

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2014

ANNUAL FINANCIAL REPORT

OF

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**

FOR THE YEAR ENDED AUGUST 31, 2014

LUBBOCK, TEXAS

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

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Organizational Data

Regents	Term Expires January 31, 2015
Mickey L. Long (Chair)	Midland
Nancy Neal	Lubbock
John Walker	Houston
	Term Expires January 31, 2017
Larry K. Anders (Vice Chair)	Dallas
Debbie Montford	San Antonio
John D. Steinmetz	Lubbock
	Term Expires January 31, 2019
John Esparza	Austin
L. Frederick "Rick" Francis	El Paso
Tim Lancaster	Abilene
Coby Ray (Student Regent)	Term Expires May 31, 2015
Ben Lock (Staff)	Secretary
Fiscal Officers	
Robert L. Duncan	Chancellor
Jim Brunjes	Vice Chancellor and Chief Financial Officer



TEXAS TECH UNIVERSITY SYSTEM

Robert Duncan, *Chancellor*

November 15, 2014

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 08/31/2014, 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. 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 be expressed on the financial statements and related information contained in this report.

As indicated by the following letter of transmittal, this report has been prepared by the Texas Tech University office of Financial and Managerial Reporting Services 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 Debra Crowder, CPA, Director, Financial and Managerial Reporting Services at 806-742-2970.

Sincerely,

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

Robert L. Duncan
Chancellor



TEXAS TECH UNIVERSITY SYSTEM

Jim Brunjes
Vice Chancellor and Chief Financial Officer

November 15, 2014

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

Chancellor Duncan:

Submitted herein is the Annual Financial Report of Texas Tech University System Administration for the fiscal year ended August 31, 2014.

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 black ink that reads "Debra Crowder".

Debra Crowder, CPA
Director, Financial and Managerial Reporting Services

Approved:

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

Jim Brunjes
Texas Tech University System Administration
Chief Financial Officer

UNAUDITED

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION (768)**

FINANCIAL STATEMENTS

Texas Tech University System Administration (768)
Annual Financial Report

Statement of Net Position
August 31, 2014 and 2013

	2014	Restated 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 24,686,354.18	\$ 15,153,387.75
Restricted Cash and Cash Equivalents	660,197.04	673,824.78
Legislative Appropriations	512,379.96	564,005.97
Receivables:		
Interest and Dividends	32,992.94	10,375.57
Gift Receivables	6,272.02	7,275.00
Other Receivables	6,136.55	539.00
Prepaid Items	15,000.00	211,993.55
Total Current Assets	<u>25,919,332.69</u>	<u>16,621,401.62</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	5,844,955.91	5,681,349.83
Restricted Investments (Note 3)	695,066.40	749,689.66
Gift Receivables	12,913.64	0.00
Investments (Note 3)	(3,983,698.86)	1,054,401.15
Capital Assets (Note 2)		
Non-Depreciable or non-amortizable	401,756.53	0.00
Depreciable or Amortizable	2,388,960.37	2,102,218.29
Accumulated Depreciation and Amortization	(761,297.23)	(619,573.20)
Total Non-Current Assets	<u>4,598,656.76</u>	<u>8,968,085.73</u>
Total Assets	<u>30,517,989.45</u>	<u>25,589,487.35</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	28,609.05	177,768.58
Payroll Payable	1,149,977.80	984,304.64
Unearned Revenues	0.00	3,000,000.00
Due to Other State Agencies (Note 12)	188,506.88	209,916.55
Employees' Compensable Leave (Note 5)	122,448.69	117,844.98
Notes and Loans Payable (Note 4)	1,460,468.99	960,468.99
Funds Held for Others	6,625,901.01	125,901.01
Other Current Liabilities	181.09	6,801.91
Total Current Liabilities	<u>9,576,093.51</u>	<u>5,583,006.66</u>
Non-Current Liabilities:		
Employees' Compensable Leave (Note 5)	897,957.01	864,196.46
Total Non-Current Liabilities	<u>897,957.01</u>	<u>864,196.46</u>
Total Liabilities	<u>10,474,050.52</u>	<u>6,447,203.12</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	1,068,950.68	522,176.10
Restricted:		
Nonexpendable Endowments	444,751.99	340,191.29
Expendable:		
Capital Projects	5,086,684.09	5,623,504.30
Debt Service	(181.09)	(179.29)
Other	430,176.26	533,993.11
Unrestricted	<u>13,013,557.00</u>	<u>12,122,598.72</u>
Total Net Position	<u>\$ 20,043,938.93</u>	<u>\$ 19,142,284.23</u>

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

Texas Tech University System Administration (768)
Annual Financial Report

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014 and 2013

	2014	Restated 2013
Operating Revenues		
State Grant Pass-Throughs (Schedule 1B)	\$ 221,409.67	\$ 98,590.39
Total Operating Revenues	<u>\$ 221,409.67</u>	<u>\$ 98,590.39</u>
Operating Expenses		
Salaries and Wages	10,152,972.50	10,072,274.94
Payroll-Related Costs	2,342,661.65	2,252,305.62
Professional Fees and Services	1,557,785.02	1,902,428.00
Travel	407,879.74	407,554.39
Materials and Supplies	485,905.13	320,230.72
Communications and Utilities	213,645.79	236,388.81
Repairs and Maintenance	188,769.71	194,262.24
Rentals and Leases	447,055.21	419,534.78
Printing and Reproduction	168,967.89	72,817.38
Depreciation and Amortization	149,116.48	102,744.40
Interest	272.15	112.18
Other Operating Expenses	(195,821.23)	791,494.01
Total Operating Expenses	<u>15,919,210.04</u>	<u>16,772,147.47</u>
Operating Income (Loss)	<u>(15,697,800.37)</u>	<u>(16,673,557.08)</u>
Nonoperating Revenues (Expenses)		
Legislative Revenue	2,613,360.04	2,487,984.84
Private Gifts	2,500.00	0.00
Investment Income (Expense)	42,116.82	18,679.88
Investment Income (Expense) - Pledged	3,150,097.63	7,566,795.22
Interest Expense on Capital Asset Financing	(7,050.94)	(3,210.18)
Loss on Sale and Disposal of Capital Assets	0.00	(153,412.09)
Net Increase (Decrease) in Fair Value of Investments	(189,531.26)	20,288.08
Other Nonoperating Revenues (Expenses)	0.00	14.16
Other Nonoperating Revenues (Expenses) - Pledged	56,715.51	0.00
Total Nonoperating Revenues (Expenses)	<u>5,668,207.80</u>	<u>9,937,139.91</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(10,029,592.57)	(6,736,417.17)
Other Revenues, Expenses, Gains, Losses and Transfers		
Contributions to Permanent and Term Endowments	109,287.64	(2,285.78)
Legislative Transfer In (Note 12)	3,546,302.00	3,456,302.00
Net Transfers In from Texas Tech Foundation, Inc.	1,353,094.00	1,721,129.00
Net Transfers In from Components	5,922,563.63	7,186,958.55
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>10,931,247.27</u>	<u>12,362,103.77</u>
Total Change in Net Position	901,654.70	5,625,686.60
Beginning Net Position (September 1, 2013 and 2012)	<u>19,142,284.23</u>	<u>13,516,597.63</u>
Ending Net Position (August 31, 2014 and 2013)	<u>\$ 20,043,938.93</u>	<u>\$ 19,142,284.23</u>

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

Texas Tech University System Administration (768)
Annual Financial Report

Matrix of Operating Expenses by Function
For the Year Ended August 31, 2014 and 2013

Operating Expenses	Functional Classification				Total	Prior Year
	Public Service	Institutional Support	Scholarships and Fellowships	Depreciation and Amortization		
Salaries and Wages	\$ 139,056.96	\$ 10,013,915.54	\$	\$	\$ 10,152,972.50	\$ 10,072,274.94
Payroll Related Costs	37,326.18	2,305,335.47			2,342,661.65	2,252,305.62
Professional Fees and Services	103,000.00	1,454,785.02			1,557,785.02	1,902,428.00
Travel	5,166.78	402,712.96			407,879.74	407,554.39
Materials and Supplies		485,905.13			485,905.13	320,230.72
Communications and Utilities	2,609.43	211,036.36			213,645.79	236,388.81
Repairs and Maintenance		188,769.71			188,769.71	194,262.24
Rentals and Leases	10,733.36	436,321.85			447,055.21	419,534.78
Printing and Reproduction	361.03	168,606.86			168,967.89	72,817.38
Depreciation and Amortization				149,116.48	149,116.48	102,744.40
Interest		272.15			272.15	112.18
Other Operating Expenses	47,516.99	(243,338.22)			(195,821.23)	791,494.01
Total Operating Expenses	\$ 345,770.73	\$ 15,424,322.83	\$ 0.00	\$ 149,116.48	\$ 15,919,210.04	\$ 16,772,147.47

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

Texas Tech University System Administration (768)
Annual Financial Report

Statement of Cash Flows
For the Year Ended August 31, 2014 and 2013

	<u>2014</u>	<u>Restated 2013</u>
Cash Flows from Operating Activities		
Proceeds from Grants and Contracts	\$ 200,000.00	\$ 0.00
Payments to Suppliers for Goods and Services	(843,642.73)	(587,310.34)
Payments to Employees for Salaries	(9,954,532.63)	(9,991,976.87)
Payments to Employees for Benefits	(2,342,661.65)	(2,252,305.62)
Payments for Other Expenses	(2,601,650.89)	(3,549,685.77)
Net Cash Used By Operating Activities	<u>(15,542,487.90)</u>	<u>(16,381,278.60)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	2,664,986.05	2,568,988.95
Proceeds from Gifts	99,876.98	19,500.00
Proceeds from Transfers from Components	9,825,323.10	11,625,789.39
Proceeds from Transfers from Texas Tech Foundation, Inc	1,353,094.00	1,721,129.00
Proceeds from Agency Transactions	6,500,000.00	125,901.01
Proceeds from Other Financing Activities	56,715.51	3,000,014.16
Payments for Other Financing Activities	(3,000,000.00)	0.00
Payments for Transfers to Components	(356,457.47)	(982,528.84)
Net Cash Provided by Noncapital Financing Activities	<u>17,143,538.17</u>	<u>18,078,793.67</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Debt Issuance	500,000.00	0.00
Payments for Additions to Capital Assets	(483,897.51)	(441,254.55)
Payments of Interest on Capital Debt	(6,997.08)	(3,262.24)
Net Cash Used by Capital and Related Financing Activities	<u>9,105.41</u>	<u>(444,516.79)</u>
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	5,821,734.68	5,163,287.14
Proceeds from Interest and Investment Income	3,119,467.85	2,931,103.10
Payments to Acquire Investments	(868,413.44)	(850,806.44)
Net Cash Provided by Investing Activities	<u>8,072,789.09</u>	<u>7,243,583.80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 9,682,944.77</u>	<u>\$ 8,496,582.08</u>
Beginning Cash & Cash Equivalents (September 1, 2013 and 2012)	21,508,562.36	13,011,980.28
Ending Cash & Cash Equivalents (August 31, 2014 and 2013)	<u>\$ 31,191,507.13</u>	<u>\$ 21,508,562.36</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (15,697,800.37)	\$ (16,673,557.08)
Adjustments:		
Depreciation Expense	149,116.48	102,744.40
(Increase) Decrease in Accounts Receivable	(5,597.55)	43,386.56
(Increase) Decrease in Prepaid Items	(15,000.00)	11,604.50
Increase (Decrease) in Accounts Payable	(155,834.21)	154,625.04
Increase (Decrease) in Salaries Payable	157,945.37	135,895.10
Increase (Decrease) in Benefits Payable	7,727.79	6,648.94
Increase (Decrease) in Due to Other State Agencies	(21,409.67)	(98,590.39)
Increase (Decrease) in Employees' Compensable Leave	38,364.26	(64,035.67)
Net Cash Used for Operating Activities	<u>\$ (15,542,487.90)</u>	<u>\$ (16,381,278.60)</u>
Noncash Transactions		
Net Change in Fair Value of Investments	\$ (189,531.26)	\$ 20,288.08

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**

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 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 statements to comply with all the requirement of the 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; 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, 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 value on the Statement of Net Position, as determined by quoted market prices, or in the case of limited partnerships, as reported by the partnership managers and/or their third party administrators, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Money market and TexPool investments are reported at amortized cost provided the investment has a remaining maturity of one year or less at date of purchase. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment net increase (decrease) in fair value of investments in the Statement of Revenues, Expenses, and Changes in Net Position. Investments are addressed in more detail in Note 3.

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

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.

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 Administration 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; generally, 10 to 30 years for buildings and building improvements, 10 to 45 years for facilities and other improvements, 15 to 45 years for infrastructure, 3 to 15 years for furniture and equipment, 5 to 10 years for vehicles, 5 to 7 years for software, and 15 years for library books. 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.

Capital asset activity for the current and prior fiscal years is shown in Note 2.

Payables

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

Employees' compensable leave represents 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, and are explained in more detail in Note 5.

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 4.

Net Position

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

Restricted Net Position

Restricted net position result 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. Interfund activity and transactions by agency is presented in Note 12.

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

Note 2: Capital Assets

Capital assets for the Texas Tech University System Administration are categorized as (1) Construction in Progress, (2) Buildings and Building Improvements, (3) Facilities and Other Improvements, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, or (6) Computer Software.

The changes to fixed asset balances are summarized below for August 31, 2014 and August 31, 2013, respectively.

As of August 31, 2014:

	PRIMARY GOVERNMENT							
	Reclassifications							Balance 8/31/14
	Balance 9/1/13	Adjustments	Completed CIP	Inc-Int'agy Trans	Dec- Inter'agy Trans	Additions	Deletions	
BUSINESS-TYPE ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Construction in Progress	\$ 0.00					401,756.53		\$ 401,756.53
Total Non-depreciable or Non-amortizable Assets	0.00	0.00	0.00	0.00	0.00	401,756.53	0.00	401,756.53
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	68,416.90					12,223.27	(7,392.45)	73,247.72
Vehicle, Boats and Aircraft	51,331.00							51,331.00
Total Depreciable Assets at Historical Cost	1,872,957.29	0.00	0.00	0.00	0.00	12,223.27	(7,392.45)	1,877,788.11
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(433,992.54)					(71,341.32)		(505,333.86)
Facilities and Other Improvements	(51,390.12)					(10,109.52)		(61,499.64)
Furniture and Equipment	(55,859.83)					(4,170.97)	7,392.45	(52,638.35)
Vehicles, Boats and Aircraft	(43,941.53)					(3,546.84)		(47,488.37)
Total Accumulated Depreciation	(585,184.02)	0.00	0.00	0.00	0.00	(89,168.65)	7,392.45	(666,960.22)
Depreciable Assets, Net	1,287,773.27	0.00	0.00	0.00	0.00	(76,945.38)	0.00	1,210,827.89
Intangible Capital Assets - Amortizable								
Computer Software - Intangible	229,261.00					281,911.26		511,172.26
Total Intangible Assets at Historical Cost	229,261.00	0.00	0.00	0.00	0.00	281,911.26	0.00	511,172.26
Less Accumulated Amortization for:								
Computer Software - Intangible	(34,389.18)					(59,947.83)		(94,337.01)
Total Accumulated Amortization	(34,389.18)	0.00	0.00	0.00	0.00	(59,947.83)	0.00	(94,337.01)
Amortizable Assets, Net	194,871.82	0.00	0.00	0.00	0.00	221,963.43	0.00	416,835.25
Business-Type Activities Capital Assets, Net	\$ 1,482,645.09	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 546,774.58	\$ 0.00	\$ 2,029,419.67

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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	0.00	0.00	0.00	0.00	0.00	(110,480.56)	1,872,957.29
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(362,651.22)					(71,341.32)	0.00	(433,992.54)
Facilities and Other Improvements	(41,280.60)					(10,109.52)	0.00	(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)	0.00	0.00	0.00	0.00	(88,654.13)	109,872.78	(585,184.02)
Depreciable Assets, Net	1,377,035.18	0.00	0.00	0.00	0.00	(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	0.00	0.00	0.00	0.00	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)	0.00	0.00	0.00	0.00	(14,090.27)	12,800.00	(34,389.18)
Amortizable Assets, Net	132,505.40	0.00	0.00	0.00	0.00	215,170.73	(152,804.31)	194,871.82
Business-Type Activities Capital Assets, Net	\$ 1,509,540.58	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 126,516.60	\$ (153,412.09)	\$ 1,482,645.09

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 (SITIF), 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 SITIF. 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

The carrying amount of deposits as of August 31, 2014 and August 31, 2013 was \$32,624,533.55 and \$16,173,824.39 as presented below:

Business-Type Activities		
	FY14	FY13
CASH IN BANK – CARRYING VALUE	\$ 32,624,533.55	\$ 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	\$ 32,624,533.55	\$ 16,173,824.39
Proprietary Funds Current Assets Cash in Bank	\$ 26,052,272.12	\$ 14,440,419.78
Proprietary Funds Current Assets Restricted Cash in Bank	688,636.43	642,073.41
Proprietary Funds Non-Current Assets Restricted Cash in Bank	5,883,625.00	1,091,331.20
Cash in Bank per AFR	\$ 32,624,533.55	\$ 16,173,824.39

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”.

All of the System Administration’s deposits in excess of FDIC limits are fully collateralized. The collateral is held in the System Administration’s name by the pledging institution’s agent. System Administration also has no foreign currency risk on deposits.

As of August 31, 2014 and August 31, 2013, the total **bank balance** for Business-Type Activities was \$27,889,420.84 and \$17,828,976.65, respectively.

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

Investments

As of August 31, 2014 and August 31, 2013, the fair market value of investments is as presented below.

Type of Security	Fair Value	
	FY14	FY13
U. S. Government		
U.S. Treasury Securities	\$ (807,454.36)	\$ 179,535.45
U.S. Treasury TIPS	(116,609.36)	38,682.26
U.S. Government Agency Obligations	(1,263,135.96)	335,778.60
Corporate Obligations	(6,439.81)	
Corporate Asset and Mortgage Backed Securities	(12,037.84)	2,182.33
Equity	(150,784.13)	89,004.92
International Obligations	(8,963.77)	4,341.27
Fixed Income Money Market and Bond Mutual Fund	(1,387,676.99)	631,214.34
Mutual Funds - Domestic	(187,556.83)	94,499.29
Other Commingled Funds	(154,754.14)	4,308,581.97
Other Commingled Funds (TexPool)	(424,126.85)	804,848.77
International Other Commingled Funds	(192,950.58)	159,208.75
Real Estate	26,364.01	22,467.29
Domestic Derivatives	1,402.32	
Externally Managed Investments:		
Domestic	(39,043.28)	459,235.52
International	2,108.69	9,248.02
Total Investments	\$ (4,721,658.88)	\$ 7,138,828.78
Non-Current Investments	\$ (3,288,632.46)	\$ 1,804,090.81
Items in Cash and Cash Equivalents:		
Money Market Funds	(1,008,899.57)	405,535.56
TexPool	(424,126.85)	4,929,202.41
Total Investments	\$ (4,721,658.88)	\$ 7,138,828.78

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2014 is presented below.

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

August 31, 2014					
Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Other Commingled Funds	International Externally Managed Investments
05	9999	Argentine peso	\$ 15.78	\$ (1,761.93)	
05	9999	Australian dollar			\$ 0.20
05	9999	Bermudan dollar	238.51		
05	9999	Brazilian real	(1,051.32)	(13,680.71)	
05	9999	British Pound	267.58	(21,686.24)	286.33
05	9999	Bulgarian lev	47.58		
05	9999	Canadian dollar	38.05	(5,589.12)	
05	9999	Cayman Island dollar	373.90		
05	9999	Chilean Peso	(94.67)	(1,538.47)	
05	9999	Chinese yuan	33.28	(7,038.53)	
05	9999	Colombian peso	(1,697.78)		
05	9999	Czech koruna	51.19	(1,317.11)	
05	9999	Danish krone		350.36	
05	9999	Egyptian pound		(1,825.47)	
05	9999	Euro	560.08	(59,117.60)	1,327.78
05	9999	Hong Kong dollar	90.54	(1,283.14)	
05	9999	Hungarian forint		28.50	
05	9999	Indian rupee	(1,099.31)	(7,410.28)	368.09
05	9999	Indonesian rupiah	24.84	(1,769.47)	
05	9999	Japanese yen		(8,423.63)	
05	9999	Kazakhstani tenge	81.33	(869.57)	
05	9999	Malaysian ringgit	(841.04)	(3,228.59)	
05	9999	Mexican peso	(3,457.42)	(9,897.05)	25.26
05	9999	New Israel shekel	9.53		
05	9999	New Turkish lira	(742.98)	(3,293.23)	
05	9999	Nigerian Naira	(732.52)		
05	9999	Norwegian krone		233.57	25.26
05	9999	Panamanian balboa	5.83		
05	9999	Peruvian nuevo sol	(416.56)	(1,204.02)	
05	9999	Phillippino peso	3.80	(1,888.32)	
05	9999	Polish zloty		680.32	
05	9999	Qatari riyal		264.13	
05	9999	Romanian leu	23.70		
05	9999	Russian ruble	395.55	(1,446.33)	
05	9999	Singapore dollar	40.18	1,245.72	
05	9999	South African rand	(1,329.39)	(7,350.43)	
05	9999	South Korean wan	15.32	(8,299.64)	
05	9999	Swedish krona	115.16	(3,865.98)	
05	9999	Swiss franc		(6,569.30)	75.77
05	9999	Taiwan dollar		(12,280.88)	
05	9999	Thai baht	0.65	(924.50)	
05	9999	United Arab Emirates dirham	66.84	(2,193.64)	
		Total	\$ (8,963.77)	\$ (192,950.58)	\$ 2,108.69

As of August 31, 2013, the exposure to foreign currency risk was: International Obligations - \$4,341.27; International Other Commingled Funds - \$159,208.75; and International Externally Managed Investments - \$9,248.02.

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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 SITIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2014 and August 31, 2013 respectively, the System Administration’s credit quality distribution for securities with credit risk exposure was as follows.

As of August 31, 2014:

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$ (1,263,135.96)					
05	9999	Corporate Obligations						\$ (6,439.81)
05	9999	Corporate Asset and Mortgage Backed Securities	\$ (12,037.84)					
05	9999	International Obligations		\$ (147.90)	\$ (1,720.15)	\$ (4,609.17)	\$ (748.47)	\$ (1,738.08)
<hr/>								
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ (783,585.26)					\$ (604,091.73)

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 Obligations						
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
<hr/>								
			AAAf	Aaf	Af			Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ 405,535.56					\$ 225,678.78

Derivative Investing

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

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

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

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

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

Investment Derivatives	Assets		Liabilities		Counterparty Rating
	Notional	Notional	Fair Value at August 31, 2014	Fair Value at August 31, 2014	
Futures Contracts	\$ 130,126.58	\$ 8,065.91	\$ 1,104.16	\$ 226.23	A
Options	74,595.87	45,126.81	\$ 2,863.89	2,315.70	A
Total Return Swaps	12,122.40			23.79	A

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

Note 4: Short-Term Debt

Texas Tech University System Administration had the following short-term debt outstanding as of August 31, 2014:

Business-Type Activities	Balance 9/1/2013	Additions	Reductions	Balance 8/31/2014
Notes and Loans Payable - Commercial Paper	\$ 960,468.99	\$ 500,000.00		\$ 1,460,468.99

Texas Tech University System Administration had the following short-term debt outstanding as of August 31, 2013:

Business-Type Activities	Balance 9/1/2012	Additions	Reductions	Balance 8/31/2013
Notes and Loans Payable - Commercial Paper	\$ 960,468.99			\$ 960,468.99

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction and equipment projects. The Texas Tech University System intends to issue Revenue Financing System bonds in February of 2015, which will include refunding a portion of the System Administration’s outstanding commercial paper debt. Note 16 contains additional information relating to the amount of commercial paper expected to be issued by February 15. Debt service for the obligation is provided in general appropriations for tuition revenue bonds and revenue from various projects.

All commercial paper outstanding at August 31, 2014 will mature in fiscal year 2015. Commercial paper has short maturities up to 270 days with interest ranging from .04% to .14%.

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

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

Business-Type Activities	Balance 9/1/2013	Additions	Reductions	Other Changes	Balance 8/31/2014	Amounts due within one year	Amounts due Thereafter
Employees' Compensable Leave	\$ 982,041.44	\$ 38,364.26			\$ 1,020,405.70	\$ 122,448.69	\$ 897,957.01

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

Business-Type Activities	Balance 9/1/2012	Additions	Reductions	Other Changes	Balance 8/31/2013	Amounts due within one year	Amounts due Thereafter
Employees' Compensable Leave	\$ 1,046,077.11		\$ 64,035.67		\$ 982,041.44	\$ 117,844.98	\$ 864,196.46

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. 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

Current and prior fiscal year notes payable activity and balances which were previously reported in Note 5 as long-term liabilities have been moved to Note 4 and reported as short-term debt. This reclassification was necessary because the bond issue to be used to refund a portion of the outstanding commercial paper debt is not expected to occur until February 2015.

Note 6: Bonded Indebtedness

The Texas Tech University System Administration has no bonded indebtedness as of August 31, 2014 or August 31, 2013.

Note 7: Derivative Instruments

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

The following disclosures summarize the TTU System Administration's derivative activity as reported in the financial statements.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2014		
	Classification	Amount	Classification	Amount	Notional
Futures	Investment Revenue	\$ 877.93	Investments	\$ 877.93	\$ 122,060.67
Options	Investment Revenue	548.19	Investments	548.19	29,469.05
Total Return Swaps	Investment Revenue	(23.79)	Investments	(23.79)	12,122.40

Fair value

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

Investment Derivatives

Investment derivatives expose the TTU System Administration to certain investment related risks. More detail about investment derivatives is disclosed in Note 3.

Texas Tech University System Administration held no derivative instruments subject to reporting requirements at August 31, 2013.

Note 8: Leases

Texas Tech University System Administration had no outstanding capital leases or non-cancelable operating leases as of August 31, 2014 or August 31, 2013.

Note 9: Pension Plans and Optional Retirement Program

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher 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, 2014 and August 31, 2013, respectively are:

	FY14	FY13
Member Contributions	\$ 187,687.24	\$ 205,634.03
Employer Contributions	212,072.47	232,876.23
Total	\$ 399,759.71	\$ 438,510.26

Note 10: Deferred Compensation (administering agencies only)

Not applicable

Note 11: Post Employment Health Care and Life Insurance Benefits

Not applicable

Note 12: Interfund Activity and Transactions

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

- Due from Other State Agencies or Due to Other State 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.

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

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

Due from / to Other State Agencies

Agency Name	Agency Number	D23 Fund	FY14		FY13	
			Due from Other State Agencies	Due to Other State Agencies	Due from Other State Agencies	Due to Other State Agencies
Office of the Governor	300	5124		\$ 188,506.88		\$ 209,916.55
Total Due from/to Other State Agencies				\$ 188,506.88		\$ 209,916.55

Legislative Transfers In / Out

Agency Name	Agency Number	D23 Fund	FY14		FY13	
			Legislative Transfers In	Legislative Transfers Out	Legislative Transfers In	Legislative Transfers Out
Texas Tech University	733	0001	\$ 1,710,587.00		\$ 1,667,837.00	
Texas Tech University Health Sciences Center	739	0001	1,710,587.00		1,667,837.00	
Angelo State University	737	0001	125,128.00		120,628.00	
Total Legislative Transfers In/Out			\$ 3,546,302.00		\$ 3,456,302.00	

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 and Net Position

The System Administration has no restatement of Fund Balance/Net Position as of August 31, 2014 or August 31, 2013.

There were reclassifications of several financial statement balances for the year ended August 31, 2013 to conform to current year financial statements classifications to facilitate comparison of data. These reclassifications had no effect on net position. Those balances were restated on the comparative financial statements as summarized below:

Statement	Description	Restatement Amounts		
		FY13 as Reported	Reclassification	FY13 Restated
SNP	Restricted Nonexpendable Endowment	\$ 364,943.95	\$ (24,752.66)	\$ 340,191.29
SNP	Restricted Expendable Other	509,240.45	24,752.66	533,993.11
SRECNP	Investment Income (Expense)	23,511.47	(4,831.59)	18,679.88
SRECNP	Investment Income (Expense) - Pledged	7,561,963.63	4,831.59	7,566,795.22

Note 15: Contingencies and Commitments

Contingencies

At August 31, 2014 and August 31, 2013, no material lawsuits or claims involving the Texas Tech University System Administration were pending.

Investment Funds

Texas Tech University System Administration 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 remaining commitment – domestic for System Administration was \$106,510.68 for the year ended August 31, 2014, and \$83,019.18 for the year ended August 31, 2013.

Note 16: Subsequent Events

Texas Tech University System Administration intends to issue the following Revenue Financing System Commercial Paper Notes after August 31, 2014 as follows:

Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Financing System Commercial Paper Notes Tax-Exempt	A	\$ 500,000.00	2/12/2015	Construct new System Administration Building

Note 17: Risk Management

Texas Tech University 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 2014 and 2013 totaled \$25,766.33 and \$27,385.88, 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 TTU System Administration 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 Administration 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 2014 and 2013 amounted to \$8,786.96 and \$11,133.92, 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’s Discussion and Analysis (MD&A)

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

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

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

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

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

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

Note 19: The Financial Reporting Entity

The 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 two general academic institutions, two health related institutions, and a system administration office. The components are Texas Tech University (TTU); Texas Tech University Health Sciences Center (TTUHSC), Texas Tech University Health Sciences Center at El Paso (TTUHSC at EP), Angelo State University (ASU), and Texas Tech University System Administration (TTUSA).

Note 20: Stewardship, Compliance and Accountability

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

Note 21: Not applicable in the AFR.

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.

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

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

Donor Restricted Endowment	Amount of Net Appreciation *		Reported in Statement of Net Position
	FY14	FY13	
True Endowments	\$ 60,834.15	\$ 24,752.66	Restricted Expendable
Total	\$ 60,834.15	\$ 24,752.66	

*There was a positive fair value adjustment totaling \$36,081.49 for FY14, and a positive fair value adjustment for FY13 of \$17,654.99.

Note 23: Extraordinary and Special Items

Texas Tech University System Administration has no special or extraordinary items to disclose for the years ended August 31, 2014 or August 31, 2013.

Note 24: Disaggregation of Receivable and Payable Balances

Not applicable

Note 25: Termination Benefits

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

Note 26: Segment Information

The Texas Tech University System Administration has no reportable segments.

Note 27: Service Concession Arrangements

Texas Tech University System Administration had no reportable service concession arrangements for the years ended August 31, 2014 or August 31, 2013.

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

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

Note 29: Troubled Debt Restructuring

Texas Tech University System Administration had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the years ended August 31, 2014 or August 31, 2013.

Note 30: Non-Exchange Financial Guarantees

Texas Tech University System Administration had no non-exchange financial guarantees for the years ended August 31, 2014 or August 31, 2013.

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**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, 2014

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, 2014

Pass-through from:

Agency Number	Agency Name Grant ID / Grant Description	Amount
300	Office of the Governor 300.0006 Emerging Technology Grant	\$ <u><u>221,409.67</u></u>

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2A - Miscellaneous Bond Information
For the Year Ended August 31, 2014

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2B - Changes in Bonded Indebtedness
For the Year Ended August 31, 2014

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2C - Debt Service Requirements Schedule
For the Year Ended August 31, 2014

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2E - Schedule of Defeased Bonds Outstanding
For the Year Ended August 31, 2014

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 2F- Schedule of Early Extinguishment and Refunding
For the Year Ended August 31, 2014

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration (768)
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2014

Schedule Not Applicable