 | Peruvian nuevo sol | 313.32 | 1,056.45 | |
| 05 | 9999 | Philippino peso | | 1,202.55 | |
| 05 | 9999 | Pound sterling | | 16,166.29 | |
| 05 | 9999 | Russian ruble | 586.89 | 1,631.40 | |
| 05 | 9999 | Singapore dollar | | 1,097.33 | |
| 05 | 9999 | South African rand | 407.81 | 5,307.50 | |
| 05 | 9999 | South Korean wan | | 9,884.99 | |
| 05 | 9999 | Swedish krona | | 1,531.20 | |
| 05 | 9999 | Swiss franc | | 9,711.53 | |
| 05 | 9999 | New Taiwan dollar | | 8,130.62 | |
| 05 | 9999 | Thai baht | | 1,935.10 | |
| 05 | 9999 | New Turkish lira | | 3,140.37 | |
| 05 | 9999 | UAE dirham | | 861.22 | |
| | | | | | |
| | | Total | \$ 4,341.27 | \$ 159,208.75 | \$ 9,248.02 |

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

As of August 31, 2012:

| Fund Type | GAAP Fund | Foreign Currency | International Obligation | International Other Commingled Funds | International Externally Managed Investments |
|-----------|-----------|--------------------|--------------------------|--------------------------------------|--|
| 05 | 9999 | Argentine peso | \$ 295.39 | \$ 1,145.38 | |
| 05 | 9999 | Australian dollar | | 720.92 | \$ 9.59 |
| 05 | 9999 | Brazilian real | 1,205.20 | 8,523.88 | |
| 05 | 9999 | Canadian dollar | 9.51 | 1,048.08 | |
| 05 | 9999 | Cayman dollar | 389.69 | | |
| 05 | 9999 | CFA franc | 68.48 | | |
| 05 | 9999 | Chilean peso | 971.77 | 561.31 | |
| 05 | 9999 | Chinese yuan | 86.42 | 7,887.15 | 0.25 |
| 05 | 9999 | Colombian peso | 938.07 | | |
| 05 | 9999 | Czech koruna | | 884.64 | |
| 05 | 9999 | Danish krone | | 257.76 | |
| 05 | 9999 | Dominican peso | 183.43 | | |
| 05 | 9999 | Egyptian pound | | 639.42 | |
| 05 | 9999 | Euro | 1,029.11 | 12,621.15 | 4,954.71 |
| 05 | 9999 | Hong Kong dollar | 67.39 | 1,644.93 | |
| 05 | 9999 | Indian rupee | | 4,987.79 | 433.27 |
| 05 | 9999 | Indonesian rupiah | 1,418.52 | 2,014.60 | |
| 05 | 9999 | Iraqi dinar | 112.50 | | |
| 05 | 9999 | Japanese yen | | 9,105.84 | |
| 05 | 9999 | Kazakhstani tenge | 363.87 | 390.48 | |
| 05 | 9999 | Latvian lats | 563.06 | | |
| 05 | 9999 | Lithuanian litas | 460.07 | | |
| 05 | 9999 | Malaysian ringgit | 2.45 | 195.14 | |
| 05 | 9999 | Mexican peso | 530.45 | 5,673.50 | |
| 05 | 9999 | New Israel shekel | | 272.93 | |
| 05 | 9999 | Norwegian krone | | 401.51 | |
| 05 | 9999 | Panamanian balboa | 94.30 | 137.84 | |
| 05 | 9999 | Peruvian nuevo sol | 258.43 | 947.34 | |
| 05 | 9999 | Phillippino peso | 1,016.88 | 829.85 | |
| 05 | 9999 | Pound sterling | 110.06 | 7,514.45 | |
| 05 | 9999 | Qatari riyal | 351.64 | | |
| 05 | 9999 | Russian ruble | 176.64 | 1,246.11 | |
| 05 | 9999 | Singapore dollar | | 1,172.40 | |
| 05 | 9999 | South African rand | 450.56 | 5,824.53 | |
| 05 | 9999 | South Korean wan | 93.21 | 8,042.68 | |
| 05 | 9999 | Swedish krona | | 804.54 | |
| 05 | 9999 | Swiss franc | | 5,531.83 | |
| 05 | 9999 | New Taiwan dollar | | 5,545.40 | |
| 05 | 9999 | Thai baht | 2.45 | 2,649.88 | |
| 05 | 9999 | New Turkish lira | | 2,235.25 | |
| 05 | 9999 | UAE dirham | 48.91 | 360.06 | |
| 05 | 9999 | Uruguay peso | 577.74 | | |
| 05 | 9999 | Venezuela bolivar | 2,077.51 | | |
| | | | | | |
| | | Total | \$ 13,953.71 | \$ 101,818.57 | \$ 5,397.82 |

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Texas Tech University System Administration (768) – Notes to the 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 and August 31, 2012 respectively, the System’s credit quality distribution for securities with credit risk exposure was as follows.

As of August 31, 2013:

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|--|---------------|------------|-----------|-------------|-----------|----------------|
| 05 | 9999 | U.S. Government Agency Obligations | \$ 335,778.60 | | | | | |
| 05 | 9999 | Corporate Asset and Mortgage Backed Securities | \$ 2,182.33 | | | | | |
| 05 | 9999 | International Obligations | | \$ 111.57 | \$ 368.57 | \$ 2,380.75 | \$ 519.22 | \$ 961.16 |
| 05 | | | AAAf | Aaf | Af | | | Unrated |
| 05 | 9999 | Fixed Income Money Market and Bond Muual Fund | \$ 405,535.56 | | | | | \$ 225,678.78 |

As of August 31, 2012:

| Fund Type | GAAP Fund | Investment Type | AAA | AA | A | BBB | BB | Unrated |
|-----------|-----------|---|---------------|------------|-------------|-------------|-------------|----------------|
| 05 | 9999 | U.S. Government Agency Obligations | \$ 163,498.75 | | | | | |
| 05 | 9999 | International Obligations | | \$ 739.55 | \$ 1,479.09 | \$ 6,153.59 | \$ 2,483.76 | \$ 3,097.72 |
| 05 | | | AAAf | Aaf | Af | | | Unrated |
| 05 | 9999 | Fixed Income Money Market and Bond Muual Fund | \$ 269,758.70 | | | | | \$ 465,240.59 |

Derivative Investing

Texas Tech University System Administration has no direct derivative investments. Investment managers in invested vehicles such as hedge funds do employ derivatives, and the values associated with those managers reflect those securities.

Note 4: Short-Term Debt

Texas Tech University System Administration has no short-term debt outstanding as of August 31, 2013 or August 31, 2012.

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

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

| Business-Type Activities | Balance 9/1/2012 | Additions | Reductions | Balance 8/31/2013 | Amounts due within one year | Amounts Due Thereafter |
|---------------------------------------|------------------------|----------------|---------------------|------------------------|-----------------------------------|------------------------------|
| Notes and Loans Payable | \$ 960,468.99 | | | \$ 960,468.99 | \$ 960,468.99 | \$ 0.00 |
| Compensable Leave Payable | 1,046,077.11 | | 64,035.67 | \$982,041.44 | 117,844.98 | \$ 864,196.46 |
| Total Business-Type Activities | \$ 2,006,546.10 | \$ 0.00 | \$ 64,035.67 | \$ 1,942,510.43 | \$ 1,078,313.97 | \$ 864,196.46 |

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

| Business-Type Activities | Balance 9/1/2011 | Additions | Reductions | Balance 8/31/2012 | Amounts due within one year | Amounts Due Thereafter |
|---------------------------------------|------------------------|---------------------|--------------------|------------------------|-----------------------------------|------------------------------|
| Notes and Loans Payable | \$ 969,235.68 | | \$ 8,766.69 | \$ 960,468.99 | \$ 960,468.99 | \$ 0.00 |
| Compensable Leave Payable | 1,003,548.29 | 42,528.82 | | \$1,046,077.11 | 125,529.25 | \$ 920,547.86 |
| Total Business-Type Activities | \$ 1,972,783.97 | \$ 42,528.82 | \$ 8,766.69 | \$ 2,006,546.10 | \$ 1,085,998.24 | \$ 920,547.86 |

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. Expenditures for accumulated annual leave balances are recognized in the period paid or taken. The liability for unpaid benefits is recorded in the Statement of Net Position. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. 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.

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction and equipment 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 August 31, 2013 will mature in fiscal year 2014. Commercial paper has short maturities up to 270 days with interest ranging from .09% to .20%.

Summary of Debt Service Requirements for Notes Payable

As of August 31, 2013:

| Fiscal Year | Balance Principal | Interest | Total |
|---------------------------|----------------------|--------------------|----------------------|
| 2014 | \$ 960,468.99 | \$ 3,361.64 | \$ 963,830.63 |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| All Other Years | | | |
| Total Requirements | \$ 960,468.99 | \$ 3,361.64 | \$ 963,830.63 |

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Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

As of August 31, 2012:

| Fiscal Year | Balance Principal | Interest | Total |
|---------------------------|----------------------|--------------------|----------------------|
| 2013 | \$ 960,468.99 | \$ 2,881.41 | \$ 963,350.40 |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| All Other Years | | | |
| Total Requirements | \$ 960,468.99 | \$ 2,881.41 | \$ 963,350.40 |

Note 6: Bonded Indebtedness

The Texas Tech University System Administration has no bonded indebtedness as of August 31, 2013 or August 31, 2012.

Note 7: Derivative Instruments

Texas Tech University System Administration held no derivative instruments subject to reporting requirements as of August 31, 2013 or August 31, 2012.

Note 8: Leases

Texas Tech University System Administration had no outstanding capital leases or non-cancelable operating leases as of August 31, 2013 or August 31, 2012.

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 Retirement System of Texas and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2013 and August 31, 2012, respectively are:

| Description | For the Year Ended August 31, 2013 | For the Year Ended August 31, 2012 |
|----------------------------|---------------------------------------|---------------------------------------|
| Member Contributions | \$ 205,634.03 | \$ 171,531.20 |
| Employer Contributions | 232,876.23 | 199,796.60 |
| Total Contributions | \$ 438,510.26 | \$ 371,327.80 |

Note 10: Deferred Compensation (administering agencies only)

Not applicable

Note 11: Post Employment Health Care and Life Insurance Benefits

Not applicable

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Texas Tech University System Administration (768) – Notes to the 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:

- Due from Other Agencies or Due to Other Agencies
- Interfund Receivables or Interfund Payables
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

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 August 31, 2012, follows:

Due from / to Other State Agencies

As of August 31, 2013:

| Agency Name | Agency Number | D23 Fund | Due from Other Agencies | Due to Other Agencies |
|---|---------------|----------|-------------------------|-----------------------|
| Office of the Governor | 300 | 5124 | | \$ 209,916.55 |
| Total Due from / Due to Other Agencies | | | | \$ 209,916.55 |

As of August 31, 2012:

| Agency Name | Agency Number | D23 Fund | Due from Other Agencies | Due to Other Agencies |
|---|---------------|----------|-------------------------|-----------------------|
| Office of the Governor | 300 | 5524 | | \$ 308,506.94 |
| Total Due from / Due to Other Agencies | | | | \$ 308,506.94 |

Legislative Transfers In / Out

As of August 31, 2013:

| Agency Name | Agency Number | D23 Fund | Legislative Transfers In | Legislative Transfers Out |
|--|---------------|----------|--------------------------|---------------------------|
| Texas Tech University | 733 | 0001 | \$ 1,667,837.00 | |
| Texas Tech University Health Sciences Center | 739 | 0001 | 1,667,837.00 | |
| Angelo State University | 737 | 0001 | 120,628.00 | |
| Total Legislative Transfers In / Out | | | \$ 3,456,302.00 | |

As of August 31, 2012:

| Agency Name | Agency Number | D23 Fund | Legislative Transfers In | Legislative Transfers Out |
|--|---------------|----------|--------------------------|---------------------------|
| Texas Tech University | 733 | 0001 | \$ 1,667,837.00 | |
| Texas Tech University Health Sciences Center | 739 | 0001 | 1,667,837.00 | |
| Angelo State University | 737 | 0001 | 120,628.00 | |
| Total Legislative Transfers In / Out | | | \$ 3,456,302.00 | |

Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances/Net Position

The System Administration has no restatement of Fund Balance/Net Position as of August 31, 2013 or August 31, 2012.

Note 15: Contingencies and Commitments

At August 31, 2013 and August 31, 2012, no material lawsuits or claims involving the Texas Tech University System Administration were pending.

Note 16: Subsequent Events

The Texas Tech University System Administration has no material subsequent events to disclose.

Note 17: Risk Management

Texas Tech System Administration 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 System is assessed fees by SORM based upon claims experience, claim incidences, payroll size and FTE. Total SORM assessment for fiscal year 2013 and 2012 totaled \$27,385.88 and \$27,434.15, respectively. SORM pays all WCI claims. The Worker's Compensation plan 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 for employees paid from non-state funds. Total payments for unemployment compensation for fiscal year 2013 and 2012 amounted to \$11,133.92 and \$9,115.89, respectively. 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.

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 all 50 states and more than 117 foreign countries. These students choose from among 152 undergraduate, 107 masters, and 64 doctoral programs.

Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

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 Financial Reporting Entity

Texas Tech University System Administration is the executive arm of the Texas Tech University System. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System Administration. Texas Tech University System Administration has no related organizations or joint ventures or jointly governed organizations.

Related Parties – Relationship with Texas Tech University System Administration

The Texas Tech University System Administration has no related parties to report.

The Texas Tech University System (TTUS), created in 1999, is composed of one health related and two general academic institutions. The components are Texas Tech University System Administration (TTUSA); Texas Tech University (TTU); Texas Tech University Health Sciences Center (TTUHSC) and Angelo State University (ASU).

Note 20: Stewardship, Compliance and Accountability

The Texas Tech University System Administration has no material stewardship, compliance, and accountability issues.

Note 21: N/A

Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Note 22: Donor-Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of System Administration's 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 by the System are summarized in the following table:

| Donor Restricted Endowment | Amount Net Appreciation | Reported in Statement of Net Position | As of |
|-----------------------------------|--------------------------------|--|-----------------|
| True Endowments | \$ 24,752.66 | Restricted Nonexpendable | August 31, 2013 |
| True Endowments | \$ 7,995.67 | Restricted Nonexpendable | August 31, 2012 |
| | | | |

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 net asset value of the LTIF for the 12 quarters just ended.

Note 23: Extraordinary and Special Items

Texas Tech University System Administration has no special or extraordinary items to disclose for the year ended August 31, 2013 or August 31, 2012.

Note 24: Disaggregation of Receivable and Payable Balances

Texas Tech University System Administration has no reportable disaggregation of the receivable and payable balances for the year ended August 31, 2013 or August 31, 2012.

Note 25: Termination Benefits

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

Note 26: Segment Information

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

Note 27: Service Concession Arrangements

Texas Tech University System Administration has no reportable service concession arrangements as of August 31, 2013 or August 31, 2012.

UNAUDITED

Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

Note 28: Troubled Debt Restructuring

Texas Tech University System Administration had no outstanding receivables whose terms were modified pursuant to trouble debt restructuring for the year ended August 31, 2013 or August 31, 2012.

Note 29: Deferred Outflows and Deferred Inflows of Resources

Texas Tech University System Administration had no deferred outflows or deferred inflows of resources for the year ended August 31, 2013 or August 31, 2012.

UNAUDITED
TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION (768)

SUPPORTING SCHEDULES

UNAUDITED

Texas Tech University System Administration (768)
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2013

Pass-through from:

| Agency Number | Agency Name Grant ID / Grant Description | Amount |
|------------------|---|----------------------------|
| 300 | Office of the Governor | |
| | 300.0005 Emerging Technology Grant | \$ <u><u>98,590.39</u></u> |

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2A - Miscellaneous Bond Information
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2B - Changes in Bonded Indebtedness
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2C - Debt Service Requirements Schedule
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2E - Schedule of Defeased Bonds Outstanding
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2F- Schedule of Early Extinguishment and Refunding
For the Year Ended August 31, 2013

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2013

Schedule Not Applicable