

**TEXAS TECH UNIVERSITY
SYSTEM**



**COMBINED
ANNUAL FINANCIAL REPORT**

FISCAL YEAR 2015

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2015

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

Texas Tech University System

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TEXAS TECH UNIVERSITY SYSTEM

Robert Duncan, *Chancellor*

November 15, 2015

Honorable Greg Abbott
Governor of Texas

Honorable Glen Hegar
Texas Comptroller

Ms. Ursula Parks
Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

To Agency Heads Addressed:

The Financial Report of Texas Tech University System, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2015. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report; therefore, neither has expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2015.

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

Sincerely,

A handwritten signature in black ink that reads "Robert L. Duncan". The signature is written in a cursive style with a long horizontal flourish at the end.

Robert L. Duncan
Chancellor



TEXAS TECH UNIVERSITY SYSTEM

Jim Brunjes
Vice Chancellor and Chief Financial Officer

November 15, 2015

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

Dear Chancellor Duncan:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2015, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Sharon Williamson".

Sharon Williamson, CPA
Assistant Vice President and Controller

Approved:

A handwritten signature in cursive script that reads "Jim Brunjes".

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

**Texas Tech University System
Board of Regents**

Officers of the Board

Mickey L. Long, Chairman
Debbie Montford, Vice Chairwoman
Ben W. Lock, Secretary

Members

Term Expires January 31, 2017

Larry K. Anders	Dallas, TX
Debbie Montford	San Antonio, TX
John D. Steinmetz	Lubbock, TX

Term Expires January 31, 2019

John Esparza	Austin, TX
L. Frederick "Rick" Francis	El Paso, TX
Tim Lancaster	Abilene, TX

Term Expires January 31, 2021

Mickey L. Long	Midland, TX
Ronnie Hammonds	Houston, TX
Christopher M. Huckabee	Fort Worth, TX

Term Expires May 31, 2016

Victoria Messer (Student Regent)	Canyon, TX
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System Fiscal Officers

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED
FINANCIAL STATEMENTS**

UNAUDITED

Texas Tech University System (793)
Combined Statement of Net Position
August 31, 2015 and 2014

	2015	Restated 2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 189,387,794.69	\$ 238,337,764.25
Restricted Cash and Cash Equivalents	110,386,591.05	126,040,013.31
Legislative Appropriations	117,069,691.87	110,908,220.50
Receivables:		
Federal	26,919,711.36	30,090,219.69
Patient	22,366,784.94	22,134,571.79
Student	19,013,962.64	18,445,462.81
Contracts	29,906,244.74	26,243,184.48
Accounts	8,469,187.59	6,882,953.36
Interest and Dividends	982,923.92	681,401.90
Gifts	21,879,413.46	23,989,458.53
Other	2,951,298.83	3,345,726.51
Due From Other State Agencies	39,533,831.85	30,367,150.16
Inventories	4,005,947.18	4,144,108.32
Prepaid Items	51,281,886.67	42,303,684.41
Loans and Contracts	1,673,690.67	1,686,226.77
Other Current Assets	450,000.00	450,000.00
Total Current Assets	646,278,961.46	686,050,146.79
Non-Current Assets:		
Restricted Cash and Cash Equivalents	41,539,813.61	48,006,732.86
Restricted Investments (Note 3)	402,865,850.65	407,576,317.17
Gifts Receivable	49,590,793.97	55,010,740.37
Loans and Notes Receivable	4,617,395.87	4,625,623.41
Investments (Note 3)	1,355,375,654.28	1,217,127,010.98
Capital Assets (Note 2)		
Non-Depreciable or Non-Amortizable	117,213,918.05	151,083,237.51
Depreciable or Amortizable	2,830,740,136.19	2,673,654,258.74
Accumulated Depreciation and Amortization	(1,480,779,887.25)	(1,367,926,272.00)
Total Non-Current Assets	3,321,163,675.37	3,189,157,649.04
Total Assets	3,967,442,636.83	3,875,207,795.83
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources (Note 28)	28,438,673.24	15,375,754.61
Total Deferred Outflows of Resources	\$ 28,438,673.24	\$ 15,375,754.61

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Net Position
August 31, 2015 and 2014

	2015	Restated 2014
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 42,371,583.27	\$ 44,377,188.89
Payroll Payable	73,334,795.83	69,457,053.01
Unearned Revenue	202,410,934.05	196,320,258.94
Due to Other State Agencies	1,928,198.79	1,663,410.97
Employees' Compensable Leave (Note 5)	5,319,043.13	5,045,810.98
Capital Lease Obligations (Note 5)	0.00	17,064.05
Claims and Judgments (Note 5)	1,214,997.45	1,051,550.26
Short-Term Debt Commercial Paper Notes (Note 4)	22,483,000.00	114,963,000.00
Revenue Bonds Payable (Notes 5 & 6)	40,884,638.59	31,968,233.73
Funds Held for Others	32,207,843.96	30,314,005.11
Other Current Liabilities	4,591,871.23	4,724,230.48
Total Current Liabilities	426,746,906.30	499,901,806.42
Non-Current Liabilities:		
Employees' Compensable Leave (Note 5)	39,121,721.71	36,609,130.11
Claims and Judgments (Note 5)	6,623,695.80	12,092,828.02
Revenue Bonds Payable (Notes 5 & 6)	582,682,181.84	456,773,794.72
Net Pension Liability (Note 9)	162,030,163.65	198,919,161.70
Other Non-Current Liabilities	503,506.81	477,480.89
Total Non-Current Liabilities	790,961,269.81	704,872,395.44
Total Liabilities	1,217,708,176.11	1,204,774,201.86
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources (Note 28)	49,527,106.15	0.00
Total Deferred Inflows of Resources	49,527,106.15	0.00
NET POSITION		
Invested in Capital Assets, Net of Related Debt	850,610,476.11	876,824,595.60
Restricted:		
Nonexpendable:		
Endowments	649,580,041.92	627,514,163.19
Expendable:		
Capital Projects	28,831,692.61	29,779,085.90
Higher Education Assistance Fund	45,625,843.31	41,561,548.32
Debt Service	30,730,039.89	31,210,191.59
Other	352,810,186.02	390,763,322.48
Unrestricted	770,457,747.95	688,156,441.50
Total Net Position	\$ 2,728,646,027.81	\$ 2,685,809,348.58

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2015 and 2014

	2015	Restated 2014
Operating Revenues		
Tuition and Fees	\$ 15,583,209.16	\$ 14,560,959.72
Tuition and Fees - Pledged	468,869,796.49	430,453,330.14
Less Discounts and Allowances	(103,794,912.89)	(96,670,078.61)
Professional Fees	253,868,849.90	243,532,221.85
Professional Fees - Pledged	792,725.22	1,022,720.11
Sales and Services of Auxiliary Enterprises - Pledged	159,939,554.19	144,635,980.27
Other Sales and Services	9,006,284.65	5,621,193.67
Other Sales and Services - Pledged	12,419,310.34	12,028,415.16
Federal Grants and Contracts (Schedule 1A)	59,801,063.54	61,332,584.32
Federal Grants and Contracts - Pledged (Schedule 1A)	4,604,968.63	4,983,831.67
Federal Grant Pass-Throughs from Other State Agencies (Schedule 1A)	5,445,469.70	4,988,558.69
State Grants and Contracts	3,029,434.80	4,310,284.68
State Grants and Contracts - Pledged	377,065.96	392,237.93
State Grant Pass-Throughs from Other State Agencies (Schedule 1B)	36,799,666.71	44,442,727.91
Local Governmental Grants and Contracts	43,029,022.78	33,731,309.54
Local Governmental Grants and Contracts - Pledged	1,171,144.89	1,243,973.03
Nongovernmental Grants and Contracts	143,885,499.50	143,927,180.44
Nongovernmental Grants and Contracts - Pledged	2,333,479.39	2,536,589.16
Other Revenue	28,247,049.76	26,821,845.02
Total Operating Revenues	1,145,408,682.72	1,083,895,864.70
Operating Expenses		
Cost of Goods Sold	15,151,338.09	13,859,500.89
Salaries and Wages	840,625,040.09	802,349,897.05
Payroll Related Costs	207,719,549.47	194,159,305.18
Professional Fees and Services	64,588,434.24	64,091,231.35
Travel	31,396,226.11	31,103,738.93
Materials and Supplies	75,680,492.52	71,871,130.46
Communications and Utilities	51,393,986.55	49,670,422.22
Repairs and Maintenance	38,555,961.76	37,705,781.48
Rentals and Leases	14,558,167.43	13,076,170.89
Printing and Reproduction	4,861,214.20	4,948,769.07
Federal Grant Pass-Through Expense	1,001,526.62	1,502,659.13
State Grant Pass-Through Expense (Schedule 1B)	246,023.67	472,996.08
Depreciation and Amortization (Note 2)	128,752,076.00	125,721,787.14
Bad Debt Expense	1,704,897.95	261,761.55
Interest	12,477.96	22,932.54
Scholarships	69,515,256.94	65,817,025.81
Claims and Judgments	1,383,074.20	2,155,000.00
Other Operating Expenses	120,301,680.31	107,285,234.51
Total Operating Expenses	1,667,447,424.11	1,586,075,344.28
Operating Income (Loss)	\$ (522,038,741.39)	\$ (502,179,479.58)

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

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Texas Tech University System (793)
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2015 and 2014

	2015	Restated 2014
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 424,356,316.98	\$ 422,206,905.94
Federal Grants and Contracts (Schedule 1A)	45,860,262.03	45,224,794.96
State Grant Pass-Throughs from Other State Agencies (Schedule 1B)	51,500.00	37,500.00
Private Gifts	63,150,745.07	53,594,112.08
Private Gifts - Pledged	4,302,799.27	6,167,863.94
Investment Income (Expense)	38,083,055.05	86,675,705.71
Investment Income (Expense) - Pledged	18,511,245.58	27,064,655.99
Interest Expense on Capital Asset Financing	(24,772,932.71)	(21,248,721.24)
Gain (Loss) on Sale and Disposal of Capital Assets	(1,389,430.92)	(1,171,753.70)
Net Increase (Decrease) in Fair Value of Investments	(59,284,465.62)	47,998,075.54
Other Nonoperating Revenues (Expenses)	9,303,314.06	12,269,378.99
Other Nonoperating Revenues (Expenses) - Pledged	3,520,303.18	(6,344,494.99)
Total Nonoperating Revenues (Expenses)	521,692,711.97	672,474,023.22
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(346,029.42)	170,294,543.64
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	44,652,684.00	44,652,684.00
Capital Contributions	3,064,485.90	3,870,938.13
Lapsed Appropriations	(834,795.34)	(2,980.13)
Contributions to Permanent and Term Endowments	14,168,324.78	31,583,394.99
Legislative Transfer Out	(2,382,842.79)	(2,764,516.63)
Increase Net Assets - Interagency Transfer Capital Assets	0.00	52,386.53
Decrease Net Assets - Interagency Transfer Capital Assets	(65,113.78)	(108,509.89)
Transfers In from Other State Agencies	10,003,927.73	8,815,806.83
Transfers Out to Other State Agencies	(25,423,961.85)	(6,900,275.57)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	43,182,708.65	79,198,928.26
TOTAL CHANGES IN NET POSITION	\$ 42,836,679.23	\$ 249,493,471.90
Beginning Net Position (September 1)	2,685,809,348.58	2,603,698,488.54
Restatement of Beginning Net Position (Note 14)	0.00	(167,382,611.86)
Ending Net Position (August 31)	\$ 2,728,646,027.81	\$ 2,685,809,348.58

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

UNAUDITED

Texas Tech University System (793)
Combined Statement of Cash Flows
For the Years Ended August 31, 2015 and 2014

	2015	Restated 2014
Cash Flows from Operating Activities		
Proceeds from Customers	\$ 306,663,670.83	\$ 293,860,417.61
Proceeds from Tuition and Fees	389,236,441.57	357,744,148.38
Proceeds from Grants and Contracts	301,076,615.12	296,051,830.41
Proceeds from Sales and Services of Auxiliary Enterprises	157,762,848.34	151,268,734.99
Proceeds from Collections of Loans to Students	4,436,335.87	5,563,454.11
Payments to Suppliers for Goods and Services	(220,188,272.86)	(206,712,108.03)
Payments to Employees for Salaries	(836,593,968.03)	(797,859,370.39)
Payments to Employees for Benefits	(206,288,221.00)	(190,321,469.75)
Payments for Loans Issued to Students	(4,740,068.00)	(6,512,766.09)
Payments for Other Expenses	(290,031,132.44)	(266,151,688.15)
Net Cash Used By Operating Activities	(398,665,750.60)	(363,068,816.91)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	420,788,465.53	397,547,117.24
Proceeds from Gifts	89,613,801.75	115,874,217.32
Proceeds from Nonoperating Grants and Contracts	45,836,491.91	45,262,294.96
Proceeds from Other Financing Activities	14,008,403.36	11,628,915.65
Proceeds from Agency Transactions	278,627,222.14	284,521,935.27
Proceeds from Transfers In from Other State Agencies	4,023,239.43	3,167,329.27
Payments for Transfers to Other State Agencies	(5,613,114.74)	(5,085,896.40)
Payments for Other Uses	(274,267,242.75)	(293,043,801.50)
Net Cash Provided by Noncapital Financing Activities	573,017,266.63	559,872,111.81
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Capital Assets	131,578.99	91,195.93
Proceeds from Capital Debt Issuances	350,471,809.85	78,700,000.00
Proceeds from Capital Appropriations	41,250,273.26	49,269,228.27
Payments for Transfers to Other State Agencies	(22,298,944.90)	(4,581,193.38)
Payments for Additions to Capital Assets	(138,681,543.89)	(168,110,724.50)
Payments for Principal Paid on Capital Debt	(305,600,000.00)	(48,606,000.00)
Payments for Interest Paid on Capital Debt	(27,644,770.62)	(22,453,268.32)
Payments for Other Costs on Debt Issuance	(1,901,240.98)	0.00
Net Cash Used by Capital and Related Financing Activities	(104,272,838.29)	(115,690,762.00)
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	208,787,095.93	152,146,846.54
Proceeds from Interest and Investment Income	68,065,035.63	60,849,559.73
Payments to Acquire Investments	(418,001,120.37)	(391,688,349.32)
Net Cash Used by Investing Activities	(141,148,988.81)	(178,691,943.05)
TOTAL NET CASH FLOWS	\$ (71,070,311.07)	\$ (97,579,410.15)

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

UNAUDITED

**Texas Tech University System (793)
Combined Statement of Cash Flows
For the Years Ended August 31, 2015 and 2014**

	2015	Restated 2014
Beginning Cash & Cash Equivalents - September 1	\$ 412,384,510.42	\$ 509,696,037.82
Restatement to Beginning Cash & Cash Equivalents	0.00	267,882.75
Beginning Cash & Cash Equivalents - September 1 (Restated)	412,384,510.42	509,963,920.57
 Ending Cash & Cash Equivalents - August 31	 \$ 341,314,199.35	 \$ 412,384,510.42
 Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (522,038,741.39)	\$ (502,179,479.58)
Adjustments:		
Depreciation and Amortization Expense	128,752,076.00	125,721,787.14
Bad Debt Expense	511,169.68	432,317.17
Pension Expense	14,978,532.62	0.00
(Increase) Decrease in Accounts Receivables	(4,118,567.90)	(12,563,512.29)
(Increase) Decrease in Loans and Notes Receivable	20,763.64	(1,095,049.78)
(Increase) Decrease in Inventories	138,161.14	(431,021.59)
(Increase) Decrease in Due From Other State Agencies	(961,393.82)	(181,481.46)
(Increase) Decrease in Prepaid Items	(7,288,995.14)	(3,635,514.79)
(Increase) Decrease in Deferred Outflows of Resources	(15,403,343.15)	0.00
Increase (Decrease) in Accounts Payable	1,785,825.18	3,797,342.72
Increase (Decrease) in Payroll Payable	957,935.73	1,001,484.45
Increase (Decrease) in Unearned Revenue	6,111,065.00	21,836,240.42
Increase (Decrease) in Employees' Compensable Leave	2,785,823.75	1,995,324.10
Increase (Decrease) in Claims and Judgments	(5,305,685.03)	(1,001,808.90)
Increase (Decrease) in Due To Other State Agencies	205,513.65	261,014.25
Increase (Decrease) in Benefits Payable	586,340.41	2,789,576.37
Increase (Decrease) in Other Liabilities	(382,230.97)	183,964.86
Net Cash Used for Operating Activities	(398,665,750.60)	(363,068,816.91)
 Noncash Transactions		
Donations of Capital Assets	3,064,485.90	3,870,938.13
Net Increase (Decrease) in Fair Value of Investments	(59,284,465.62)	47,998,075.54
Other	(1,080,655.69)	(2,089,768.99)
Total Noncash Transactions	\$ (57,300,635.41)	\$ 49,779,244.68

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

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**NOTES to the COMBINED
FINANCIAL STATEMENTS**

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

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

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

The System also includes within this report all component units as determined by an analysis of their relationship to the System. Blended component units are described in more detail in Note 19. The System has one discrete component unit, the Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation (Carr Foundation). Financial statements for this discrete component unit are presented separately at the end of this combined report, and more detailed information can be found in Note 19.

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 be in compliance with all the requirements in this statement. The financial report is considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Basis of Accounting

For financial reporting purposes, institutions of higher education are considered proprietary funds, which are used to account for business-type activities. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods and services. The accompanying financial statements are prepared with transactions recorded on a fund basis. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an Amendment of GASB Statement No. 34*, established accounting and financial reporting standards for universities within the financial reporting guidelines of GASB 34 as mentioned above. Under GASB 35, universities must follow proprietary fund accounting, and are required to report all funds in a single column instead of by individual fund.

The basis of accounting determines when revenues and expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds use the flow of economic resources measurement focus (whether or not the entity is economically better off as a result of the events and transactions that occurred during the fiscal period reported) and the full accrual basis of accounting, meaning revenues are recognized when earned and expenses are recorded when an obligation has occurred.

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

Proprietary funds distinguish between operating and nonoperating items. Operating revenues and expenses result from providing services, or producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization on capital assets.

Budgetary Information

The System component institutions prepare annual budgets which are approved by the Board of Regents. The budgets for appropriated funds are prepared biennially and represent appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

Cash and Cash Equivalents

For reporting purposes, cash includes cash on hand, cash in transit, cash in local banks, cash in the state treasury, and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity they present insignificant risk of a decrease in value due to changes in interest rates. Investments with an original maturity of three months or less and used for cash management rather than investing activities are considered cash equivalents.

The System records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value.

Investments

The System accounts for its investments at fair value on the Combined Statement of Net Position, as determined by quoted market prices or, in the case of limited partnerships, values 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 cost provided the investment has a remaining maturity of one year or less at date of purchase. All investment income, including changes in the fair value of investments, is reported in the Combined Statement of Revenues, Expenses, and Changes in Net Position. Investments are addressed in more detail in Note 3.

Legislative Appropriations

This item represents the balance of General Revenue Funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

Restricted Assets

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

Inventories and Prepaid Items

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

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

Receivable balances are grouped into several receivable categories. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables and historical collection information.

Student receivables consist of tuition and fees charged to students, patient receivables are for medical fees charged for services, and accounts receivable are fees for auxiliary enterprise services provided to students, faculty, and staff, as well as state and local grant billings.

Contracts receivable are primarily related to agreements between the System health sciences center component institutions and teaching hospitals for the provision of medical services.

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

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

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

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

Loans and Notes Receivable

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

Capital Assets

Capital assets, defined as assets held for use in operations with a value equal to or greater than the capitalization threshold established for that asset type and an initial useful life of more than one year, are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Capital assets may or may not be capitalized for financial reporting purposes. 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. 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 (793) – Notes to the Combined Financial Statements (continued)

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

Capital asset activity for the current fiscal year is shown in Note 2.

Deferred Outflows of Resources

Deferred outflows of resources refers to the net asset consumption of assets that is applicable to a future fiscal year. These deferred outflows arose due to the new reporting requirements for pensions as discussed below in the section **Net Pension Liability**. Deferred outflows are discussed in more detail in Notes 9 and 28.

Payables

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending. Payroll payable includes accrued salary, wages and benefits.

Claims and Judgments

Claims and judgments include estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. These liabilities are reported separately as either current or noncurrent in the Combined Statement of Net Position. Claims and judgments activity is shown in Note 5, with a detailed explanation of the medical self-insurance plan and activity in Note 17.

Unearned Revenues

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

Employees' Compensable Leave

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. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid. These liabilities are reported separately as either current or noncurrent in the Combined Statement of Net Position, and are explained in more detail in Note 5.

Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Obligations are reported separately as either current or noncurrent in the Combined Statement of Net Position. Capital leases are explained in more detail in Note 8, with activity shown in Note 5.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Short-term Debt Commercial Paper Notes**

Short-term debt commercial paper notes are amounts owed for commercial paper that was issued during the current accounting period for long-term construction projects for the System's component institutions. Short-term debt commercial paper notes are further explained in Note 4.

Revenue Bonds Payable

The System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Revenue bonds payable are addressed in more detail in Note 6, with changes in activity shown in Note 5. The bonds are reported at par, net of unamortized premiums. Issuance costs are expensed in the period incurred.

Funds Held for Others

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

Net Pension Liability

Due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the System must now recognize its proportionate share of net pension liability and operating statement activity related to changes in the collective pension liability for participation in the Teacher Retirement System (TRS) pension plan. The net pension liability is the System's proportionate share of the total TRS pension plan liability less the Plan's net assets as reported by the TRS pension plan for fiscal year 2014. The System's proportionate share is based on its contributions to the pension plan relative to the contributions of other employers participating in the plan. The net pension liability and related changes to the collective pension liability are included in this annual financial report and represent the total net pension liability for all System component institutions. Pensions are discussed in greater detail in Note 9.

Deferred Inflows of Resources

Deferred inflows of resources are defined as the net asset acquisition of assets that is applicable to a future fiscal year. These deferred inflows arose due to the new reporting requirements for pensions as discussed above. Deferred inflows are discussed further in Notes 9 and 28.

Other Liabilities

The major component of other liabilities consists of advance deposits received from students for residence hall occupancy in the next fiscal year.

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

Net Position

Net Position reflects the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. Net position is presented in three separate classes: Invested in Capital Assets, Net of Related Debt; Restricted Net Position; and Unrestricted Net Position.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)***Invested in Capital Assets, Net of Related Debt***

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

Restricted Net Position

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

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

Unrestricted Net Position

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

Interfund Activity and Transactions

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

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

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2015 is presented below.

	Balance 9/1/2014	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'agy Trans	Reclassifications Dec-Int'agy Trans	Additions	Deletions	Balance 8/31/2015
BUSINESS-TYPE ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Land and Land Improvements	\$ 20,819,442.97					\$ 136,001.45		\$ 20,955,444.42
Construction in Progress	52,080,926.01	(1,511,503.66)	(83,862,651.81)			47,069,524.09		13,776,294.63
Other Capital Assets	79,711,372.19	(17,000.00)				3,104,294.06	(316,487.25)	82,482,179.00
Total Non-depreciable or Non-amortizable Assets	152,611,741.17	(1,528,503.66)	(83,862,651.81)	0.00	0.00	50,309,819.60	(316,487.25)	117,213,918.05
Depreciable Assets								
Buildings and Building Improvements	1,807,413,076.14	8,247,191.27	82,337,553.30			44,125,060.02	(337,499.10)	1,941,785,381.63
Infrastructure	43,722,136.50							43,722,136.50
Facilities and Other Improvements	182,060,162.07		1,525,098.51			8,712,428.88		192,297,689.46
Furniture and Equipment	294,029,276.60			80,562.00	(122,223.04)	24,397,653.38	(15,497,071.39)	302,888,197.55
Vehicle, Boats and Aircraft	18,291,847.93			209,760.48		1,129,696.34	(409,656.88)	19,221,647.87
Other Capital Assets	186,358,482.26	(311,758.69)				10,031,217.19	(751,284.71)	195,326,656.05
Total Depreciable Assets at Historical Cost	2,531,874,981.50	7,935,432.58	83,862,651.81	290,322.48	(122,223.04)	88,396,055.81	(16,995,512.08)	2,695,241,709.06
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(858,304,825.15)	(1,441,104.58)				(63,603,036.82)	182,172.99	(923,166,793.56)
Infrastructure	(17,390,744.92)					(1,555,355.52)		(18,946,100.44)
Facilities and Other Improvements	(81,909,717.96)					(6,285,686.62)		(88,195,404.58)
Furniture and Equipment	(188,660,244.81)			(80,562.00)	57,109.26	(27,167,908.27)	15,116,771.19	(200,734,834.63)
Vehicles, Boats and Aircraft	(13,560,090.17)			(209,760.48)		(1,358,542.67)	408,643.32	(14,719,750.00)
Other Capital Assets	(98,726,204.81)	1,731.99				(11,208,558.55)	83,401.92	(109,849,629.45)
Total Accumulated Depreciation	(1,258,551,827.82)	(1,439,372.59)	0.00	(290,322.48)	57,109.26	(111,179,088.45)	15,790,989.42	(1,355,612,512.66)
Depreciable Assets, Net	1,273,323,153.68	6,496,059.99	83,862,651.81	0.00	(65,113.78)	(22,783,032.64)	(1,204,522.66)	1,339,629,196.40
Intangible Capital Assets - Amortizable								
Computer Software - Intangible	133,532,085.97					1,995,267.02	(340,684.55)	135,186,668.44
Other Intangible Capital Assets - Term		311,758.69						311,758.69
Total Intangible Assets at Historical Cost	133,532,085.97	311,758.69	0.00	0.00	0.00	1,995,267.02	(340,684.55)	135,498,427.13
Less Accumulated Amortization for:								
Computer Software - Intangible	(107,933,339.60)					(17,552,203.67)	340,684.55	(125,144,858.72)
Other Intangible Capital Assets - Term		(1,731.99)				(20,783.88)		(22,515.87)
Total Accumulated Amortization	(107,933,339.60)	(1,731.99)	0.00	0.00	0.00	(17,572,987.55)	340,684.55	(125,167,374.59)
Amortizable Assets - Intangible, Net	25,598,746.37	310,026.70	0.00	0.00	0.00	(15,577,720.53)	0.00	10,331,052.54
Business-Type Activities Capital Assets, Net	\$ 1,451,533,641.22	\$ 5,277,583.03	\$ 0.00	\$ 0.00	\$ (65,113.78)	\$ 11,949,066.43	\$ (1,521,009.91)	\$ 1,467,174,166.99

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

Note 3: Deposits, Investments, and Repurchase Agreements

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

The governing investment policy is Regents’ Rules Chapter 09, “Investment and Endowments.” The majority of the System 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 the System with donor instructions to maintain in their original form, and debt proceeds.

Deposits of Cash in Bank

The carrying amount of deposits as of August 31, 2015 and August 31, 2014 was \$95,631,711.08, and \$157,556,433.00, respectively, as presented below:

Business-Type Activities

	FY15	Restated FY14
CASH IN BANK – CARRYING VALUE	\$ 95,631,711.08	\$ 157,556,433.00
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	\$ 95,631,711.08	\$ 157,556,433.00
Proprietary Funds Current Assets Cash in Bank	\$ (21,434,276.48)	\$ 24,125,167.34
Proprietary Funds Current Assets Restricted Cash in Bank	85,119,865.36	98,874,527.48
Proprietary Funds Non-Current Assets Restricted Cash in Bank	31,946,122.20	34,556,738.18
Cash in Bank per AFR	\$ 95,631,711.08	\$ 157,556,433.00

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

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

As of August 31, 2015, the total **bank balance** for Business-Type Activities was \$82,977,181.02. At August 31, 2014, the balance (restated) was \$148,778,256.04.

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

The carrying amount of deposits for Carr Foundation as of August 31, 2015 and August 31, 2014 was \$304,961.67 and \$536,293.38, respectively, as presented below:

Discrete Component Unit

	FY15	FY14
CASH IN BANK – CARRYING VALUE	\$ 304,961.67	\$ 536,293.38
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	\$ 304,961.67	\$ 536,293.38
Proprietary Funds Current Assets Cash in Bank	\$ 50,204.37	\$ 343,867.03
Proprietary Funds Current Assets Restricted Cash in Bank	254,757.30	192,426.35
Cash in Bank per AFR	\$ 304,961.67	\$ 536,293.38

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

As of August 31, 2015, the total **bank balance** for Discrete Component Unit Activities for the Carr Foundation was \$280,773.35. At August 31, 2014, this balance was \$516,536.33.

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

Investments

The fair value of investments is presented below for August 31, 2015, and August 31, 2014, respectively:

Business-Type Activities

Type of Security	Fair Value	
	FY15	Restated FY14
U. S. Government		
U.S. Treasury Securities	\$ 164,296,357.94	\$ 125,547,814.44
U.S. Treasury TIPs	25,958,154.26	18,198,258.93
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	262,442,689.51	196,223,299.60
Corporate Obligations	870,027.50	1,005,007.50
Corporate Asset and Mortgage Backed Securities	2,021,028.35	1,879,241.15
Equity	25,592,917.89	26,011,273.47
International Obligations (Gov't. and Corp.)	1,339,052.10	10,653,170.32
Fixed Income Money Market and Bond Mutual Fund	308,443,127.80	345,383,589.50
Mutual Funds - Domestic	31,259,946.56	29,665,893.14
Other Commingled Funds	121,923,297.29	142,722,458.85
Other Commingled Funds (TexPool)	74,998,167.42	93,133,974.35
International Other Commingled Funds	77,538,587.70	145,501,071.92
Real Estate	53,032,523.65	33,696,276.84
Domestic Derivatives	(7,460,643.60)	593,422.71
Externally Managed Investments:		
Domestic	811,919,179.03	655,081,236.23
International	897,852.25	2,339,065.22
Miscellaneous	11,607,752.50	11,931,359.15
Total Investments	\$ 1,966,680,018.15	\$ 1,839,566,413.32
Non-Current Investments	\$ 1,758,241,504.93	\$ 1,624,703,328.15
Items in Cash and Cash Equivalents:		
Money Market Funds	133,440,345.80	121,729,110.82
TexPool Investments	74,998,167.42	93,133,974.35
Total Investments	\$ 1,966,680,018.15	\$ 1,839,566,413.32

Discrete Component Unit

Type of Security	Fair Value	
	FY15	FY14
International Obligations (Gov't. and Corp.)	\$ 57,816.99	\$ 1,092,315.31
Fixed Income Money Market and Bond Mutual Fund	6,645,898.38	15,199,751.96
Other Commingled Funds	10,441,974.73	13,690,672.69
International Other Commingled Funds	4,736,529.96	13,626,234.30
Real Estate	13,431,953.79	10,776,928.83
Domestic Derivatives	(994,482.17)	78,351.61
Externally Managed Investments:		
Domestic	95,378,052.39	76,634,664.88
International	119,681.11	315,064.24
Total Investments	\$ 129,817,425.18	\$ 131,413,983.82
Non-Current Investments	\$ 129,817,425.18	\$ 131,413,983.82
Total Investments	\$ 129,817,425.18	\$ 131,413,983.82

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The System’s investment policy is to require third party custody for the two investment pools, the LTIF and the SITIF. The balances listed below relate to the securities held outside of those pools at August 31, 2015 and August 31, 2014.

Business-Type Activities

Fiscal Year	Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty
2015	05	9999	Equity	\$ 2,910,298.99
2014	05	9999	Equity	\$ 2,742,778.51

The Carr Foundation had no custodial credit risk for investments at August 31, 2015 or August 31, 2014.

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. LTIF and SITIF do not have policy limits specific to international equity or debt. All exposures are through funds managed by external investment managers. The exposure to foreign currency risk as of August 31, 2015, is presented below.

FY15			International	International	International
Fund Type	GAAP Fund	Foreign Currency	Obligations (Gov't. and Corp.)	Other Commingled Funds	Externally Managed Investments
05	9999	Argentine peso		\$ 405,973.75	
05	9999	Australian dollar	\$ 4,366.92	512,198.23	\$ 85.94
05	9999	Bermudan dollar		92,352.81	
05	9999	Brazilian real	203,099.83	3,455,504.33	
05	9999	British pound	28,676.10	10,451,134.71	101,718.00
05	9999	Canadian dollar		818,311.47	
05	9999	Chilean peso	249,375.74	125,905.50	
05	9999	Chinese yuan renminbi		4,641,123.86	
05	9999	Czech koruna		484,110.97	
05	9999	Danish krone		214,204.19	
05	9999	Egyptian pound		679,453.99	
05	9999	Euro	20,567.10	13,153,672.97	407,992.81
05	9999	Hong Kong dollar		1,788,774.32	
05	9999	Hungarian forint		19,854.23	
05	9999	Indian rupee	254,517.52	4,195,255.93	388,055.50
05	9999	Indonesian rupiah		589,909.82	
05	9999	Japanese yen		7,323,371.51	
05	9999	Kazakhstani tenge		62,390.12	
05	9999	Latvian lats		14,984.23	
05	9999	Malaysian ringgit		816,582.55	
05	9999	Mexican peso	251,946.62	2,274,234.75	
05	9999	Norwegian krone		42,840.84	
05	9999	Peruvian nuevo sol	105,406.24	101,859.57	
05	9999	Phillippine peso		456,616.18	
05	9999	Polish zloty		188,615.20	
05	9999	Qatar riyal		457,330.82	
05	9999	Russian ruble		202,068.81	
05	9999	Singapore dollar		1,072,159.02	
05	9999	South African rand	221,096.03	2,657,084.06	
05	9999	South Korean won		5,102,183.20	
05	9999	Swedish krona		899,467.89	
05	9999	Swiss franc		4,807,549.42	
05	9999	Taiwan dollar		5,723,176.69	
05	9999	Thai baht		1,488,821.68	
05	9999	Turkish lira		1,436,383.56	
05	9999	United Arab Emirates dirham		783,126.52	
		Total	\$ 1,339,052.10	\$ 77,538,587.70	\$ 897,852.25

At August 31, 2014, the exposure to foreign currency risk (restated) was: International Obligations (Gov't. and Corp.)- \$10,653,170.32; International Other Commingled Funds - \$145,501,071.92; and International Externally Managed Investments - \$2,339,065.22.

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

Discrete Component Unit

FY15					
Fund Type	GAAP Fund	Foreign Currency	International Obligations (Gov't. and Corp.)	International Other Commingled Funds	International Externally Managed Investments
15	9999	Argentine peso		\$ 24,687.32	
15	9999	Australian dollar		68,274.54	\$ 11.46
15	9999	Brazilian real	\$ 8,991.22	232,229.91	
15	9999	British pound		770,030.99	13,558.72
15	9999	Chilean peso	11,039.86		
15	9999	Chinese yuan renminbi		323,558.94	
15	9999	Czech koruna		29,438.86	
15	9999	Danish krone		28,552.80	
15	9999	Egyptian pound		41,317.69	
15	9999	Euro	910.51	375,807.07	54,384.25
15	9999	Hong Kong dollar		127,535.83	
15	9999	Hungarian forint		2,646.51	
15	9999	Indian rupee	11,267.48	315,836.07	51,726.68
15	9999	Indonesian rupiah		37,051.16	
15	9999	Japanese yen		540,599.63	
15	9999	Malaysian ringgit		48,472.28	
15	9999	Mexican peso	11,153.67	136,346.30	
15	9999	Norwegian krone		5,710.56	
15	9999	Peruvian nuevo sol	4,666.33		
15	9999	Phillippine peso		31,758.14	
15	9999	Polish zloty		25,141.86	
15	9999	Qatar riyal		37,051.16	
15	9999	Russian ruble		9,262.79	
15	9999	Singapore dollar		59,009.12	
15	9999	South African rand	9,787.92	167,095.38	
15	9999	South Korean won		443,166.31	
15	9999	Swedish krona		5,710.56	
15	9999	Swiss franc		215,097.74	
15	9999	New Taiwan dollar		318,508.70	
15	9999	Thai baht		162,378.85	
15	9999	Turkish lira		117,293.12	
15	9999	United Arab Emirates dirham		36,959.77	
		Total	\$ 57,816.99	\$ 4,736,529.96	\$ 119,681.11

At August 31, 2014, the exposure to foreign currency risk for the Carr Foundation was: International Obligations (Gov't. and Corp.) - \$1,092,315.31; International Other Commingled Funds - \$13,626,234.30; and International Externally Managed Investments - \$315,064.24.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the SITIF to those issued by the U.S. or its agencies and instrumentalities. As of August 31, 2015, the System's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$ 262,442,689.51					
05	9999	Corporate Obligations					\$ 480,827.50	\$ 389,200.00
05	9999	Corporate Asset and Mortgage Backed Securities	\$ 2,021,028.35					
05	9999	International Obligations (Gov't. and Corp.)		\$ 29,459.15	\$ 237,012.22	\$ 758,439.11	\$ 106,052.93	\$ 208,088.69
			AAAf	Aaf	Af			Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ 133,440,345.80					\$ 175,002,782.00

Discrete Component Unit

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	9999	International Obligations (Gov't. and Corp.)		\$ 1,271.97	\$ 10,233.61	\$ 32,747.54	\$ 4,579.11	\$ 8,984.76
			AAAf	Aaf	Af			Unrated
15	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 6,645,898.38

The System's credit quality distribution for securities with credit risk exposure as of August 31, 2014 (restated) was as presented below.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$ 196,223,299.60					
05	9999	Corporate Obligations						\$ 1,005,007.50
05	9999	Corporate Asset and Mortgage Backed Securities	\$ 1,879,241.15					
05	9999	International Obligations (Gov't. and Corp.)		\$ 175,777.31	\$ 2,044,343.38	\$ 5,477,860.18	\$ 889,539.72	\$ 2,065,649.73
			AAAf	Aaf	Af			Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$ 121,729,110.82					\$ 223,654,478.68

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

Discrete Component Unit

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
15	9999	International Obligations (Gov't and Corp.)		\$ 18,023.20	\$ 209,615.31	\$ 561,668.53	\$ 91,208.33	\$ 211,799.94
			AAAf	Aaf	Af			Unrated
15	9999	Fixed Income Money Market and Bond Mutual Fund						\$ 15,199,751.96

Investment Derivative Instruments

The 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. As of August 31, 2015 the System held futures contracts, options and total return swaps as investment derivatives.

The System entered into these type derivatives 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 2015 all used market indices as underlying securities in order to gain and reduce market exposure in an efficient manner. All investment derivatives are reported as Investments on the Combined Statement of Net Position, and changes in fair value of certain derivatives are reported as investment revenue in the Combined Statement of Revenues, Expenses and Changes in Net Position.

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

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

The System's gross counterparty exposure as of August 31, 2015 is presented below.

Investment Derivatives	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
	Notional	Notional	Fair Value August 31, 2015	Fair Value August 31, 2015	
Futures Contracts	\$ 96,771,952.49	\$ 33,660,560.29	\$ 0.00	\$ 0.00	A
Options	\$ 85,902,008.25	\$ 98,424,661.33	\$ 3,646,108.98	\$ 6,644,940.20	A-
	31,233,581.29	15,573,437.17	562,555.68	3,157,309.77	BBB+
	<u>\$ 117,135,589.54</u>	<u>\$ 113,998,098.50</u>	<u>\$ 4,208,664.66</u>	<u>\$ 9,802,249.97</u>	
Total Return Swaps	\$ 16,636,777.81	\$ 0.00	\$ 0.00	\$ 983,159.17	A
	8,000,459.51	0.00	0.00	883,899.12	A-
	<u>\$ 24,637,237.32</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,867,058.29</u>	

Discrete Component Unit

Investment Derivatives	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
	Notional	Notional	Fair Value August 31, 2015	Fair Value August 31, 2015	
Futures Contracts	\$ 12,899,420.89	\$ 4,486,855.16	\$ 0.00	\$ 0.00	A
Options	\$ 11,450,488.80	\$ 13,119,722.18	\$ 486,015.76	\$ 885,751.28	A-
	4,163,345.89	2,075,894.05	74,987.04	420,860.24	BBB+
	<u>\$ 15,613,834.69</u>	<u>\$ 15,195,616.23</u>	<u>\$ 561,002.80</u>	<u>\$ 1,306,611.52</u>	
Total Return Swaps	\$ 2,217,634.28	\$ 0.00	\$ 0.00	\$ 131,052.26	A
	1,066,438.07	0.00	0.00	117,821.19	A-
	<u>\$ 3,284,072.35</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 248,873.45</u>	

The System's gross counterparty exposure (restated) as of August 31, 2014 is presented below.

Investment Derivatives	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Counterparty Rating
	Notional	Notional	Fair Value August 31, 2014	Fair Value August 31, 2014	
Futures Contracts	\$ 144,342,509.32	\$ 8,947,087.32	\$ 0.00	\$ 0.00	A
Options	82,745,234.38	50,056,779.41	3,176,765.94	2,568,683.05	A
Total Return Swaps	13,446,735.75	0.00	0.00	26,393.48	A

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

Discrete Component Unit

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

At August 31, 2015, the System also had exposure to investment foreign currency risk in derivative investments as presented in the table below.

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
05	9999	Euro	\$ 0.00	\$ (101,728.73)	\$ 0.00
05	9999	British pound	0.00	(781,919.65)	0.00
		Total	\$ 0.00	\$ (883,648.38)	\$ 0.00

Discrete Component Unit

Fund Type	GAAP Fund	Foreign Currency	Business-Type Activities		
			Futures Contracts	Options	Total Return Swaps
15	9999	Euro	\$ 0.00	\$ (13,560.14)	\$ 0.00
15	9999	British pound	0.00	(104,227.62)	0.00
		Total	\$ 0.00	\$ (117,787.76)	\$ 0.00

Neither the System nor the Carr Foundation had exposure to investment foreign currency risk in derivative investments for the year ending August 31, 2014.

Note 4: Short-Term Debt

The System had the following short-term debt outstanding as of August 31, 2015.

Business-Type Activities	Balance	Increases	Decreases	Balance
	9/1/2014			8/31/2015
Short-Term Debt CP Notes	\$ 114,963,000.00	\$ 26,200,000.00	\$ 118,680,000.00	\$ 22,483,000.00

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

Short-Term Debt Commercial Paper Notes

Commercial paper, both taxable and non-taxable, was issued during the fiscal year to serve as an interim financing source for various long-term construction projects in advance of the issuance of authorized bonds. All commercial paper outstanding at 8/31/15 will mature in fiscal year 2016. Commercial paper has short maturities up to 270 days with interest rates ranging from .03% to .17% for tax-exempt, and .10% to .15% for taxable paper.

Note 5: Long-Term Liabilities

During the year ended August 31, 2015, the following changes occurred in liabilities:

Business-Type Activities	Balance 9/1/2014	Additions	Reductions	Restatement/ Adjustment	Balance 8/31/2015	Amounts due within one year	Amounts due Thereafter
Claims and Judgments	\$ 13,144,378.28	\$ 273,000.00	\$ 5,578,685.03	\$ 0.00	\$ 7,838,693.25	\$ 1,214,997.45	\$ 6,623,695.80
Capital Lease Obligations	17,064.05	0.00	17,064.05	0.00	0.00	0.00	0.00
Employees' Compensable Leave	41,654,941.09	3,107,639.53	321,815.78	0.00	44,440,764.84	5,319,043.13	39,121,721.71
Revenue Bonds Payable	488,742,028.45	318,570,000.00	186,920,000.00	3,174,791.98	623,566,820.43	40,884,638.59	582,682,181.84
Total Business-Type Activities	\$ 543,558,411.87	\$ 321,950,639.53	\$ 192,837,564.86	\$ 3,174,791.98	\$ 675,846,278.52	\$ 47,418,679.17	\$ 628,427,599.35

Discrete Component Unit

Discrete Component Unit Activities	Balance 9/1/2014	Additions	Reductions	Restatement/ Adjustment	Balance 8/31/2015	Amounts due within one year	Amounts due Thereafter
Employees' Compensable Leave	\$ 0.00	\$ 16,024.60	\$ 763.64	\$ 0.00	\$ 15,260.96	\$ 561.52	\$ 14,699.44

Claims and Judgments

Claims and judgments include estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of the General Counsel. Detailed information is presented in Note 17.

Capital Lease Obligations

See Note 8 for detailed information on capital lease obligations.

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

Employees' Compensable Leave

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

Revenue Bonds Payable

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

Pollution Remediation Obligations

Texas Tech University (TTU) is a responsible party for pollution remediation activities on a 5,855-acre parcel of land in Carson County, Texas. TTU purchased the land from the United States of America, acting by and through the General Services Administrator in 1949, to operate an experimental research farm. The remediation costs were not reasonably estimable at the time of this report.

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in the Combined:

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

In fiscal year 2015, the following series was refunded:

Revenue Financing System Refunding and Improvement Bonds, 9th Series 2003

Purpose:	Refunding of Series A Notes and Series 1993 bonds, construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other System construction of capital improvement projects and costs of issuance.
Issue Date:	September 23, 2003
Original Issue Amount:	\$97,265,000, all bonds authorized have been issued
Source of revenue for debt service:	All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

The following series was partially refunded in fiscal year 2015, with a balance remaining outstanding as of August 31, 2015.

Revenue Financing System Refunding and Improvement Bonds, 10th Series 2006

Purpose: For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall, renovation of the Student Union Building, Medical Education Building project in El Paso and various dormitories and other University construction of capital improvement projects.

Issue Date: February 2, 2006

Original Issue Amount: \$220,915,000, all bonds authorized have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

Several other bond issues remained outstanding as of August 31, 2015, and are summarized in the paragraphs below.

Revenue Financing System Refunding and Improvement Bonds, 12th Series 2009

Purpose: For current refunding of Series A Notes and Series 1999 bonds, to pay for construction of the new College of Business Administration Building, renovation of the existing College of Business Administration Building, construction of the Lanier Professional Development Center, construction of the Student Leisure Pool, and other System construction of capital improvement projects. Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects. For current refunding of ASU portion of Texas State University System bonds and construction of Centennial Village.

Issue Date: March 3, 2009

Original Issue Amount: \$170,825,000, all authorized bonds have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

Revenue Financing System Refunding and Improvement Bonds, 14th Series 2012A

Purpose: For refunding of \$96,469,500 of Revenue Financing System Commercial Paper Notes Series A, a partial current refunding of \$4,215,000 of Revenue Financing System Bonds Series 2001 and of \$355,000 of Texas State University System Revenue Financing System Bonds Series 2002 representing ASU's portion. For partial advanced refunding of \$52,460,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new College of Business Administration Building, the new TTU Boston & 18th Street Residence Hall and Dining Facility, the new ASU Plaza Verde Phase I Residence Hall & Dining Facilities, Jones Stadium East Side Expansion and other System capital improvement projects.

Issue Date: February 1, 2012

Original Issue Amount: \$163,240,000, all authorized bonds have been issued

Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Revenue Financing System Refunding Bonds, 15th Series 2012B (Taxable)

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

Revenue Financing System Refunding and Improvement Bonds, 16th Series 2015A

Purpose: For refunding of \$62,790,000 of Revenue Financing System Commercial Paper Notes Series A, a current refunding of \$245,000 of Revenue Financing System Bonds Series 2003. To provide new funding for the new TTU College of Business Administration Building Wing Addition, TTU West Village Residence Hall and Dining Facility and the HSC at El Paso School of Nursing.
 Issue Date: April 9, 2015
 Original Issue Amount: \$73,255,000, all authorized bonds have been issued
 Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

Revenue Financing System Refunding and Improvement Bonds, 17th Series 2015B (Taxable)

Purpose: For refunding of \$39,025,000 of Revenue Financing System Commercial Paper Notes Series A, an advance refunding of \$157,035,000 of Revenue Financing System Bonds Series 2006, a current refunding of \$4,185,000 of Texas State University System Revenue Financing System Bonds Series 2005 and an advance refunding of \$13,365,000 of Texas State University System Revenue Financing System Bonds Series 2006 representing ASU's portion. To provide new funding for the new TTU Research Park Building, the United Supermarkets Arena renovations, Jones Stadium facility upgrades, and Bayer CropScience Research Building Renovation and the new Bayer CropScience Trait Development Center.
 Issue Date: April 9, 2015
 Original Issue Amount: \$245,315,000, all authorized bonds have been issued
 Source of revenue for debt service: All pledged revenues of the participants of the Texas Tech University System Revenue Financing System

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

Pledged Future Revenues

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

Pledged Future Revenues	Business-Type Activities	
	FY15	FY14
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 816,654,819.96	\$ 661,117,474.70
Term of Commitment for Year Ending 8/31	2045	2041
Percentage of Revenue Pledged	100%	100%
Current Year Pledged Revenue	\$ 731,255,441.75	\$ 723,525,171.28
Current Year Principal and Interest Paid	\$ 50,227,904.35	\$ 51,756,841.51

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

Sources of Debt-Service Revenue

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

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

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

Description	Year	Principal	Interest	Total
All Issues	2016	\$ 1,295,000.00	\$ 351,500.00	\$ 1,646,500.00
	2017	850,000.00	286,750.00	1,136,750.00
	2018	890,000.00	244,250.00	1,134,250.00
	2019	935,000.00	199,750.00	1,134,750.00
	2020	985,000.00	153,000.00	1,138,000.00
	2021-2025	2,075,000.00	156,750.00	2,231,750.00
Totals		\$ 7,030,000.00	\$ 1,392,000.00	\$ 8,422,000.00

In fiscal year 2015, \$17,550,000 of TSUS debt on behalf of ASU was refunded and new debt was financed by TTU System on behalf of ASU. The refunded bonds were ASU’s portion of the TSUS 2005 series bonds in the amount of \$4,185,000 and 2006 series bonds in the amount of \$13,365,000. The 2005 series refunding resulted in debt service savings of \$273,960.26 and a total net present value savings of \$259,243.73. The 2006 series refunding resulted in debt service savings of \$1,319,747.75 and a total net present value savings of \$998,516.08

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$2,713,411.00 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

Note 7: Derivatives

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

The following disclosures summarize the System’s derivative activity as reported in the financial statements as of August 31, 2015.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2015		Notional
	Classification	Amount	Classification	Amount	
Futures Contracts	Investment Revenue	\$ (1,605,485.81)		\$ 0.00	\$ 63,111,392.20
Options	Investment Revenue	(7,077,218.20)	Investments	(5,593,585.31)	3,137,491.04
Total Return Swaps	Investment Revenue	(1,554,272.87)	Investments	(1,867,058.29)	24,637,237.32

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

Discrete Component Unit

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2015		Notional
	Classification	Amount	Classification	Amount	
Futures Contracts	Investment Revenue	\$ (214,006.61)		\$ 0.00	\$ 8,412,565.73
Options	Investment Revenue	(943,372.68)	Investments	(745,608.72)	418,218.46
Total Return Swaps	Investment Revenue	(207,180.07)	Investments	(248,873.45)	3,284,072.35

The following disclosures summarize the System's derivative activity (restated) as reported in the financial statements as of August 31, 2014.

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2014		Notional
	Classification	Amount	Classification	Amount	
Futures Contracts	Investment Revenue	\$ 973,838.19		\$ 0.00	\$ 135,395,422.00
Options	Investment Revenue	608,082.89	Investments	608,082.89	32,688,454.97
Total Return Swaps	Investment Revenue	(26,393.48)	Investments	(26,393.48)	13,446,735.75

Discrete Component Unit

Investment Derivatives	Changes in Fair Value		Fair Value at August 31, 2014		Notional
	Classification	Amount	Classification	Amount	
Futures Contracts	Investment Revenue	\$ 131,172.73		\$ 0.00	\$ 18,237,309.69
Options	Investment Revenue	81,906.73	Investments	81,906.73	4,403,025.35
Total Return Swaps	Investment Revenue	(3,555.11)	Investments	(3,555.11)	1,811,230.25

Fair Value

Derivative instruments are recorded at fair value. Futures contracts are marked-to-market daily and valued at closing market prices on the 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 total return swaps are valued using broker quotes, proprietary pricing agents or appropriate pricing models with primarily externally verifiable model inputs.

Investment Derivatives

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

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

Note 8: Leases

Capital Lease Obligations

System component institutions previously entered into long-term capital leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. At the end of fiscal year 2015, no System component institution had capital lease obligations remaining. The following is a summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of August 31, 2015 and 2014.

Assets Under Capital Leases	Business-Type Activities	
	FY15	FY14
Furniture & Equipment	\$ 0.00	\$ 352,140.42
Less: Accumulated Depreciation	0.00	(111,361.80)
Total	\$ 0.00	\$ 240,778.62

The Carr Foundation had no capital lease obligations for the years ending August 31, 2015 or 2014.

Operating Leases

System component institutions have entered into various operating leases for buildings and equipment. Included in the expenditures reported in the financial statements is the following amount of rent paid or due under **operating lease obligations** as of August 31, 2015 and 2014:

Fund Type	Business-Type Activities	
	FY15	Restated FY14
Proprietary Fund	\$ 6,010,320.95	\$ 5,261,970.17

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

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

Fiscal Year Ended August 31,	Minimum Future Lease Payments
2016	\$ 5,117,218.37
2017	4,296,570.82
2018	3,638,969.74
2019	3,127,897.23
2020	2,920,699.81
2021-2025	1,181,635.60
2026-2030	89,158.80
2031-2035	89,158.80
2036-2040	35,663.52
Total Minimum Future Lease Rental Payments	\$ 20,496,972.69

System component institutions have operating lease income for leased building space to outside parties under various operating leases. Included in the revenues reported in the financial statements is the following for rent received under non-cancelable operating leases as of August 31, 2015 and 2014:

Fund Type	Business-Type Activities	
	Restated	
	FY15	FY14
Proprietary Fund	\$ 2,122,691.85	\$ 2,091,898.54

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

System component institutions had no reported contingent rental revenues. **Future minimum lease rental income** under non-cancelable operating leases having an initial term in excess of one year is as follows as of August 31, 2015:

Fiscal Year Ended August 31,	Minimum Future Rentals
2016	\$ 2,151,197.84
2017	2,074,097.84
2018	2,074,097.84
2019	1,814,017.88
2020	1,814,017.88
2021-2025	2,499,960.00
2026-2030	2,499,960.00
2031-2033	1,083,316.00
Total Minimum Future Lease Rental Income	\$ 16,010,665.28

The cost, accumulated depreciation and carrying value of these leased assets as of August 31, 2015 and 2014 were as follows:

Value of Leased Building Space	Business-Type Activities	
	FY15	FY14
Historical Cost of Leased Building Space	\$ 45,079,495.87	\$ 21,954,134.92
Less: Accumulated Depreciation	(12,267,620.60)	(11,799,580.11)
Total Carrying Value of Leased Building Space	\$ 32,811,875.27	\$ 10,154,554.81
Leased Percentage of Full Carrying Value	13.01%	9.37%

The Carr Foundation had no operating lease expenses or operating lease revenues for the years ended August 31, 2014 or 2015.

Note 9: Defined Benefit Pension Plan and Defined Contribution Plan

Defined Benefit Pension Plan

The System component institutions participate in one of the three retirement systems in the State of Texas' financial reporting entity – the Teacher Retirement System (TRS). Beginning in fiscal year 2015, the accounting and reporting for the System's proportionate share of the TRS net pension liability is included in the System's financial records and represents the net liability for all the System component institutions.

The Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

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

The employers of the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, and community and junior colleges. TRS membership is in employee class. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

An audited Comprehensive Annual Financial Report (CAFR) for the Teacher Retirement System may be obtained from:

Teacher Retirement System of Texas
 1000 Red River Street
 Austin, Texas 78701-2698

During the measurement period of 2014 for fiscal year 2015 reporting, the amount of the System’s contributions recognized by the plan was \$15,253,844.56. The contribution rates for the state and the members in the measurement period are presented in the table below:

Required Contribution Rates

Contribution Rates	TRS Plan
Employer	6.8%
Employees	6.4%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used by TRS to measure the total pension liability for the TRS Plan as of the August 31, 2014 measurement date.

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

Actuarial Methods and Assumptions

Actuarial Methods and Assumptions	TRS Plan
Actuarial Valuation Date	August 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Actuarial Assumptions:	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	3.0%
Salary Increase	4.25% to 7.25% including inflation
Mortality	
Active	1994 Group Annuity Mortality Table set back 6 years for males and females
Post-retirement	Client specific tables multiplied by 80%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the methods and assumptions are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees have decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

There have been no changes to the benefit and contribution provisions of the plan since the prior measurement date.

The discount rate of 8% was applied to measure the total pension liability for the TRS plan. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on TRS pension plan investments was used as the discount rate without incorporating the municipal bond rate.

The long-term expected rate of return on TRS plan investments was developed using a coding-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The target allocation and best estimates of geometric real rates of return for each major asset class for the TRS plan’s investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity		
U.S.	18.0%	4.6%
Non-U.S. Developed	13.0%	5.1%
Emerging Markets	9.0%	5.9%
Directional Hedge Funds	4.0%	3.2%
Private Equity	13.0%	7.0%
Stable Value		
U.S. Treasury	11.0%	0.7%
Absolute Return	0.0%	1.8%
Stable Value Hedge Funds	4.0%	3.0%
Cash	1.0%	-0.2%
Real Return		
Global Inflation Linked Bonds	3.0%	0.9%
Real Assets	16.0%	5.1%
Energy and Natural Resources	3.0%	6.6%
Commodities	0.0%	1.2%
Risk Parity		
Risk Parity	5.0%	6.7%
Total	100.0%	

Sensitivity analysis was performed by TRS on the impact of changes in the discount rate on the proportionate share of the System’s net pension liability. The result of the analysis is presented in the table below:

Sensitivity of TTU System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
\$ 289,479,016.89	\$ 161,997,111.63	\$ 66,664,390.03

The TRS pension plan’s fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the TRS plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the TRS plan’s investment policy, assets, and fiduciary net position, may be obtained from TRS’ fiscal year 2014 Comprehensive Annual Financial Report.

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

At August 31, 2015, the System reported a liability of \$162,030,163.65 for its proportionate share of the TRS collective net pension liability. The collective net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System’s proportion at August 31, 2014 was .6064722 percent. The System’s proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2013 through August 31, 2014.

For the year ending August 31, 2015, the System recognized pension expense of \$14,978,532.62. At August 31, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,505,337.73	
Changes of assumptions	10,529,992.36	
Net difference between projected and actual investment return		\$ 49,512,932.64
Change in proportion and contribution difference		14,173.51
Contributions subsequent to the measurement date	15,403,343.15	
Total	\$ 28,438,673.24	\$ 49,527,106.15

The \$15,403,343.15 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the System’s net pension liability for the year ending August 31, 2016.

Amounts reported by the System as deferred outflows and inflows of resources related to pensions will be recognized as pension expense in the following years:

Year ended August 31:	
2016	\$ (10,186,339.78)
2017	(10,186,339.78)
2018	(10,186,339.78)
2019	(10,186,339.78)
2020	2,191,892.51
Thereafter	2,061,690.55

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

Defined Contribution Plan

The State has established an Optional Retirement Program (ORP), authorized by Texas Government Code, Chapter 830. Full-time faculty, librarians, and certain professionals and administrators employed in public higher education are eligible to elect ORP in lieu of the TRS Plan. The Texas Higher Education Coordinating Board develops policies, practices and procedures to provide greater uniformity in the administration of ORP. The contributory percentage of participant salaries by the members (employees) was 6.65% for both fiscal years 2015 and fiscal year 2014. The contributory percentage of participant salaries by the employer (System components) was 6.8% in both fiscal years 2015 and 2014. For those employees who were participating in the ORP on or before August 31, 1995, the employer contribution rate was 8.5% for both fiscal years 2015 and 2014, and will remain so subject to legislative change. The contributions made by plan members and the employer for the fiscal years ended August 31, 2015 and 2014 are:

	FY15	FY14
Member Contributions	\$ 19,615,818.20	\$ 19,014,148.01
Employer Contributions	21,212,451.43	20,639,873.67
Total	\$ 40,828,269.63	\$ 39,654,021.68

Note 10: Deferred Compensation (administering agencies only)

Not applicable.

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

Not applicable.

Note 12: Interfund Activity and Transactions

As explained in Note 1 on interfund activities and transactions, there are numerous transactions between funds and agencies. Interfund activity refers to financial interactions between funds and/or blended component institutions and units and is restricted to internal events. Interfund transactions refer to financial interactions with legally separate entities, i.e., discrete component units and other governments, and are restricted to external events. Interfund activity between System components is eliminated where appropriate for reporting purposes.

At year-end, amounts to be received or paid are reported as:

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

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

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

System component institutions and units had no interfund receivable or interfund payables as of August 31, 2015. Tables included in previous years detailing the other types of interfund activity and transactions above are an optional presentation and will no longer be included in this note.

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

Note 13: Continuance Subject to Review

The System is not subject to the Texas Sunset Act.

Note 14: Adjustments to Fund Balances and Net Position

Several adjustments were made to the fiscal year 2014 financial statements that required the restatement of the ending Net Position for fiscal year 2014, and the beginning Net Position for fiscal year 2015 on the System’s Combined Statement of Revenues, Expenses and Changes in Net Position. Ending Cash and Cash Equivalents for fiscal year 2014, and Beginning Cash and Cash Equivalents for fiscal year 2015 on the Combined Statement of Cash Flows were also adjusted. These changes are indicated in the tables below:

Business-Type Activities

<u>Combined Statement of Revenues, Expenses and Changes in Net Position</u>	<u>FY14</u>
Ending Net Position, August 31, 2014 as reported	\$ 2,846,065,653.36
Restatements of Prior Years' Ending Net Position	(167,382,611.86)
Restatement of Fiscal Year 2014 Changes in Net Position	<u>7,126,307.08</u>
Total Restatements	<u>(160,256,304.78)</u>
Ending Net Position, August 31, 2014 as restated	<u>\$ 2,685,809,348.58</u>

Business-Type Activities

<u>Combined Statement of Cash Flows</u>	<u>FY14</u>
Ending Cash and Cash Equivalents, August 31, 2014 as reported	\$ 412,049,130.13
Restatement of Prior Year's Ending Cash	267,882.75
Restatement of Fiscal Year 2014 Ending Cash	<u>67,497.54</u>
Total Restatements	<u>335,380.29</u>
Beginning Cash and Cash Equivalents, September 1 as restated	<u>\$ 412,384,510.42</u>

These restatements to net position were made for the following:

• GASB 68 requirement for pension reporting	\$(183,543,407.09)
• Inclusion of ASU Foundation, Inc., a blended component unit	18,009,519.28
• Prior year error in capital asset reporting	<u>5,277,583.03</u>
Total Restatements	<u>\$(160,256,304.78)</u>

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

The financial statement elements affected are shown in the tables below:

Statement	Description	Restatement Amounts		
		FY14 as reported	Correction	FY14 restated
SNP	Restricted Cash and Cash Equivalents	\$ 125,704,633.02	\$ 335,380.29	\$ 126,040,013.31
SNP	Restricted Investments	396,421,341.02	11,154,976.15	407,576,317.17
SNP	Non-Depreciable or Non-Amortizable Capital Assets	152,611,741.17	(1,528,503.66)	151,083,237.51
SNP	Depreciable or Amortizable Assets	2,665,407,067.47	8,247,191.27	2,673,654,258.74
SNP	Accumulated Depreciation and Amortization	(1,366,485,167.42)	(1,441,104.58)	(1,367,926,272.00)
SNP	Deferred Outflows of Resources	0.00	15,375,754.61	15,375,754.61
	Total Asset and Deferred Outflows Correction		32,143,694.08	
SNP	Funds Held for Others	\$ 36,833,167.95	\$ (6,519,162.84)	\$ 30,314,005.11
SNP	Net Pension Liability	0.00	198,919,161.70	198,919,161.70
	Total Liability Correction		192,399,998.86	
SNP	Net Position - Invested in Capital Assets, Net of Related Debt	\$ 885,549,400.41	\$ 5,277,583.03	\$ 890,826,983.44
SNP	Net Position - Nonexpendable Endowments	622,047,922.23	5,466,240.96	627,514,163.19
SNP	Net Position - Expendable, Other	378,220,044.16	12,543,278.32	390,763,322.48
SNP	Net Position - Unrestricted	871,699,848.59	(183,543,407.09)	688,156,441.50
	Total Net Position Correction		(160,256,304.78)	
SRECNP	Depreciation and Amortization	\$ 125,460,626.10	\$ 261,161.04	\$ 125,721,787.14
	Total Operating Expense Correction		261,161.04	
SRECNP	Private Gifts (Unpledged)	\$ 42,625,098.52	\$ 10,969,013.56	\$ 53,594,112.08
SRECNP	Investment Income (Expense)	86,230,888.59	444,817.12	86,675,705.71
SRECNP	Net Increase (Decrease) in Fair Value of Investments	47,191,613.97	806,461.57	47,998,075.54
SRECNP	Other Nonoperating Revenues (Expenses) - Pledged	(1,511,670.86)	(4,832,824.13)	(6,344,494.99)
	Total Nonoperating Revenue (Expense) Correction		7,387,468.12	
SRECNP	Total Correction to 2014 Changes in Net Position		7,126,307.08	
Cash Flow	Proceeds from Customers	\$ 293,292,369.78	\$ 568,047.83	\$ 293,860,417.61
Cash Flow	Payments for Other Expenses	(267,354,112.90)	(568,047.83)	(267,922,160.73)
Cash Flow	Proceeds from Gifts	104,905,203.76	10,969,013.56	115,874,217.32
Cash Flow	Payments for Transfers to Other State Agencies - Capital	(5,065,736.53)	(4,581,193.38)	(9,646,929.91)
Cash Flow	Payments for Other Uses	(287,800,735.21)	(5,243,066.29)	(293,043,801.50)
Cash Flow	Proceeds from Interest and Investment Income	60,404,742.61	444,817.12	60,849,559.73
Cash Flow	Payments to Acquire Investments	(390,166,275.85)	(1,522,073.47)	(391,688,349.32)
Cash Flow	Operating Loss	(501,918,318.54)	(261,161.04)	(502,179,479.58)
Cash Flow	Depreciation and Amortization Expense	125,460,626.10	261,161.04	125,721,787.14
Cash Flow	Net Increase (Decrease) in Fair Value of Investments	48,153,718.86	806,461.57	48,960,180.43
Cash Flow	Other (noncash)	(561,265.33)	(1,528,503.66)	(2,089,768.99)

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

Reclassification of several items in the financial records of System component institutions resulted in the restatement of comparative financial statement balances for the year ended August 31, 2014 as summarized below. These reclassifications required no restatement of fund balances or net position.

Statement	Description	Restatement Amounts		
		FY14 as reported	Correction	FY14 restated
SNP	Invested in Capital Assets, Net of Related Debt	\$ 885,549,400.41	\$ (14,002,387.84)	\$ 871,547,012.57
SNP	Restricted Expendable Capital Projects	15,776,698.06	14,002,387.84	29,779,085.90
SRECNP	Discounts and Allowances	\$ (94,899,606.03)	\$ (1,770,472.58)	\$ (96,670,078.61)
SRECNP	Scholarships	67,587,498.39	(1,770,472.58)	65,817,025.81
Cash Flow	Proceeds from Tuition and Fees	\$ 359,514,620.96	\$ (1,770,472.58)	\$ 357,744,148.38
Cash Flow	Payments for Other Expenses	(267,354,112.90)	1,770,472.58	(265,583,640.32)
Cash Flow	Proceeds from Transfers In from Other State Agencies - Noncapital	3,147,169.40	20,159.87	3,167,329.27
Cash Flow	Payments for Transfers to Other State Agencies - Noncapital	(5,065,736.53)	(20,159.87)	(5,085,896.40)

The Carr Foundation had no restatements or adjustments to fund balance or net assets for the year ended August 31, 2015.

Note 15: Contingencies and Commitments**Contingencies*****Unpaid Claims and Lawsuits***

At August 31, 2015, lawsuits and claims involving the System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

Federal Assistance

The System component institutions receive federal grants for specific purposes that are subject to review or audit by federal grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, would be immaterial.

Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code, Section, 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The System monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. The System estimates that rebatable arbitrage liability, if any, would be immaterial to its overall financial condition.

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

Commitments

Investment Funds

The System entered into capital commitments with investment managers for future funding of investment funds. Investment funds include hedge fund pools, private investment pools, public market funds and other alternative investments managed by external investment managers.

As of August 31, 2015 and August 31, 2014, the remaining commitment - domestic for the System was \$148,385,972.67 and \$116,723,150.71, respectively.

As of August 31, 2015 and August 31, 2014, the remaining commitment – domestic for the Carr Foundation was \$19,779,420.23 and \$15,913,956.83, respectively.

Note 16: Subsequent Events

The System intends to issue the following Revenue Financing System Commercial Paper Notes after August 31, 2015 as follows:

Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Financing System Commercial Paper Notes Tax-Exempt	A	\$ 3,750,000	10/6/2015	Reimburse for incurred expenditures on the construction of the Recreation Center Intramural Fields, West Village Housing and Dining Complex, renovation of CHACP I, renovation of the Engineering & Research Center Building, build out of Jones stadium southeast offices, and purchase of a new ASU athletics bus. Acquire new proceeds for the design phase of the following construction projects as approved by the State Legislature for Tuition Revenue Bond repayment: ASU College of Health & Human Sciences Building, El Paso Medical Sciences Building II, HSC Lubbock Campus Expansion, HSC Amarillo Simulation Center, and TTU Experimental Sciences Building II.

Note 17: Risk Management

The System, by State law, is required to be a participant in the Workers Compensation Program and Pool managed by the State Office of Risk Management (SORM). The System component institutions are assessed fees by SORM based upon claims experience, claim incidences, payroll size and full-time equivalent (FTE). SORM also determines the methodology for allocation to the major fund groups. SORM pays all workers' compensation insurance 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 from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

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

Two component institutions of the System, TTUHSC and TTUHSC at El Paso, have self-insured arrangements for medical malpractice coverage through a medical malpractice self-insurance plan. The plan is managed by the Office of General Counsel, and the associated liability is adjusted annually based on actuarially estimated incurred but not reported (IBNR) liability to reflect the anticipated future claims related to past medical services.

Changes in the balances of the agency’s claims liabilities during fiscal years 2015 and 2014 are presented in the table below.

Claims and Judgments	Beginning Balance	Increases	Decreases	Ending Balance
FY2015	\$ 13,144,378.28	\$ 273,000.00	\$ (5,578,685.03)	\$ 7,838,693.25
FY2014	14,146,187.18	2,155,000.00	(3,156,808.90)	13,144,378.28

The decrease in fiscal year 2015 resulted mainly from adjustments to the liability balance due to a reduced requirement for reserves in cases in which the statute of limitations had expired. The increase in fiscal year 2014 represents claims and judgments expenses as paid by the Medical Practice Liability Plan. Ending balances reflect future estimated claims.

Note 18: Management’s Discussion and Analysis

The System is governed, controlled, and directed by a ten-member Board of Regents, who are appointed by the Governor of Texas and confirmed by the legislature. All members of the board serve six-year staggered terms with the exception of one student regent who serves a one-year term. Actions of the Board of Regents are guided by the Regents’ Rules and Regulations. A list of the current members of the Board of Regents is included in the organizational data.

Chancellor Robert L. Duncan serves as the chief executive officer of the System, a position that is appointed by the Board of Regents. As chief executive officer, Chancellor Duncan leads System policy and has direct oversight of all operations at the four universities (component institutions). An Executive Leadership team guides the System in areas including academic affairs, legal affairs, fundraising, and governmental relations, along with other strategic functions. Each of the four institutions has a president who is appointed by the chancellor. The President is the chief executive officer of that university and is responsible for its operation.

Formally established by the Texas Legislature in 1999, the System is composed of a central administration, two general academic institutions and two health-related institutions. The component institutions 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 El Paso). In its young history, the System has emerged as a nationally acclaimed higher education system. 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, San Angelo and Waco. Internationally, the System has a location in Seville, Spain. The total enrollment across all component institutions is more than 46,000 students.

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

In fiscal year 2015, Moody's upgraded the System revenue financing system bonds to Aa1 from Aa2, attributing the System's success to a solid financial position, fueled by conservative fiscal management, growing enrollment, strong fundraising, good ongoing state support and increasing research funding. The System employs more than 17,000 faculty and staff and has an annual combined budget of more than \$1.7 billion; approximately \$425 million of these funds are appropriated by the Texas Legislature.

The 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 enhance student success, strengthen academic quality, expand research, and promote community outreach.

Note 19: The Financial Reporting Entity

The combined financial statements of the System include all component institutions comprising the System – TTU, TTUHSC, TTUHSC at El Paso, ASU and TTUSA. Amounts due between and among component institutions and other duplications in reporting are eliminated in combining the financial statements.

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

Individual Component Unit Disclosures***Blended Component Units***

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

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

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

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

The Angelo State University Foundation, Inc. (ASUF) was formed exclusively for the benefit of ASU, and is a public, non-profit organization established to provide financial assistance to ASU, primarily from gifts and earnings on endowed funds. ASUF oversees management, investment and distribution of all funds for the furtherance of educational purposes at ASU. ASU provides the foundation with office space, telephone service, utilities and the use of other equipment and facilities. ASU also authorizes its officers and employees, as a part of their regular duties, to perform administrative tasks for, and solicit funds on behalf of, the foundation. The financial records of ASUF may be obtained from Angelo State University, 2601 W. Ave N., San Angelo, TX 76909. ASUF's fiscal year end is August 31.

The condensed financial statements for these component units as of August 31, 2015 are presented below.

Condensed Statement of Net Position	Blended Component Units		
	TTFI	TTPA	ASUF
Total Assets	\$ 540,875,452.08	\$ 4,021,731.73	\$ 22,684,712.79
Total Liabilities	176,112.69	1,679,539.06	
Net Position:			
Invested in Capital Assets, Net of Related Debt			
Restricted:			
Nonexpendable:			
Endowments	461,009,997.32		11,147,044.01
Expendable:			
Other	69,073,702.17		11,537,668.78
Unrestricted	10,615,639.90	2,342,192.67	
Total Net Position	\$ 540,699,339.39	\$ 2,342,192.67	\$ 22,684,712.79

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

	Blended Component Units		
	TTFI	TTPA	ASUF
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues			
Other Sales and Services	\$ 4,805.00	\$ 21,037,539.94	\$
Professional Fees		251,520.00	
Nongovernmental Grants and Contracts	150,000.00	97.75	
Operating Expenses			
Professional Fees and Services	88,654.08	553,264.42	8,000.00
Travel	463,870.48	1,166.85	
Materials and Supplies	186,489.70		102,469.52
Communications and Utilities	23,387.12		
Repairs and Maintenance	12,405.36		5,000.00
Rentals and Leases	42,657.63	20.00	100.00
Printing and Reproduction	89,393.78		1,439.26
Interest	74.00		108.76
Other Operating Expenses	1,619,011.26	14,316.53	2,456,807.98
Operating Income (Loss)	(2,371,138.41)	20,720,389.89	(2,573,925.52)
Nonoperating Revenues (Expenses)			
Private Gifts	8,723,549.42		9,237,305.10
Investment Income (Expense)	(5,542,676.36)	39,770.29	(124,965.16)
Other Nonoperating Revenues	4,307,132.08		(37,221.96)
Total Nonoperating Revenues and Expenses	7,488,005.14	39,770.29	9,075,117.98
Other Revenues, Expenses, Gains, Losses and Transfers			
Contributions to Permanent and Term Endowments	12,677,843.15		
Transfers to Components/Other Funds	(30,833,605.79)	(20,821,116.66)	(1,825,998.95)
Total Other Revenues, Expenses, Gains, Losses and Transfers	(18,155,762.64)	(20,821,116.66)	(1,825,998.95)
Total Change in Net Position	(13,038,895.91)	(60,956.48)	4,675,193.51
Beginning Net Position (September 1, 2014)	553,738,235.30	2,403,149.15	18,009,519.28
Ending Net Position (August 31, 2015)	\$ 540,699,339.39	\$ 2,342,192.67	\$ 22,684,712.79

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

Condensed Statement of Cash Flows	Blended Component Units		
	TTFI	TTPA	ASUF
Net Cash Provided (Used) by Operating Activities	\$ (2,731,091.78)	\$ 20,767,121.99	\$ (2,573,925.52)
Net Cash Provided (Used) by Noncapital Financing Activities	3,126,893.66	(20,821,116.66)	7,374,084.19
Net Cash Provided (Used) by Capital and Related Financing Activities			
Net Cash Provided (Used) by Investing Activities	(3,403,330.53)	39,770.29	(8,297,430.97)
Total Net Cash Flows	(3,007,528.65)	(14,224.38)	(3,497,272.30)
Beginning Cash and Cash Equivalents (September 1, 2014)	8,803,101.66	3,990,399.62	6,854,543.13
Ending Cash and Cash Equivalents (August 31, 2015)	\$ 5,795,573.01	\$ 3,976,175.24	\$ 3,357,270.83

Discretely Presented Component Unit

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

Note 20: Stewardship, Compliance and Accountability

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

Note 21: N/A

Note 22: Donor-Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of the System’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 the System. The System’s spending policy for endowments reflects an objective to distribute as much of total return as is consistent with overall investment objectives while protecting the real value of the endowment corpus.

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

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 Endowments	Amount of Net Appreciation *		Reported in Combined Statement of Net Position
	FY15	FY14	
True Endowments	\$ 82,080,545.44	\$ 119,075,257.11	Restricted Expendable
Term Endowments	90,020.53	117,104.95	Restricted Expendable
Total	<u>\$ 82,170,565.97</u>	<u>\$ 119,192,362.06</u>	

*There was a negative fair value adjustment totaling \$(37,488,143.52) for fiscal year 2015, and a positive fair value adjustment of \$54,847,683.28 for fiscal year 2014.

Discrete Component Unit

Donor-Restricted Endowments	Amount of Net Appreciation *		Reported in Statement of Net Position
	FY15	FY14	
True Endowments	\$ 6,609,686.36	\$ 13,145,987.22	Restricted Expendable

*There was a negative fair value adjustment totaling \$(6,536,300.86) for fiscal year 2015, and a positive fair value adjustment of \$9,738,701.08 for fiscal year 2014.

True endowments require the principal to be maintained inviolate and in perpetuity. Term endowments allow the principal to be expended after the passage of a stated period of time and all conditions of the endowment are met. Restricted expendable funds are those funds that must be expended for a purpose designated by the System governing body.

Note 23: Extraordinary and Special Items

The System has no special or extraordinary items to report as of August 31, 2015, nor for the year ended August 31, 2014.

Note 24: Disaggregation of Receivable and Payable Balances

The System has no reportable disaggregation of receivable and payable balances as of August 31, 2015 or as of August 31, 2014.

Note 25: Termination Benefits

The System has no reportable voluntary or involuntary termination benefits as of August 31, 2015. The System also had no reportable benefits as of August 31, 2014.

Texas Tech University System (793) – Notes to the Combined Financial Statements (continued)**Note 26: Segment Information**

The System has no reportable segments as of August 31, 2015 or as of August 31, 2014.

Note 27: Service Concession Arrangements

The System had no service concession arrangements as of August 31, 2015 or as of August 31, 2014.

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

In fiscal year 2015, the System reported deferred outflows and deferred inflows of resources in connection with its defined benefit pension plan as presented below.

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit Pension Plans (Note 9)	\$ 28,438,673.24	\$ 49,527,106.15

Due to the new pension liability reporting, fiscal year 2014 financial statements included a restatement to include deferred outflows and inflows of resources as presented below.

Business-Type Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit Pension Plans (Note 9)	\$ 15,375,754.61	\$ 0.00

Note 29: Troubled Debt Restructuring

The System had no outstanding receivables whose terms were modified pursuant to troubled debt restructuring for the year ended August 31, 2015, or for the year ended August 31, 2014.

Note 30: Non-Exchange Financial Guarantees

The System had no non-exchange financial guarantees to report for the year ended August 31, 2015, or for the year ended August 31, 2014.

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**COMBINED
SUPPORTING SCHEDULES**

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 1A - Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2015

Note 1: Non-Monetary Assistance:

Angelo State University received the following federal nonmonetary assistance:

CFDA #39.003 Donation of Federal Surplus Personal Property	\$	142.08
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Note 2: Reconciliation:

Federal Grants and Contracts (SRECNP)	\$	59,801,063.54
Federal Grants and Contracts - Pledged (SRECNP)		4,604,968.63
Federal Grants and Contracts Pass-Throughs (SRECNP)		5,445,469.70
Nonoperating Federal Grants and Contracts (SRECNP)		<u>45,860,262.03</u>
Total Federal Revenues		115,711,763.90

Reconciling Items:

New Loans Processed	256,564,557.00
Federal Fixed Fee Basis Contract Revenues	(1,344,046.94)
Federal Revenues Received Under Vendor Relationship	(2,719,509.68)
Nonmonetary Assistance	<u>142.08</u>

Total Federal Financial Assistance	\$	<u><u>368,212,906.36</u></u>
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Note 3a: Student Loans Processed and Administrative Costs Recovered:

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$	\$	\$	61,677.28
93.264 Nurse Faculty Loan Program	10,000.00		10,000.00	412,548.57
93.364 Nursing Student Loans				30,411.06
93.408 ARRA - Nurse Faculty Loan Program				235,437.59
Total U.S. Department of Health and Human Services	<u>\$ 10,000.00</u>	<u>\$</u>	<u>\$ 10,000.00</u>	<u>740,074.50</u>
U.S. Department of Education				
84.038 Federal Perkins Loan Program	606,260.00	129,856.85	736,116.85	2,202,121.92
84.268 Federal Direct Student Loans	255,948,297.00		255,948,297.00	
Total U.S. Department of Education	<u>\$ 256,554,557.00</u>	<u>129,856.85</u>	<u>256,684,413.85</u>	<u>2,202,121.92</u>
Total Student Loans	<u>\$ 256,564,557.00</u>	<u>\$ 129,856.85</u>	<u>\$ 256,694,413.85</u>	<u>\$ 2,942,196.42</u>

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

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

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Texas Tech University System (793)
 Combined Schedule 1A - Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2015

Note 4: Depository Libraries for Governmental Publications

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

Note 5: Unemployment Insurance Funds

No System component institution was the recipient of CFDA 17.225 funding for FY 2015.

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

No System component institution was the recipient of CFDA 10.557 funding for FY 2015.

Note 7: Federal Deferred Revenue (no longer required for universities)

Note 8: Disaster Grants - Public Assistance

No System component institution was the recipient of CFDA 97.036 funding for FY 2015.

Note 9: Economic Adjustment Assistance

TTU was awarded an Economic Adjustment Assistance grant in November 2013 from the Department of Commerce Economic Development Agency. The grant is a three-year project supporting renewable energy research and technology creation in the Panhandle region of Texas. CFDA 11.307.

Total Grant Award

Grant	Grant Amount	Matching	Total Grant Awarded
Department of Commerce EDA	\$ 300,000.00	\$ 300,000.00	\$ 600,000.00

Federal Share

Grant Amount	\$ 300,000.00
Divided by: Total Grant Awarded	600,000.00
Federal Share	50%

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Texas Tech University System (793)
 Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
 For the Year Ended August 31, 2015

Agency Number	Grant ID	Agency Name Grant Description	Amount
Pass-through from:			
300		Office of the Governor	
	300.0004	Criminal Justice Planning Grants	\$ 332,430.82
	300.0006	Emerging Technology Grant	1,068,009.01
		<i>Total for Office of the Governor</i>	<u>1,400,439.83</u>
457		Texas State Board of Public Accountancy	
	457.0001	5th Year Accounting Student Scholarship Program	<u>42,424.00</u>
477		Commission on State Emergency Communications	
	477.0001	Poison Control Centers	<u>585,699.11</u>
537		Department of State Health Services	
	537.0004	Breast and Cervical Cancer Service	72,796.85
	537.0006	Epilepsy Project	225,759.76
	537.0024	Family Health Services	433,371.14
	537.0035	Healthy Texas Babies Initiative	37,355.79
	537.0035	Medicares	143,448.67
		<i>Total for Department of State Health Services</i>	<u>912,732.21</u>
542		Cancer Prevention and Research Institute of Texas	
	542.0029	PP110156 - ACCION: Against Colorectal Cancer in our Neighborhoods	383,665.82
	542.0045	PP120108 - Evidence-Based Cancer Research Services	351,662.58
	542.0280	RP110763-AC - Administrative Core	20,606.75
	542.0281	RP110763-C1 - C1: Biobanking of Cell Lines and Xenografts	60,365.66
	542.0283	RP110763-P3 - P3: Establishing and Characterizing New Cancer Direct Xenografts	66,321.72
	542.0287	RP110786 - Multiphoton Laser Scanning Microscope for Cancer Research and Drug Discovery	76,314.40
	542.0296	RP120168 - Identification of Rheb and Notch-dependent Pathways in Tuberous Sclerosis	56,635.41
	542.0328	RP120489 - Transporter-Targeted Drug Delivery and Treatment of Brain Metastases	158,595.01
	542.0329	RP120495 - North Texas Clinical Pharmacology Cancer Core	272,834.82
	542.0332	RP120528 - Establishing a Cancer Clinical Research Core facility at Texas Tech University HSC	341,915.23
	542.0383	RP121060 - Manufacture, Formulation, and IND-directed Toxicology	279,162.12
	542.0400	RP130266 - RATIONAL Redox-Driven Non-Toxic Therapeutics Strategies	244,021.62
	542.0403	RP130293 - High Impact/High Risk Research Awards	85,967.63
	542.0422	RP130547 - Pharmacokinetics and Pharmacogenomics of 13-cis-retinoic Acid	356,961.23
	542.0430	RP130624 - Individual Investigator Research Awards	289,470.42
	542.0435	PP130068 - The El Paso and Hudspeth County Breast Cancer Education Program	333,059.79
	542.0436	PP130083 - De Casa En Casa: Preventing Cervical Cancer in El Paso and Hudspeth County	330,644.51
	542.0442	PP130071 - West Texas Cancer Survivors Network - Phase II (WTCSN - II)	98,558.21
	542.0484	PP140033 - Access to Breast and Cervical Care for West Texas (ABC24WT)	333,121.59
	542.0486	PP140164 - ACCION 2: Against Colorectal Cancer in our Neighborhoods: El Paso and Hudspeth County	215,291.55
	542.0492	PP140211 - Tiempo de vacunarte! Time to get vaccinated!	200,137.78
	542.0494	PP150009 - ACCION for Rural West Texas	112,080.17
	542.0497	PP150031 - Get FIT to Stay Fit. Stepping Up to Fight Colorectal Cancer in the Panhandle.	96,713.40
	542.0515	RP140298 - High-Impact/High-Risk Research Awards	107,201.92

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Texas Tech University System (793)
 Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
 For the Year Ended August 31, 2015

Agency Number	Grant ID	Agency Name Grant Description	Amount
Pass-through from:			
	542.0534	RP140478 - High-Impact/High-Risk Research Awards	42,427.08
	542.0588	RP140840 - High-Impact/High-Risk Research Awards	76,882.91
	542.0592	RP150416 - Translational Investigations On Fenretinide and Safingol For Pediatric Cancer Use	120,337.91
	542.0606	RR140008 - Rising Star Recruitment	234,730.42
	542.0624	PP150086 - Competitive Continuation Expansion-Evidence-Based Cancer Prevention Services	20,897.20
		<i>Total for Cancer Prevention and Research Institute of Texas</i>	<u>5,366,584.86</u>
555		Texas A&M AgriLife Extension Service	
	555.0002	Increasing Breast Cancer and Cervical Screening and Diagnostic Services	(723.22)
	555.0008	Quail Education and Research Initiative	87,878.98
		<i>Total for Texas A&M AgriLife Extension Service</i>	<u>87,155.76</u>
580		Texas Water Development Board	
	580.0018	WSC - Agriculture Water Conservation	<u>600,954.05</u>
592		Soil and Water Conservation Board	
	592.0002	Water Supply Enhancement of Pharmaceutical and Personal Care Product Microcontaminants	<u>15,248.85</u>
701		Texas Education Agency	
	701.0051	Autism Training	<u>37,409.65</u>
720		University of Texas System	
	720.0002	Joint Admission Medical Program (JAMP)	<u>299,065.91</u>
729		University of Texas Southwestern Medical Center	
	729.0016	RP110070 - University of Texas Southwestern Medical Center	<u>1,128.00</u>
781		Texas Higher Education Coordinating Board	
	781.0001	Family Practice Residency Program	871,483.28
	781.0006	Nursing and Allied Health	220,045.51
	781.0008	TEXAS Grant Program	15,417,639.00
	781.0010	Advanced Research Program	46,986.06
	781.0013	Professional Nursing Shortage Reduction Program	151,971.63
	781.0020	Engineering Recruitment Program	6,046.16
	781.0021	Texas Research Incentive Program - HB51	8,081,615.01
	781.0023	College Work Study Program	205,173.61
	781.0026	College Readiness - Outreach	6,941.00
	781.0028	Top 10% Scholarships	404,000.00
	781.0029	Work Study Mentorship Program	65,000.00
	781.0038	Emergency and Trauma Care	332,563.92
	781.0039	Outreach and Success	38,850.29
	781.0059	GME Expansion HB 1025	195,000.00
	781.0063	GME Expansion	617,500.00
	781.0064	Primary Care Innovation	560,416.00
		<i>Total for Texas Higher Education Coordinating Board</i>	<u>27,221,231.47</u>

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Texas Tech University System (793)
 Combined Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
 For the Year Ended August 31, 2015

Agency Number	Grant ID	Agency Name Grant Description	Amount
Pass-through from:			
802		Texas Parks and Wildlife	
	802.0074	Orchid Conservation: Species Status Assessments and Field Biology	(168.49)
	802.0075	Quail Habitat Improvements on Private Lands in the Rolling Plains of TX	163,425.15
	802.0076	Mapping Suitable Habitat for Tx Horned Lizards in Central Tx	793.53
	802.0093	Waterfowl Use and Carrying Capacity of Stock Ponds in the Oaks and Prairies and Rolling Plains of Texas	115,420.43
	802.0095	Hill Country STEM Natural Resource Adventures LP Com Research	1,622.39
		<i>Total for Texas Parks and Wildlife</i>	<u>281,093.01</u>
		Total State Grant Pass-through Revenues from Other State Agencies	\$ <u>36,851,166.71</u>
Pass-through to:			
555		Texas Agrilife Extension Service	
	733.0002	An Integrated Approach to Water Conservation	<u>\$ 79,359.14</u>
556		Texas Agrilife Research	
	733.0002	An Integrated Approach to Water Conservation	<u>6,257.82</u>
724		University of Texas at El Paso	
	768.0001	Texas Emerging Technology Fund	<u>125,000.00</u>
744		University of Texas Health Sciences Center at Houston	
	739.0001	CPRIT ACCION - Against Colorectal Cancer in our Neighborhoods	<u>35,406.71</u>
		Total State Grant Pass-through Expenditures to Other State Agencies	\$ <u>246,023.67</u>

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Texas Tech University System (793)
 Combined Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2015

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Final Maturity Date	
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 9th Ser '03	\$ 97,265,000.00	2.0000%	5.2500%	2004	2/15/2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	220,915,000.01	4.0000%	5.0000%	2006	2/15/2031	2/15/2016
Rev Fin Sys Ref & Imp Bds 12th Ser '09	170,825,000.00	3.0000%	5.2500%	2009	2/15/2038	2/15/2019
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	163,240,000.00	2.0000%	5.0000%	2012	8/15/2041	8/15/2021
Rev Fin Sys Ref Bds Tax 15th Ser '12B	27,585,000.00	0.4000%	4.4400%	2012	8/15/2031	8/15/2021
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	73,255,000.00	2.0000%	5.0000%	2016	2/15/2040	2/15/2025
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B	<u>245,315,000.00</u>	0.2950%	4.1720%	2015	2/15/2045	2/15/2025
Total	<u>\$ 998,400,000.01</u>					

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2015

Description of Issue	Bonds Outstanding 9/1/14	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/15
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03	\$ 270,000.00	\$	\$ 25,000.00	\$ 245,000.00	\$ 0.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	179,135,000.00		10,780,000.00	157,035,000.00	11,320,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09	111,585,000.00		9,375,000.00		102,210,000.00
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	148,105,000.00		8,575,000.00		139,530,000.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B	25,540,000.00		870,000.00		24,670,000.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A		73,255,000.00			73,255,000.00
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B		245,315,000.00	15,000.00		245,300,000.00
Total	\$ 464,635,000.00	\$ 318,570,000.00	\$ 29,640,000.00	\$ 157,280,000.00	\$ 596,285,000.00

Description of Issue	Unamortized Premium	Unamortized Discount	Other Adjustments	Net Bonds Outstanding 8/31/15	Amounts Due Within One Year
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03				\$ 0.00	\$ 0.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06				11,320,000.00	11,320,000.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09	\$ 6,211,508.12			108,421,508.12	8,313,408.06
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	15,552,286.61			155,082,286.61	10,727,559.68
Rev Fin Sys Ref Bds Tax 15th Ser '12B				24,670,000.00	870,000.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	5,518,025.70			78,773,025.70	1,348,670.85
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B				245,300,000.00	8,305,000.00
Total	\$ 27,281,820.43	\$ 0.00	\$ 0.00	\$ 623,566,820.43	\$ 40,884,638.59

Note: The 12th Series amount due within one year includes bond premium amortization of \$308,408.06. The 14th Series amount due within one year includes bond premium amortization of \$1,882,559.68. The 16th Series amount due within one year includes bond premium amortization of \$533,670.85.

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2015

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2016	\$ 11,320,000.00	\$ 283,000.00
		<u>11,320,000.00</u>	<u>283,000.00</u>
Rev Fin Sys Ref & Imp Bds 12th Ser '09	2016	8,005,000.00	4,944,406.26
	2017	8,400,000.00	4,534,281.26
	2018	5,400,000.00	4,189,281.26
	2019	4,975,000.00	3,929,906.26
	2020	5,225,000.00	3,674,906.26
	2021-2025	30,505,000.00	14,060,531.30
	2026-2030	25,100,000.00	6,088,200.02
	2031-2035	8,400,000.00	2,766,778.17
	2036-2038	6,200,000.00	499,537.50
			<u>102,210,000.00</u>
Rev Fin Sys Ref & Imp Bds 14th Ser '12A	2016	8,845,000.00	6,571,725.00
	2017	9,115,000.00	6,306,375.00
	2018	9,565,000.00	5,850,625.00
	2019	10,040,000.00	5,372,375.00
	2020	10,535,000.00	4,870,375.00
	2021-2025	31,455,000.00	18,151,537.50
	2026-2030	20,990,000.00	12,557,500.00
	2031-2035	23,755,000.00	7,023,250.00
	2036-2040	13,095,000.00	1,830,750.00
	2041	2,135,000.00	85,400.00
			<u>139,530,000.00</u>
Rev Fin Sys Ref Bds Tax 15th Ser '12B	2016	870,000.00	888,335.00
	2017	890,000.00	875,111.00
	2018	1,315,000.00	858,023.00
	2019	1,345,000.00	826,200.00
	2020	1,385,000.00	788,943.50
	2021-2025	7,605,000.00	3,259,656.00
	2026-2030	9,180,000.00	1,695,412.00
	2031	2,080,000.00	92,352.00
		<u>24,670,000.00</u>	<u>9,284,032.50</u>
Rev Fin Sys Ref & Imp Bds 16th Ser '15A	2016	815,000.00	2,833,006.26
	2017	1,445,000.00	2,810,406.26
	2018	2,495,000.00	2,758,531.26
	2019	2,450,000.00	2,672,106.26
	2020	2,600,000.00	2,571,106.26
	2021-2025	10,650,000.00	11,589,731.30
	2026-2030	24,280,000.00	8,612,938.80
	2031-2035	24,515,000.00	3,265,893.80
	2036-2040	4,005,000.00	373,465.63
			<u>73,255,000.00</u>
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B	2016	8,305,000.00	6,206,762.02
	2017	20,385,000.00	5,922,320.18
	2018	23,820,000.00	5,661,008.69
	2019	22,810,000.00	5,287,212.38
	2020	22,860,000.00	4,840,978.98
	2021-2025	86,250,000.00	17,187,627.32
	2026-2030	33,575,000.00	7,870,001.02
	2031-2035	13,975,000.00	4,062,320.65
	2036-2040	5,965,000.00	2,177,053.90
	2041-2045	7,355,000.00	792,575.70
		<u>245,300,000.00</u>	<u>60,007,860.84</u>
Total Principal and Interest		<u>\$ 596,285,000.00</u>	<u>\$ 220,369,819.96</u>

UNAUDITED

Texas Tech University System (793)
 Combined Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2015

<u>Pledged and Other Sources and Related Expenditures for FY2015</u>				
<u>Description of Issue</u>	<u>Net Available for Debt Service</u>		<u>Debt Service</u>	
	<u>Total Pledged</u>	<u>Operating</u>	<u>Principal</u>	<u>Interest</u>
	<u>and Other Sources</u>	<u>Expenses/Expenditures</u>		
		<u>and Capital Outlay</u>		
Revenue Bonds:				
Rev Fin Sys Ref & Imp Bds 9th Ser '03			\$ 25,000.00	\$ 6,918.75
Rev Fin Sys Ref & Imp Bds 10th Ser '06			10,780,000.00	4,532,472.50
Rev Fin Sys Ref & Imp Bds 12th Ser '09			9,375,000.00	5,378,906.25
Rev Fin Sys Ref & Imp Bds 14th Ser '12A			8,575,000.00	6,828,975.00
Rev Fin Sys Ref Bds Tax 15th Ser '12B			870,000.00	899,819.00
Rev Fin Sys Ref & Imp Bds 16th Ser '15A			0.00	994,404.70
Rev Fin Sys Ref & Imp Bds Tax 17th Ser '15B			15,000.00	1,946,408.15
Total	\$ 731,255,441.75	(B)	\$ 29,640,000.00	\$ 20,587,904.35

(A) Beginning balances as of 09/01/14 of \$651,190,266.23 are not included in "Total Pledged and Other Sources."

(B) Expenditures associated with pledged sources were approximately \$624,757,421.68.

Texas Tech University System (793)
Combined Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2015

Description of Issue	Year Defeased	Par Value Outstanding
Revenue Bonds		
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2015	<u>\$ 157,035,000.00</u>
		<u><u>\$ 157,035,000.00</u></u>

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Texas Tech University System (793)
 Combined Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2015

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds 9th Ser '03	Current Refunding	\$ 245,000.00	\$ 240,000.00	\$ 46,617.50	\$ 36,889.14
Rev Fin Sys Ref & Imp Bds 10th Ser '06	Advance Refunding	157,035,000.00	165,040,000.00	20,498,794.86	15,026,722.58
Total		<u>\$ 157,280,000.00</u>	<u>\$ 165,280,000.00</u>	<u>\$ 20,545,412.36</u>	<u>\$ 15,063,611.72</u>

NOTE:

In fiscal year 2015, \$17,550,000 of Texas State University System debt on behalf of Angelo State University was refunded and new debt was financed by Texas Tech University System on behalf of Angelo State University. The refunded bonds were Angelo State University's portion of the Texas State University System 2005 series bonds in the amount of \$4,185,000 & 2006 series bonds in the amount of \$13,365,000. The 2005 series refunding resulted in debt service savings of \$273,960.26 and a total net present value savings of \$259,243.73. The 2006 series refunding resulted in debt service savings of \$1,319,747.75 and a total net present value savings of \$998,516.08. These balances are not included in the refunding amounts for Texas Tech University System (793) listed above.

Texas Tech University System (793)
Combined Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2015

Cash in State Treasury	Current Unrestricted
Local Revenue (Fund 0227)	\$ 3,207,719.89
Local Revenue (Fund 0239)	16,898,252.72
Local Revenue (Fund 0255)	3,694,365.91
Permanent Health Fund - El Paso Campus (Fund 0820)	6,381,130.69
Permanent Health Fund - Other Campuses (Fund 0821)	3,831,282.60
	<hr/>
Total Cash in State Treasury	\$ 34,012,751.81
	<hr/> <hr/>

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Texas Tech University System (793)
Combined Schedule 4A - TTU System's Proportionate Share of Net Pension Liability
For the Year Ended August 31, 2015

	2015
TTU System's proportion of net pension liability (asset)	0.6064722%
TTU System's proportionate share of net pension liability (asset) as a percentage of its covered payroll	\$ 162,030,163.65
TTU System covered payroll	\$ 222,298,083.81
TTU System's proportionate share of net pension liability (asset) as a percentage of its covered payroll	72.89%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

Texas Tech University System (793)
Combined Schedule 4B - TTU System's Contributions
For the Year Ended August 31, 2015

	2015
Statutorily required contributions	\$ 19,273,243.86
Contributions in relation to statutorily required contributions	15,253,844.56
Contribution deficiency (excess)	4,019,399.30
TTU System's covered-employee payroll	222,298,083.81
Contributions as a percentage of covered-employee payroll	6.86%

UNAUDITED

TEXAS TECH UNIVERSITY SYSTEM (793)

**DISCRETELY PRESENTED
COMPONENT UNIT**

UNAUDITED

Texas Tech University System (793)
Statement of Net Position
Discretely Presented Component Unit - Angelo State University
Robert G. Carr and Nona K. Carr Scholarship Foundation
August 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 50,204.37	\$ 343,867.03
Restricted:		
Cash and Cash Equivalents (Note 3)	254,757.30	192,426.35
Accounts Receivable	305,053.05	3,724.81
Prepaid Items	1,991.25	0.00
Total Current Assets	612,005.97	540,018.19
Non-Current Assets:		
Restricted:		
Investments (Note 3)	129,817,425.18	131,413,983.82
Total Non-Current Assets	129,817,425.18	131,413,983.82
Total Assets	130,429,431.15	131,954,002.01
LIABILITIES		
Current Liabilities:		
Accounts Payable	778.10	185.00
Payroll Payable	27,158.26	22,704.98
Employees' Compensable Leave (Note 5)	561.52	0.00
Total Current Liabilities	28,497.88	22,889.98
Non-Current Liabilities		
Employees' Compensable Leave (Note 5)	14,699.44	0.00
Total Non-Current Liabilities	14,699.44	0.00
Total Liabilities	43,197.32	22,889.98
NET POSITION		
Restricted:		
Nonexpendable:		
Endowments	123,776,547.47	118,916,297.55
Expendable:		
Other	6,609,686.36	13,014,814.48
Total Net Position	\$ 130,386,233.83	\$ 131,931,112.03

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

UNAUDITED

Texas Tech University System (793)
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Angelo State University
Robert G. Carr and Nona K. Carr Scholarship Foundation
For the Years Ended August 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Total Operating Revenues	\$ 0.00	\$ 0.00
OPERATING EXPENSES		
Salaries and Wages	272,967.37	236,285.48
Payroll Related Costs	96,013.54	67,567.04
Professional Fees and Services	55,898.15	36,554.30
Travel	9,485.35	9,167.47
Materials and Supplies	57,251.47	32,358.42
Communication and Utilities	1,437.78	783.60
Repairs and Maintenance	998.76	8.31
Rentals and Leases	2,584.00	2,701.86
Printing and Reproduction	879.10	929.33
Other Operating Expenses	9,648.62	12,447.25
Total Operating Expenses	507,164.14	398,803.06
Operating Income (Loss)	(507,164.14)	(398,803.06)
NONOPERATING REVENUES (EXPENSES)		
Investment Income (Expense)	8,220,539.22	12,401,371.58
Net Increase (Decrease) in Fair Value of Investments	(6,536,300.86)	4,508,526.64
Other Nonoperating Revenues (Expenses) - Pledged	(2,721,952.42)	849,673.90
Total Nonoperating Revenues (Expenses)	(1,037,714.06)	17,759,572.12
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	(1,544,878.20)	17,360,769.06
OTHER REVENUES, EXPENSES, GAINS, LOSSES, and TRANSFERS		
Total Other Revenues, Expenses, Gains, Losses, and Transfers	0.00	0.00
Total Changes in Net Position	(1,544,878.20)	17,360,769.06
Beginning Net Position (September 1)	131,931,112.03	114,570,342.97
Ending Net Position (August 31)	\$ 130,386,233.83	\$ 131,931,112.03

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