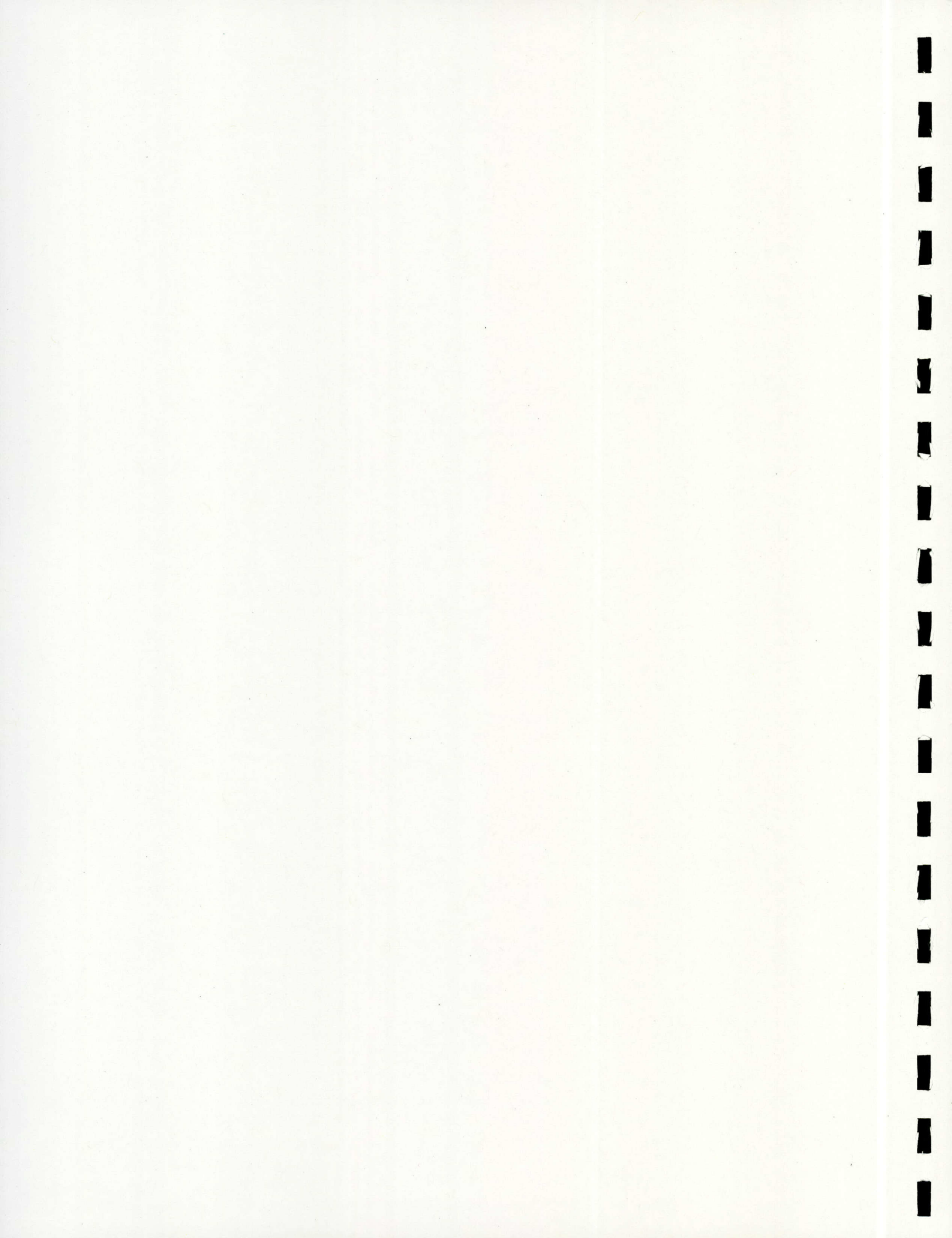


# **The Texas State University System**



## **COMBINED ANNUAL FINANCIAL REPORT** **Year Ended August 31, 2013**

**Lamar University  
Sam Houston State University  
Sul Ross State University  
Texas State University-San Marcos  
Lamar Institute of Technology  
Lamar State College-Orange  
Lamar State College-Port Arthur  
System Administration**



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November 20, 2013

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
Ursula Parks, Deputy Director, Legislative Budget Board  
John Keel, CPA State Auditor

To Agency Heads Addressed:

We are pleased to submit the Combined Annual Financial Report of the Texas State University System for the fiscal year ended August 31, 2013, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board 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 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 Roland Smith, Vice Chancellor for Finance at (512) 463-1808.

Sincerely,



Brian McCall  
Chancellor



TEXAS STATE UNIVERSITY SYSTEM  
Organizational Data  
For the Fiscal Year Ended August 31, 2013

**Board of Regents**

Officers

Donna N. Williams            Chairman  
Ron Mitchell                Vice Chairman

Members

<u>Name</u>	<u>City (Texas)</u>	<u>Term Expires</u>
Charlie Amato	San Antonio	2/1/2019
Dr. Jaime R. Garza	San Antonio	2/1/2017
Kevin J. Lilly	Houston	2/1/2015
David Montagne	Beaumont	2/1/2015
Vernon Reaser III	Bellaire	2/1/2019
Rossanna Salazar	Austin	2/1/2017
William F. Scott	Nederland	2/1/2019
Matthew Russell, Student	San Marcos	5/1/2014

**Administrative Officers**

System Administration

Brian McCall                            Chancellor  
Fernando C. Gomez                Vice Chancellor and General Counsel  
Perry Moore                            Vice Chancellor for Academic Affairs  
Roland K. Smith                      Vice Chancellor for Finance  
Sean Cunningham                    Vice Chancellor for Governmental Relations  
Peter E. Graves                        Vice Chancellor for Contract Administration  
Carole L. Fox                            Director of Audits and Analysis

University Presidents

Ken Evans                                Lamar University  
J. Michael Shahan                    Lamar State College - Orange  
W. Sam Monroe                        Lamar State College - Port Arthur  
Paul J. Szuch                            Lamar Institute of Technology  
Dana Gibson                            Sam Houston State University  
Ricardo Maestas                        Sul Ross State University  
Denise M. Trauth                        Texas State University - San Marcos





**UNAUDITED**

Texas State University System  
Student Enrollment Data  
For the Year Ended August 31, 2013

TYPE OF STUDENT	NUMBER OF STUDENTS BY SEMESTER			
	FALL 2012	SPRING 2013	SUMMER TERM 2013	
			FIRST	SECOND
Texas Residents	63,416	59,599	18,258	8,086
Out of State (Classified as Residents)	686	831	283	20
Out of State	1,531	1,116	658	346
Foreign	755	726	287	80
Children of Disabled Firemen or Peace Officers	12	11	7	2
Children of Deceased Public Servants	75	82	1	0
Peace Officer	252	214	89	87
Concurrent Enrollment	888	604	20	17
Foster Children of the State	170	151	45	21
Good Neighbor	14	12	6	3
High School Honor Scholarships	2	0	0	0
High Ranking Senior	46	45	0	0
Hazelwood Act	2,618	2,567	1,163	310
Senior Citizens	32	16	2	0
Commission for the Blind/Deaf	244	214	93	42
Fireman Exempt	28	33	18	12
Thesis Only	10	7	10	0
Nursing	179	145	145	64
Faculty/Staff	377	425	184	63
Teaching Assistants	482	303	55	9
Competitive Scholarships	1,051	1,050	406	208
Military Personnel and Dependents	573	577	213	177
Louisiana Adjacent County	261	243	21	17
Mexico Pilot	5	6	3	0
National Student Exchange Program	20	14	1	1
Reciprocal Exchange International	20	14	0	0
New Mexico Adjacent County	27	23	10	8
Texas Tomorrow Waiver	302	296	85	68
Adopted Students	74	66	19	18
Pase	11	14	5	6
Distance Learning	3,387	3,115	3,045	425
Family & Consumer Science Alliance Agreement	1	1	1	1
Clinical Preceptor Exempt	9	12	2	2
Beaumont-Louisiana Non-resident	316	289	105	0
Economic Development	1	2	1	0
Multi Texas University	1	0	0	0
TDCJ-54,218 Education Code	149	59	30	24
Trio Grant Math 0301	7	6	0	0
HB 1406 Non US Citizen	1	1	1	1
Totals	<u>78,033</u>	<u>72,889</u>	<u>25,272</u>	<u>10,118</u> *

\* Texas State University-San Marcos changed to single summer term format in 2012

Enrollment Data (Fall Semester)

Fiscal Year	STUDENTS	SEMESTER HOURS
	2013	78,033
2012	77,128	862,357
2011	74,762	843,591
2010	72,604	810,207
2009	69,062	776,240
2008	64,397	745,674
2007	69,233	806,869
2006	69,625	807,807
2005	68,102	759,896
2004	66,121	738,920
2003	64,419	738,914



**Texas State University System  
 Combined Statement of Net Position  
 For the Fiscal Year Ended August 31, 2013**

**ASSETS & DEFERRED OUTFLOWS**

Current Assets:

Cash and Cash Equivalents (Note 3)

Cash on Hand	\$ 159,635.71
Cash in Bank	94,203,690.95
Cash in Transit/Reimbursement from Treasury	7,420,950.00
Cash in State Treasury	63,242,856.19
Cash Equivalents	287,078,858.09

Securities Lending Collateral

-

Short Term Investments (Note 3)

715,196.15

Restricted:

-

Cash and Cash Equivalents (Note 3)

-

Cash on Hand	461.17
Cash in Bank	6,611,413.76
Cash in Transit/Reimbursement from Treasury	-
Cash in State Treasury	-
Cash Equivalents	86,446,473.62

Short Term Investments (Note 3)

-

Legislative Appropriations

76,704,732.47

Receivables from:

-

Federal	15,610,707.92
Other Intergovernmental	780.55
Interest and Dividends	47,959.00
Accounts	105,870,222.37
Gifts, Pledges and Donations	5,033,360.13
Investment Trades	-
Other	163,650.88

Interfund Receivables (Note 12)

-

Due From Other Agencies (Note 12)

3,527,556.56

Consumable Inventories

963,972.19

Merchandise Inventories

4,031,575.26

Prepaid Items

10,996,948.14

Loans and Contracts

13,205,266.22

Other Current Assets

51,140,416.26

Total Current Assets

\$ 833,176,683.59

**Texas State University System  
 Combined Statement of Net Position  
 For the Fiscal Year Ended August 31, 2013**

**Noncurrent Assets:**

Restricted:		
Cash and Cash Equivalents (Note 3)		
Cash on Hand	\$	-
Cash in Bank		(678,502.57)
Cash in Transit/Reimbursement from Treasury		-
Cash in State Treasury		-
Cash Equivalents		29,497,068.51
Short Term Investments (Note 3)		-
Receivables		691,984.26
Investments (Note 3)		155,941,308.30
Loans and Contracts		1,031,552.58
Other Assets		-
Deferred Charges		-
Loans and Contracts		8,150.17
Investments (Note 3)		92,413,214.22
Interfund Receivables (Note 3)		-
Gifts, Pledges and Donations Receivables		796,866.28
Capital Assets (Note 2):		-
Non-Depreciable:		-
Land and Land Improvements		79,812,988.91
Infrastructure		-
Construction in Progress		112,409,704.31
Other Capital Assets		7,643,292.73
Depreciable:		-
Buildings and Building Improvements		1,580,606,982.67
Less Accumulated Depreciation		(744,661,425.07)
Infrastructure		80,844,360.48
Less Accumulated Depreciation		(41,887,523.38)
Facilities and Other Improvements		206,233,954.42
Less Accumulated Depreciation		(51,195,831.08)
Furniture and Equipment		136,409,518.47
Less Accumulated Depreciation		(89,074,185.97)
Vehicles, Boats, and Aircraft		14,368,806.65
Less Accumulated Depreciation		(9,378,776.20)
Other Capital Assets		134,225,629.95
Less Accumulated Depreciation		(80,572,980.28)
Amortizable Assets-Intangible		34,785,586.21
Less Accumulated Amortization		(19,950,164.63)
Other Noncurrent Assets		-
Total Noncurrent Assets		<u>1,630,321,579.94</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>2,463,498,263.53</u></b>

**Texas State University System  
 Combined Statement of Net Position  
 For the Fiscal Year Ended August 31, 2013**

**DEFERRED OUTFLOWS**

Derivative Hedging Instruments Assets	\$	-
Deferred Outflow of Resources		-
Total Deferred Outflows		<u>-</u>
<b>Total Assets and Outflows</b>	<b>\$</b>	<b><u>2,463,498,263.53</u></b>

**LIABILITIES & DEFERRED INFLOWS**

Current Liabilities:

Payables:

Accounts	\$	52,921,487.20
Investment Trades		-
Payroll		27,762,875.67
Other Intergovernmental		-
Federal		-
Interest		-
Other		17,296,116.22
Interfund Payable (Note 12)		-
Due to Other Agencies (Note 12)		8,345,018.42
Unearned Revenues		330,155,625.90
Notes and Loans Payable (Note 5)		-
Revenue Bonds Payable, Net (Note 5, 6)		42,595,033.10
General Obligation Bonds Payable, Net (Note 5, 6)		-
Claims and Judgments (Note 5)		-
Employees' Compensable Leave (Note 5)		10,594,882.88
Capital Lease Obligations (Note 5, 8)		-
Contract Retainage Payable		-
Liabilities Payable from Restricted Assets		-
Obligations/Reverse Purchase Agreements		-
Obligations Under Securities Lending		-
Funds Held for Others		5,958,210.40
Other Current Liabilities		515,786.45
Total Current Liabilities	<b>\$</b>	<b><u>496,145,036.24</u></b>

**Texas State University System  
 Combined Statement of Net Position  
 For the Fiscal Year Ended August 31, 2013**

**Noncurrent Liabilities**

Interfund Payables (Note 8)	-
Notes and Loans Payable (Note 5)	-
Revenue Bonds Payable, Net (Note 5, 6)	\$ 770,229,849.77
General Obligation Bonds Payable, Net (Note 5, 6)	-
Claims and Judgments (Note 5)	-
Employees' Compensable Leave (Note 5)	10,251,959.77
Capital Lease Obligations (Note 5, 8)	-
Liabilities Payable from Restricted Assets	-
Assets Held for Others	-
Pollution Remediation Obligations	-
Other Non-Current Liabilities	<u>3,091,211.42</u>
<b>Total Noncurrent Liabilities</b>	<u>783,573,020.96</u>
<b>Total Liabilities</b>	<u>1,279,718,057.20</u>

**DEFERRED INFLOWS**

Derivative Instrument Liabilities	-
Deferred Inflow of Resources	-
<b>Total Deferred Inflows</b>	<u>-</u>
<b>Total Liabilities and Inflows</b>	<u>1,279,718,057.20</u>

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	537,795,055.32
Restricted for	
Education	34,567,756.99
Debt Retirement	1,159,851.19
Capital Projects	110,577,366.99
Employee Benefits	-
Funds Held As Permanent Investments:	
Non-Expendable	123,145,454.07
Expendable	16,940,489.12
Other	27,477,333.74
Unrestricted	<u>332,116,898.91</u>
<b>Total Net Position</b>	<u>\$ 1,183,780,206.33</u>

**Texas State University System  
Combined  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended August 31, 2013**

**OPERATING REVENUES**

Sales of Goods and Services	
Tuition and Fees - Pledged	\$ 589,245,745.37
Discounts and Allowances	(147,466,972.83)
Professional Fees	-
Professional Fees - Pledged	-
Discounts and Allowances	-
Auxiliary Enterprises	-
Auxiliary Enterprises - Pledged	126,362,762.00
Discounts and Allowances	-
Other Sales of Goods and Services	-
Other Sales of Goods and Services - Pledged	23,508,974.83
Discounts and Allowances	-
Interest and Investment Income	-
Interest and Investment Income - Pledged	-
Net Increase (Decrease) Fair Market Value	-
Net Increase (Decrease) Fair Market Value - Pledged	-
Federal Revenue-Operating	30,914,511.07
Federal Pass Through Revenue	8,474,633.97
State Grant Revenue	3,017,623.91
State Grant Pass Through Revenue	34,696,483.27
Other Grants and Contracts	9,295,943.97
Other Grants and Contracts - Pledged	-
Other Operating Revenues	-
Other Operating Revenues - Pledged	10,102,503.63
<b>Total Operating Revenues</b>	<u>\$ 688,152,209.19</u>

**Texas State University System  
Combined  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended August 31, 2013**

<b>OPERATING EXPENSES</b>	
Instruction	\$ 320,931,608.10
Research	42,524,506.86
Public Services	20,221,028.86
Academic Support	116,860,604.92
Student Services	59,699,574.25
Institutional Support	98,713,558.02
Operation and Maintenance of Plant	73,356,439.03
Scholarship and Fellowships	91,189,906.61
Auxiliary Enterprise Expenditures	142,688,303.98
Depreciation and Amortization	78,966,344.44
Total Operating Expenses	<u>1,045,151,875.07</u>
<b>Operating Income (Loss)</b>	<u>(356,999,665.88)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Legislative Revenue (GR)	200,533,397.50
Additional Appropriations (GR)	49,506,823.17
Federal Revenue	106,126,768.26
Federal Pass Through Revenue	-
State Grant Pass-Through Revenue	624,259.30
Gifts	26,497,288.38
Gifts - Pledged	477,522.05
Land Income	-
Interest and Investment Income (Expense)	8,485,879.84
Interest and Investment Income (Expense) - Pledged	4,703,946.35
Loan Premium/Fees on Securities Lending	-
Investing Activities Expense	(23,041.67)
Interest Expense and Fiscal Charges	(36,519,846.86)
Borrower Rebates and Agent Fees	-
Gain (Loss) on Sale of Capital Assets	(1,104,621.96)
Net Increase (Decrease) in Fair Value of Investments	2,492,384.50
Net Increase (Decrease) in Fair Value of Investments - Pledged	-
Settlement of Claims	(264,688.86)
Other Nonoperating Revenues	1,134,700.20
Other Nonoperating Expenses	<u>(2,404,096.91)</u>
Total Nonoperating Revenues (Expenses)	<u>360,266,673.29</u>
<b>Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<u>\$ 3,267,007.41</u>



**Texas State University System  
 Combined  
 Statement of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Year Ended August 31, 2013**

<b>OTHER REVENUES, EXPENSES, GAINS/LOSSES</b>	
<b>AND TRANSFERS</b>	
Capital Contributions	\$ 2,177,919.35
Capital Appropriations (HEAF)	48,970,651.00
Federal Grant-Capital Grant Contributions	194,769.64
Contributions to Permanent and Term Endowments	7,816,066.66
Special Items	-
Extraordinary Items	-
Increase Interagency Transfer Capital Assets	383,276.24
Decrease Interagency Transfer Capital Assets	(147,066.69)
Transfer In	1,816,676.75
Transfer Out	(9,100,006.79)
Legislative Transfer In	2,706,875.77
Legislative Transfer Out	-
Lapses	(357,034.15)
<b>Total Other Revenues, Expenses, Gains/Losses and Transfers</b>	<u>54,462,127.78</u>
<b>Change in Net Position</b>	<u>57,729,135.19</u>
Net Position, September 1 2012	1,136,262,443.89
Restatements	<u>(10,211,372.75)</u>
Net Position, September 1, 2012 as Restated	<u>1,126,051,071.14</u>
<b>NET POSITION, August 31, 2013</b>	<u><u>\$1,183,780,206.33</u></u>

**Texas State University System**  
**Combined Matrix of Operating Expenses Reported by Function**  
**For the Fiscal Year Ended August 31, 2013**

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
Cost of Goods Sold	\$ -	\$ -	\$ 78,267.22	\$ 5,010.42	\$ 79,914.33	\$ 1,134.60	\$ -	\$ 255.00	\$ 7,005,982.33	\$ -	\$ 7,170,563.90
Salaries and Wages	233,143,044.54	21,053,206.17	9,726,317.42	57,263,949.42	35,057,068.49	53,010,073.16	26,870,042.33	2,799,766.63	33,396,441.75	-	472,319,909.91
Payroll Related Costs	62,332,014.94	4,025,404.11	2,552,127.73	14,335,138.81	9,175,097.32	17,842,218.22	9,094,395.23	23,331.73	8,755,666.86	-	128,135,394.95
Professional Fees and Services	4,501,850.91	6,183,610.04	1,820,478.47	12,254,659.41	3,685,321.34	8,595,305.68	3,555,888.56	24,684.79	15,578,361.58	-	56,200,160.78
Federal Pass-Through Expense	-	969,558.63	-	-	-	-	-	-	-	-	969,558.63
State Grant Pass-Through Exp	-	465,878.76	-	-	-	-	-	-	-	-	465,878.76
Travel	3,383,367.34	2,546,102.24	460,860.18	2,569,663.63	1,625,962.98	1,032,345.30	61,098.32	9,612.02	5,312,856.51	-	17,001,868.52
Materials and Supplies	10,131,247.00	4,405,063.19	1,707,748.88	17,836,370.16	4,971,985.21	7,553,872.60	7,639,935.20	82,516.31	37,173,419.29	-	91,502,157.84
Communication and Utilities	635,577.54	91,113.26	283,957.53	2,959,348.49	654,867.59	2,489,662.69	18,552,632.03	222.00	12,589,708.52	-	38,257,089.65
Repairs and Maintenance	778,600.14	131,161.31	304,012.96	4,921,477.79	673,500.69	1,914,052.46	4,761,469.74	1,117.50	4,795,660.88	-	18,281,053.47
Rentals and Leases	398,216.55	278,893.80	396,579.04	1,440,045.92	449,901.90	535,312.80	1,372,255.85	5,083.25	1,542,346.16	-	6,418,635.27
Printing and Reproduction	708,827.02	226,655.92	166,391.19	577,270.70	1,159,870.61	687,078.70	53,443.25	2,194.66	760,101.74	-	4,341,833.79
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	78,966,344.44	78,966,344.44
Bad Debt Expense	945,120.39	-	(212.00)	(25,913.31)	8,982.33	(426,236.00)	-	(355,597.05)	608,841.94	-	754,986.30
Interest	5.68	86.54	22.37	16.50	-	6,273.49	9.49	-	-	-	6,414.07
Scholarships	223,403.61	99,587.80	35,342.47	100,167.50	152,050.75	126,523.40	-	88,052,403.96	9,796,990.46	-	98,586,469.95
Claims and Judgments	-	-	-	-	677.41	6,168.55	-	-	387.75	-	7,233.71
Other Operating Expenses	3,750,332.44	2,048,185.09	2,689,135.40	2,623,399.48	2,004,373.30	5,339,772.37	1,395,269.03	544,315.81	5,371,538.21	-	25,766,321.13
<b>Total Operating Expenses</b>	<b>\$ 320,931,608.10</b>	<b>\$ 42,524,506.86</b>	<b>\$ 20,221,028.86</b>	<b>\$ 116,860,604.92</b>	<b>\$ 59,699,574.25</b>	<b>\$ 98,713,558.02</b>	<b>\$ 73,356,439.03</b>	<b>\$ 91,189,906.61</b>	<b>\$ 142,688,303.98</b>	<b>\$ 78,966,344.44</b>	<b>\$ 1,045,151,875.07</b>

**Texas State University System  
Combined  
Statement of Cash Flow  
For the Fiscal Year Ended August 31, 2013**

**Cash Flows from Operating Activities**

Receipts from Customers	\$ 18,656,661.40
Proceeds from Tuition and Fees	497,475,696.90
Proceeds from Research Grants and Contracts	91,459,649.01
Proceeds from Gifts	-
Proceeds from Loan Programs	21,670,965.83
Proceeds from Auxiliaries	90,933,638.97
Proceeds from Other Revenues	15,572,280.91
Payments to Suppliers for Goods and Services	(296,653,280.26)
Payments to Employees for Salaries	(476,184,055.97)
Payments to Employees for Benefits	(122,992,300.56)
Payments for Loans Provided	(24,297,345.85)
Payments for Other Expenses	(77,855,547.71)
	<hr/>
Net Cash Provided by Operating Activities	(262,213,637.33)

**Cash Flows from Noncapital Financing Activities**

Proceeds from Debt Issuance	3,000,000.00
Proceeds from State Appropriations	280,427,630.90
Proceeds from Gifts	35,680,529.12
Proceeds from Endowments	-
Proceeds of Transfers from Other Funds	3,961,052.00
Proceeds from Grant Receipts	105,843,845.01
Proceeds from Advances from Other Funds	-
Proceeds from Loan Programs	131,782.77
Proceeds from Other Financing Activities	747,853.80
Proceeds from Contributed Capital	-
Payments of Principal on Debt Issuance	-
Payments of Interest	-
Payments of Other Costs of Debt Issuance	-
Payments for Transfers to Other Funds	(414,143.25)
Payments for Grant Disbursements	-
Payments for Advances to Other Funds	-
Payments for Other Uses	(14,401,170.78)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	\$ 414,977,379.57

**Texas State University System  
Combined  
Statement of Cash Flow  
For the Fiscal Year Ended August 31, 2013**

**Cash Flows from Capital and Related Financing Activities**

Proceeds from the Sale of Capital Assets	\$ 361.50
Proceeds from Debt Issuance	78,611,455.64
Proceeds from State Grants and Contracts	-
Proceeds from Federal Grants and Contracts	188,421.80
Proceeds from Gifts	-
Proceeds from Other Financing Activities	24,082,497.00
Proceeds from Capital Contributions	-
Proceeds from Advances from Other Funds	4,523,552.52
Payments for Additions to Capital Assets	(131,492,280.86)
Payments of Principal on Debt	(40,324,999.99)
Payments for Capital Lease	(23,140.10)
Payments of Interest on Debt Issuance	(37,004,113.51)
Payments of Interfund Receivable	
Payments of Other Costs of Debt Issuance	(31,005.04)
Net Cash Provided by Capital and Related Financing Activities	(101,469,251.04)

**Cash Flows from Investing Activities**

Proceeds from Sales of Investments	241,818,490.19
Proceeds from Interest Income	863,121.21
Proceeds from Investment Income	5,143,823.89
Proceeds from Principal Payments on Loans	-
Payments to Acquire Investments	(251,943,542.22)
Payments for Nonprogram Loans Provided	
Net Cash Provided by Investing Activities	(4,118,106.93)

Net Increase (Decrease) in Cash and Cash Equivalents	47,176,384.27
Cash and Cash Equivalents, September 1, 2012 -	537,501,262.67
Changes in Accounting Principle	-
Changes in Reporting Entity	-
Restatement to Beginning Cash and Cash Equivalents	(10,694,741.51)
Cash and Cash Equivalents, September 1, 2012 - Restated	526,806,521.16
<b>Cash and Cash Equivalents, August 31, 2013</b>	<b>\$ 573,982,905.43</b>

**Texas State University System  
Combined  
Statement of Cash Flow  
For the Fiscal Year Ended August 31, 2013**

**Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities**

Operating Income (Loss) \$ (356,999,665.88)

Adjustments to Reconcile Operating Income  
to Net Cash Provided by Operating Activities:

Amortization and Depreciation 78,966,344.44

Bad Debt Expense 754,986.30

Operating Income and Cash Flow Categories:

Classification Differences -

Changes in Assets and Liabilities:

(Increase) Decrease in Receivables (7,668,338.20)

Increase (Decrease) in Due from Other Funds 1,346,112.06

(Increase) Decrease in Inventories (810,551.98)

(Increase) Decrease in Prepaid Expenses (12,511,793.58)

(Increase) Decrease in Notes Receivable (978,748.36)

(Increase) Decrease in Loans & Contracts (603,950.27)

(Increase) Decrease in Other Assets (1,254,325.79)

(Increase) Decrease in State Appropriations -

Increase (Decrease) in Payables 9,181,030.43

Increase (Decrease) in Deposits 108,925.44

Increase (Decrease) in Due to Other Funds 5,333,207.07

Increase (Decrease) in Unearned Revenue 24,115,938.52

Increase (Decrease) in Compensated Absence Liability (36,740.59)

Increase (Decrease) in Benefits Payable 864,123.50

Increase (Decrease) in Other Liabilities (2,020,190.44)

Total Adjustment 94,786,028.55

**Net Cash Provided by Operating Activities** \$ (262,213,637.33)

**Non Cash Transactions**

Donation of Capital Assets \$ 159,961.69

Net Change in Fair Value of Investments \$ 2,492,384.50

Borrowing Under Capital Lease Purchase

Other \$ (935,585.89)



**TEXAS STATE UNIVERSITY SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**

August 31, 2013

<b>NOTE 1: Summary of Significant Accounting Policies</b>
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**Entity**

The Texas State University System (TSUS) is an Institution of Higher Education of the State of Texas, and its financial records comply with state statutes and regulations, including compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Institutions of Higher Education.

The Texas State University System is comprised of System Administration and the following institutions: Lamar University, Sam Houston State University, Sul Ross State University, Texas State University-San Marcos, Lamar Institute of Technology, Lamar State College - Orange, and Lamar State College - Port Arthur. The System's primary role is to provide post secondary educational opportunities for the citizens of the State of Texas. The component institutions also perform research activities and provide public service programs for their constituents.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No 34. *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to 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; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

**Fund Structure**

The accompanying financial statements are presented on the basis of funds. A fund is considered a separate accounting entity. The fund designation for institutions of higher education is, a Business Type Activity, within the Proprietary Fund Type.

**Proprietary Funds – Business Type Activity**

Business type funds are used for activities that are financed through the charging of fees and sales for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type; because, the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

**Note 1 Continued**

**Component Units**

The fund types of the individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

**Basis of Accounting**

The basis of accounting determines when revenues and expenditures or 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.

Business activity type funds (proprietary funds) are accounted for using the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

**Budget and Budgetary Accounting**

The operating budget is prepared annually and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act) and other revenues generated by System Administration. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

**Assets, Liabilities, and Fund Balances/Net Position**

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**ASSETS**

**Cash and Cash Equivalents**

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

**Securities Lending Collateral**

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31-Accounting and Financial Reporting for Certain Investments and for External Investment Pools. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement 25 - Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.



## Note 1 Continued

Securities lent are reported as assets on the Statement of Net Assets. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

### Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

### Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

### Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

### Current Receivables - Other

Other receivables include year-end revenue accruals not included in any other receivable category.

## **LIABILITIES**

### Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the Statement of Net Assets date for which payment is pending.

### Current Payables - Other

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

## Note 1 Continued

### Employees' Compensable Leave Balances

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

### 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. Liabilities are reported separately as either current or noncurrent in the Statement of Net Assets.

### Bonds Payable - General Obligation Bonds and Revenue Bonds

General Obligation and Revenue Bonds are accounted for in the proprietary funds by institutions of higher education. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the Statement of Net Assets. Bond proceeds and principal payments are reported in the Statement of Cash Flows.

## **NET POSITION**

The difference between assets and liabilities is "Net Position" on the proprietary fund statements.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

### Restricted Net Position

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

### Unrestricted Net Position

Unrestricted net assets consist of net assets which do not meet the definition of the two *preceding* categories. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

**Note 1 Continued**

**INTERFUND ACTIVITIES AND BALANCES**

The Texas State University System has the following types of transactions among funds:

- (1) Transfers: Legally required transfers that are reported when incurred as “Transfers In” by the recipient fund and as “Transfers Out” by the disbursing fund.
- (2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as “Current”, repayment for two (or more) years is classified as “Non-Current”.
- (4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of Texas State University System’s Interfund activities is presented in Note 12.

**NOTE 2: Capital Assets**

All capital assets acquired are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

**Note 2 Continued**

	Balance 9/1/2012	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 8/31/2013
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Non-Depreciable Assets</b>								
Land and Land Improvements	71,320,060.92	-	3,708,524.00	-	-	4,803,865.49	(19,461.50)	79,812,988.91
Construction in Progress	124,822,978.04	(49,623.48)	(124,085,843.59)	-	-	111,740,718.34	(18,525.00)	112,409,704.31
Other Tangible Capital Assets	7,533,802.61	-	-	-	-	109,490.12	-	7,643,292.73
Other Assets	-	-	-	-	-	-	-	-
<b>Total Non-Depreciable Assets</b>	<b>203,676,841.57</b>	<b>(49,623.48)</b>	<b>(120,377,319.59)</b>	<b>-</b>	<b>-</b>	<b>116,654,073.95</b>	<b>(37,986.50)</b>	<b>199,865,985.95</b>
<b>Depreciable Assets</b>								
Buildings and Building Improvements	1,531,238,250.67	-	53,723,160.98	-	-	3,049,324.92	(7,403,753.90)	1,580,606,982.67
Infrastructure	65,471,076.57	-	15,373,283.91	-	-	-	-	80,844,360.48
Facilities & Other Improvements	154,547,437.63	-	51,280,874.70	-	-	405,642.09	-	206,233,954.42
Furniture and Equipment	134,070,876.68	(6,230.17)	-	804,730.77	(147,066.69)	9,590,443.33	(7,903,235.45)	136,409,518.47
Vehicles, Boats & Aircraft	13,612,852.09	-	-	19,586.00	-	1,285,573.65	(549,205.09)	14,368,806.65
Other Assets	126,944,725.35	-	-	-	-	7,979,732.40	(698,827.80)	134,225,629.95
<b>Total Depreciable Assets at Historical Costs</b>	<b>2,025,885,218.99</b>	<b>(6,230.17)</b>	<b>120,377,319.59</b>	<b>824,316.77</b>	<b>(147,066.69)</b>	<b>22,310,716.39</b>	<b>(16,555,022.24)</b>	<b>2,152,689,252.64</b>
<b>Less Accumulated Depreciation :</b>								
Buildings and Building Improvements	(707,950,817.19)	-	-	-	-	(43,623,021.06)	6,912,413.18	(744,661,425.07)
Infrastructure	(39,579,452.40)	-	-	-	-	(2,308,070.98)	-	(41,887,523.38)
Facilities & Other Improvements	(44,207,126.05)	-	-	-	-	(6,988,705.03)	-	(51,195,831.08)
Furniture and Equipment	(83,271,635.28)	3,263.04	-	(421,454.53)	-	(12,718,018.37)	7,333,659.17	(89,074,185.97)
Vehicles, Boats & Aircraft	(8,759,595.86)	-	-	(19,586.00)	-	(1,086,287.09)	486,692.75	(9,378,776.20)
Other Capital Assets	(75,372,837.55)	-	-	-	-	(5,898,970.53)	698,827.80	(80,572,980.28)
<b>Total Accumulated Depreciation</b>	<b>(959,141,464.33)</b>	<b>3,263.04</b>	<b>-</b>	<b>(441,040.53)</b>	<b>-</b>	<b>(72,623,073.06)</b>	<b>15,431,592.90</b>	<b>(1,016,770,721.98)</b>
<b>Amortizable Assets-Intangible</b>								
Computer Software	34,252,770.98	-	-	-	-	896,807.40	(363,992.17)	34,785,586.21
<b>Total Amortizable Assets-Intangible</b>	<b>34,252,770.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>896,807.40</b>	<b>(363,992.17)</b>	<b>34,785,586.21</b>
<b>Less Accumulated Amortization</b>								
Computer Software	(13,914,263.03)	-	-	-	-	(6,343,271.38)	307,369.78	(19,950,164.63)
<b>Total Accumulated Amortization</b>	<b>(13,914,263.03)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,343,271.38)</b>	<b>307,369.78</b>	<b>(19,950,164.63)</b>
<b>Capital Assets, Net</b>	<b>1,290,759,104.18</b>	<b>(52,590.61)</b>	<b>-</b>	<b>383,276.24</b>	<b>(147,066.69)</b>	<b>60,895,253.30</b>	<b>(1,218,038.23)</b>	<b>1,350,619,938.19</b>

**NOTE 3: Deposits, Investments, & Repurchase Agreements**

The Texas State University System is authorized to invest operating funds in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code) and the Public Funds Collateral Act (Texas Government Code 2257). The *Operating Funds Investment Policy* of TSUS is designed to fulfill the following objectives:

- Provide the maximum safety of invested principal;
- Ensure liquidity for all operating requirements which may be reasonably anticipated;
- Manage interest-rate risk;
- Maximize overall return within the established risk constraints; and
- Provide for diversification of investment assets.

Endowment funds represent private funds including, but not limited to, gifts of property, stock, and real assets, donated to TSUS to provide funding for scholarships, fellowships, professorships, academic chairs, and other uses as specified by the donors. It is the policy of TSUS to invest endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Texas Property Code Chapter 163.

**Deposits of Cash in Banks**

As of August 31, 2013, the carrying value of demand deposits at local banks was \$100,136,602.14 as presented below:

Current Assets Cash in Banks	\$	94,203,690.95
Current Assets Restricted Cash in Banks		6,611,413.76
Noncurrent Assets Restricted Cash in Banks		<u>(678,502.57)</u>
<b>Cash in Bank per AFR</b>	<b>\$</b>	<b><u><u>100,136,602.14</u></u></b>

At August 31, 2013, the actual balance on deposit with local banks was \$100,533,603.24.

**Investments**

The carrying and fair values of investments as of the Statement of Net Assets date (both short and long term) are shown on the next page.

**Note 3 Continued**

<b>BUSINESS-TYPE ACTIVITIES</b>	<u><b>Fair value</b></u>
U.S. Government	
U.S. Treasury Securities	\$ 32,179,430.25
U.S. Government Agency Obligations	15,463,319.25
U.S. Government Agency Obligations (Texas Treasury Safekeep	512,502.91
Corporate Obligations	20,563,744.13
Corporate Obligations (Texas Treasury Safekeeping)	-
Corporate Asset and Mortgage Backed Securities	19,682,012.87
Equity	95,754,484.57
International Obligations (Govt and Corp)	-
International Equity	3,689,213.89
Repurchase Agreements	-
Fixed Income Money Market and Bond Mutual Fund	58,962,718.23
Other Commingled Funds	1,988,292.57
Other Commingled Funds - Texpool	403,022,400.22
Commercial Paper	-
Real Estate	26,000.00
Miscellaneous	248,000.00
<b>Total</b>	<u><u>\$ 652,092,118.89</u></u>
Current Cash Equivalents	\$ 287,078,858.09
Current Short Term Investments	715,196.15
Current Restricted Cash Equivalents	86,446,473.62
Current Restricted Short Term Investments	-
Non-Current Restricted Cash Equivalents	29,497,068.51
Non-Current Restricted Short Term Investments	-
Non-Current Restricted Investments	155,941,308.30
Non-Current Investments	92,413,214.22
<b>Total as Above</b>	<u><u>\$ 652,092,118.89</u></u>

### Note 3 Continued

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The *Investment Policies* of the Texas State University System allow the investment of State funds in corporate bonds to be no more than 5% of the total portfolio. The bonds must be rated in one of the three highest rating categories (i.e. AAA to A).

As of August 31, 2013 the System's credit quality distribution for securities with credit risk exposure was as follows.

#### STANDARDS & POOR'S

Investment Type	AAA	AA	A	BBB	BB	Total
U.S. Government Agency Obligations	\$ 32,179,430.25	\$ 15,392,132.15				\$ 47,571,562.40
Corporate Obligations		7,609,052.85	10,083,594.15	2,052,461.33	170,631.25	19,915,739.58
Corporate Asset and Mortgage Backed Securities	548,643.84	551,540.27				1,100,184.11
Municipal Bonds		42,103.60	29,083.50			71,187.10
Misc - Preferred Securities				175,948.00		175,948.00
<b>Total</b>	<b>\$ 32,728,074.09</b>	<b>\$ 23,594,828.87</b>	<b>\$ 10,112,677.65</b>	<b>\$ 2,228,409.33</b>	<b>\$ 170,631.25</b>	<b>\$ 68,834,621.19</b>

#### NOTE 4: Short-Term Debt

During the fiscal year ended August 31, 2013, Texas State University System had no short term debt activity.

#### NOTE 5: Summary of Long-term Liabilities

##### Changes in Long-term Liabilities

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

BUSINESS TYPE ACTIVITES	BALANCE 9/1/2012	ADDITIONS	REDUCTIONS	BALANCE 8/31/2013	AMOUNTS DUE WITHIN ONE YEAR
Revenue Bonds Payable	\$ 772,366,132.33	\$ 98,518,409.22	\$ 58,059,658.68	\$ 812,824,882.87	\$ 42,595,033.10
Compensable Leave	20,477,672.05	5,244,712.43	4,875,541.83	20,846,842.65	10,594,882.88
Capital Lease Obligations	23,140.10	-	23,140.10	-	-
<b>TOTALS</b>	<b>\$ 792,866,944.48</b>	<b>\$ 103,763,121.65</b>	<b>\$ 62,958,340.61</b>	<b>\$ 833,671,725.52</b>	<b>\$ 53,189,915.98</b>

**Note 5 Continued**

**Bonds Payable**

See Note 6 for a discussion of Bonds Payable.

**Compensable Leave**

A state employee is entitled to be paid for any 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. An expense and liability for Business Type Activities are recorded in the accounts as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Capital Leases**

As of August 31, 2013 the Texas State University System had no Capital Leases.

**Claims and Judgments**

As of August 31, 2013, the Texas State University System had no Claims and Judgments.

**NOTE 6: Bonded Indebtedness**

The Board of Regents approved the order establishing the Master Resolution for the Texas State University System Revenue Financing System in August 1998. The Master Resolution provides a financing structure under which revenue supported indebtedness of the Revenue Financing System can be incurred. Each component institution and the System Administration of TSUS are members of the Revenue Financing System. The Board pledged all of the funds (revenues) and balances derived or attributable to any member of the Revenue Financing System that is lawfully available to the Board for payments on Parity Debt. Specifically exempted from pledged revenues are:

- (a) Amounts received on behalf of any member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any balances relating thereto, and
- (b) General Revenue Fund appropriations, except to the extent so specifically appropriated for debt service to the Board by the Legislature of the State of Texas.

Members may use the Revenue Financing System as a long-term debt program to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure. An institution's request for the use of the Revenue Financing System is evaluated for an adequate revenue stream and bonding capacity for the specific institution prior to Board approval of issuing additional parity debt.



#### **Note 6 Continued**

Each component institution receives its portion of the bond proceeds and accounts for the earnings and disbursements of the bond proceeds. Assets created and/or acquired as a result of the Revenue Financing System bond proceeds expended and subsequently capitalized are reported on the component institutions' Financial Reports. The associated bond liability and debt service activities are reported in total by the TSUS - System Administration.

The following outstanding bonds have been issued utilizing the Revenue Financing System:

#### Revenue Bonds Series 2003

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip the property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$47,635,000 par value; all authorized bonds issued to Sam Houston State University \$20,500,000 (\$1,500,000 for Business Administration building; \$2,000,000 for Baseball/Softball complex; \$17,000,000 for Bearkat Village I&II, Southwest Texas \$27,000,000 for the MITC and issuance costs.
- Issued November 4, 2003.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share of \$27,000,000.

#### Revenue and Refunding Bonds Series 2004

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; refund certain outstanding debt obligations of the Board; and to pay cost of issuance related to the bonds.
- \$85,950,000 par value; all authorized bonds have been issued to Lamar University \$19,500,000 and Sul Ross \$20,240,000 and to partially refund Series 1998A - \$38,080,000 and Series 2000 - \$7,550,000 and issuance costs.
- Issued December 3, 2004.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share of \$31,865,395.

#### Revenue and Refunding Bonds Series 2005

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure; refund certain outstanding debt obligations of the Board; and to pay cost of issuance related to the bonds.
- \$43,250,000 par value; all authorized bonds have been issued to Sam Houston State University (\$15,000,000), to partially refund Series 1998A - \$13,475,000, Series 1998B - \$2,700,000, Series 2000 - \$8,920,000 and Series 2001 - \$3,320,000 and issuance costs.
- Issued September 1, 2005.
- Source of revenue for debt service - Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share, \$13,565,244.

## **Note 6 Continued**

### Revenue Financing Revenue Bonds, Series 2006

- To provide funds to purchase certain student housing and educational facilities located at Texas State University-San Marcos, Lamar University, and Angelo State University and financed by a Chapter 53, Texas Education Code non-profit corporation for the benefit of Texas State University System Foundation, Inc. and related entities and to pay cost of issuance related to the bonds.
- \$140,260,000 par value; all authorized bonds have been issued for Bobcat Village Texas State University-San Marcos - \$39,075,000; San Marcos Hall Texas State University-San Marcos - \$39,690,000; Cardinal Village Lamar University - \$44,270,000; Texan Hall Angelo State University - \$17,225,000 and issuance costs.
- Issued June 8, 2006.
- Source of revenue for debt service – Revenue Financing System.

### Revenue Financing Revenue Bonds, Series 2006A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$23,475,000 par value; all authorized bonds have been issued to Lamar University (\$16,700,000) and to Texas State University-San Marcos (\$6,300,000) and issuance costs.
- Issued September 1, 2006.
- Source of revenue for debt service – Revenue Financing System.

### Revenue and Refunding Bonds, Series 2008

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$207,395,000 par value; all authorized bonds have been issued to Sam Houston State University (\$50,000,000) and to Texas State University-San Marcos (\$145,671,999), to partially refund Series 1998A - \$5,270,000 and Series 1998B - \$13,270,000, and issuance costs.
- Issued August 19, 2008.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share, \$85,920,000.

**Note 6 Continued**

Revenue Financing Revenue Bonds, Series 2009

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$86,745,000 par value; all authorized bonds have been to Lamar University (\$45,700,861), Sam Houston State University (\$3,200,000), Texas State University-San Marcos (\$41,342,900) and issuance costs.
- Issued June 30, 2009.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share, \$4,335,000, of the issued bonds.

Revenue Financing System Refunding Bonds, Series 2010

- To provide funds to refund a portion of the University System's outstanding obligations for debt service savings and to pay any costs related to the issuance of the bonds.
- \$99,950,000 par value; all authorized bonds have been issued for debt refunded: Series 2001 - \$4,245,000; Series 2002 - \$83,955,000; Series 2003 - \$16,640,000 and issuance costs.
- Issued August 12, 2010.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share, \$63,745,000 of the issued bonds.

Revenue Financing Revenue Bonds, Series 2010A

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$65,735,000 value; all authorized bonds have been issued to Lamar State College Port Arthur (\$1,849,500), Sam Houston State University (\$18,000,000), Texas State University-San Marcos (\$46,125,000) and issuance costs.
- Issued August 19, 2010.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share, \$1,735,000, of the issued bonds.

Revenue Financing Revenue Bonds, Series 2011

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$86,775,000 par value; all authorized bonds have been issued to Sam Houston State University (\$25,500,000), Texas State University-San Marcos (\$66,468,000) and issuance costs.
- Issued June 14, 2011.
- Source of revenue for debt service – Revenue Financing System.

**Note 6 Continued**

Revenue and Refunding Bonds, Series 2012

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$27,860,000 par value; all authorized bonds have been issued to Sam Houston State University (\$1,000,000), Texas State University-San Marcos (\$12,300,000) and Lamar State College Port Arthur (1,995,000) for debt refunded: Series 2002 - \$3,200,000; Series 2003 - \$12,535,000 and issuance costs.
- Issued February 14, 2012.
- Source of revenue for debt service – Revenue Financing System and the Texas Legislature has appropriated General Revenue Funds in the 2014-2015 biennium for the Tuition Revenue financed share, \$8,000,000, of the issued bonds.

Revenue and Refunding Bonds, Series 2013

- To provide funds to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure and to pay any costs related to the issuance of the bonds.
- \$87,060,000 par value; all authorized bonds have been issued to Sam Houston State University (\$5,500,000), Texas State University-San Marcos (\$64,368,000), and Lamar University (3,000,000) and to Lamar State College Orange (5,181,119) for debt refunded: Series 2004 - \$16,195,000; and issuance costs.
- Issued February 12, 2013.
- Source of revenue for debt service – Revenue Financing System

**DEFEASED BONDS**

The following bonds were partially defeased during fiscal year 2013:

Revenue and Refunding Series 2004

- Refunding of certain outstanding maturities with par value of \$16,195,000 was defeased of the Series 2004 issued December 3, 2004 for \$85,950,000 in the Revenue and Refunding Bonds, Series 2013.
- Source of revenue for debt service - Revenue Financing System.
- Year defeased – 2013
- Economic gain on defeasement-Present Value Savings \$1,964,158.77.

**NOTE 7: Derivative Instruments**

Note is not applicable for Texas State University System.

<b>NOTE 8: Leases</b>
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**Operating Leases**

Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended August 31, 2013, are \$1,635,571.54. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are shown below:

<u>Year Ending August 31</u>	
2014	\$ 1,862,419.35
2015	1,415,098.16
2016	1,183,303.27
2017	1,102,963.09
2018	1,060,551.99
2019-2023	2,787,350.91
2024-2028	607,108.96
2029-2033	-
<b>TOTAL</b>	<b><u>\$ 10,018,795.73</u></b>

**Capital Leases**

As of August 31, 2013 the Texas State University System had no Capital Lease obligations.

**Assets Leased**

Texas State University, San Marcos leased a building to an outside party under an operating lease. The cost, carrying value and accumulated depreciation of the lease building as of August 31, 2013 was as follows:

<u>Assets Leased</u>	
Building Cost	\$ 350,178.00
Less: Accumulated Depreciation	<u>(332,669.10)</u>
<b>Carrying Value of Building</b>	<b><u>\$ 17,508.90</u></b>

**Noncancelable Operating Lease Rentals**

<u>Year Ending August 31</u>	
2014	\$ 106,480.08
2015	106,480.08
2016	106,480.08
2017	106,480.08
2018	106,480.08
<b>TOTAL</b>	<b><u>\$ 532,400.40</u></b>

**NOTE 9: Pension Plans**

The State established an optional retirement program for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The contributions made by plan members and employers for the fiscal year ended August 31, 2013 are:

YEAR ENDING AUGUST 31, 2013	
Member Contributions	\$ 10,937,993
Employer Contributions	11,822,063
Total	\$ 22,760,056

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

Not applicable.

**NOTE 11: Postemployment Health Care and Life Insurance Benefits**

Not applicable.

**NOTE 12: Interfund Activity and Transactions**

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. The Texas State University System experienced routine transfers within the System which were eliminated for the combined presentation.

Transfers with other State agencies and universities were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statements. Individual balances and activity at August 31, 2013 follows:

	LEGISLATIVE TRANSFERS	
	IN	OUT
Texas State University System 758		
Agency 737, Angelo State University	\$ 2,706,875.77	
<b>TOTAL</b>	<b>\$ 2,706,875.77</b>	<b>\$ -</b>

**Note 12 Continued**

Following are Transfers for each University in the System with other state agencies.

Optional Note 12 presentation	TRANSFERS		
	IN	OUT	
<b>Lamar Beaumont 734</b>			
Agency 781, Fund 7999	\$ -	\$ 1,534,835.92	Be on Time Program
Agency 347, Fund 0001		826,897.58	Loan
<b>Agency 734 total</b>		<u>2,361,733.50</u>	
<b>Sam Houston 753</b>			
Agency 781, Fund 5103		1,919,799.70	Be on Time Program
Agency 781, Fund 0001		9,220.00	Doctoral Set Aside
<b>Agency 753 total</b>		<u>1,929,019.70</u>	
<b>Texas State 754</b>			
Agency 781, Fund 0260		16,586.00	Doctoral Set Aside
Agency 781, Fund 5103		4,624,671.27	Be on Time Program
<b>Agency 754 total</b>		<u>4,641,257.27</u>	
<b>Sul Ross 756</b>			
Agency 781, Fund 5103		87,512.68	Be on Time Program
<b>Texas State System 758</b>			
Agency 737, Fund 7999	1,816,676.75		Reimbursement on Bonds
<b>Lamar State College-Orange 787</b>			
Agency 781, 5103		21,089.07	Be on Time Program
<b>Lamar State College-Port Arthur 788</b>			
Agency 781, 5103		58,255.57	Be on Time Program
<b>Lamar Institute of Technology 789</b>			
Agency 781, Fund 0287		1,139.00	Be on Time Program
<b>TOTAL for the System</b>	<b>\$ 1,816,676.75</b>	<b>\$ 9,100,006.79</b>	

Following are Due Froms and Due Tos for each University in the System with other state agencies and universities outside the system.

**Note 12 Continued**

**Lamar Beaumont 734**

	DUE FROM	DUE TO	SOURCE
Agency 608, Fund 5015	\$ 596.51	\$ -	License Plate fund
Agency 530, Fund 7999	60,155.55		Federal P-T
Agency 730, Fund 7999	12,816.92		Federal P-T
Agency 755, Fund 7999	347,948.00		Federal P-T
Agency 712, Fund 0001		3,470.45	Loan Funds
Agency 721, Fund 7999		53,733.29	Federal P-T
<b>Total for 734</b>	<b>421,516.98</b>	<b>57,203.74</b>	

**Sam Houston 753**

Agency 300, Fund 6170	23,448.15	-	Federal P-T
Agency 320, Fund 5026	10,572.69		Federal P-T
Agency 555, Fund 7999	9,736.04		Federal P-T
Agency 556, Fund 7999	13,121.38		Federal P-T
Agency 601, Fund 0006	367,018.04		Federal P-T
Agency 711, Fund 7999	125,046.14		Federal P-T
Agency 721, Fund 7999	242.24		Federal P-T
Agency 730, Fund 7999	37,420.93		Federal P-T
Agency 781, Fund 0001	6,871.81		State P-T
Agency 608, Fund 5015	4,016.73		License Plate fund
Agency 720, Fund 7999		4,625.54	State P-T
Agency 781, Fund 0001		15,881.68	State P-T
Agency 802, Fund 0642		3,027.44	State P-T
<b>Total for 753</b>	<b>597,494.15</b>	<b>23,534.66</b>	

**Texas State 754**

Agency 608, Fund 5140	11,833.20		State P-T
Agency 608, Fund 5015	7,987.48		License Plate fund
Agency 300, Fund 7999	34,148.46		Federal
Agency 300, Fund 7999	407,648.88	841,523.93	State P-T
Agency 320, Fund 7999	48,001.20		Federal P-T
Agency 530, Fund 7999	205,589.31		Federal P-T
Agency 537, Fund 7999	324,537.21	337.00	State P-T
Agency 551, Fund 7999	3,210.52		Federal
Agency 556, Fund 7999	6,530.80		Federal P-T
Agency 580, Fund 7999	11,021.00		State P-T
Agency 582, Fund 7999	515,662.19		Federal P-T
Agency 582, Fund 7999	7,196.11		State P-T
Agency 601, Fund 7999	51,505.85		Federal
Agency 712, Fund 7999	59,336.95		Federal
Agency 714, Fund 7999	6,026.57		State P-T
Agency 716, Fund 7999		0.79	Federal P-T
Agency 720, Fund 7999		445.53	State P-T
Agency 721, Fund 7999		60,820.79	Federal
Agency 723, Fund 7999	82,872.99		Federal P-T
Agency 730, Fund 7999	4,501.62		Federal P-T
Agency 733, Fund 7999	26,800.27		Federal
Agency 743, Fund 7999	96,120.15		Federal
Agency 744, Fund 7999		25,559.44	Federal P-T
Agency 760, Fund 7999	6,386.66		Federal
Agency 781, Fund 7999	105,845.44	45,697.34	Federal P-T
Agency 781, Fund 7999	36,671.81	7,289,892.01	State P-T
Agency 802, Fund 7999	279,905.58	3.19	Federal
<b>Total for 754</b>	<b>2,339,340.25</b>	<b>8,264,280.02</b>	



**Note 12 Continued**

	<b>DUE FROM</b>	<b>DUE TO</b>	<b>SOURCE</b>
<b>Sul Ross 756</b>			
Agency 608, Fund 5015	13,896.97		License Plate fund
Agency 733, Fund 7999	9,124.09		Federal P-T
<b>Total for 756</b>	<u>23,021.06</u>		
<b>Lamar State College-Orange 787</b>			
Agency 320, Fund 7999	13,348.05		Federal P-T
Agency 755, Fund 7999	14,100.00		Federal P-T
Agency 306, Fund 7999	19,999.13		Federal P-T
Agency 320, Fund 7999	9,028.32		Federal P-T
<b>Total for 787</b>	<u>56,475.50</u>		
<b>Lamar State College-Port Arthur 788</b>			
Agency 730, Fund 7999	60,340.65		Federal P-T
Agency 781, Fund 7999	29,367.97		Federal P-T
<b>Total for 788</b>	<u>89,708.62</u>		
<b>TOTAL for the System</b>	<u>\$ 3,527,556.56</u>	<u>\$ 8,345,018.42</u>	

**NOTE 13: Continuance Subject To Review**

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

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

During fiscal year 2013 adjustments were made that required the restatement of net position. Following are the reasons for the restatements:

Restatement related to post close accruals	\$ 535,959.37
Restatement of funds reserved for loans	(10,694,741.51)
Adjustment for capital assets and depreciation	(52,590.61)
	<u>\$ (10,211,372.75)</u>

The beginning net position is restated to reflect the adjustments.

Net Position- September 1, 2012	\$ 1,136,262,443.89
Adjustment to Net Position	(10,211,372.75)
Restated Net Position- September 1, 2013	<u>\$ 1,126,051,071.14</u>

**NOTE 15: Contingencies and Commitments**

At August 31, 2013, various lawsuits and claims involving the Board of Regents, Texas State University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the Board of Regents cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the Board of Regents, Texas State University System. Under Texas law, the Texas State University System, as an agency of the State of Texas, enjoys immunity from most causes of action. The majority of such claims are dismissed prior to trial.

**NOTE 16: Subsequent Events**

Texas State University System has intent to issue debt in the fiscal year 2014 in the following table.

Bond Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	2014	32,000,000	14-May	SHSU - CMIT/LEMIT/PRC Facility (New Construction)
Revenue Bonds	2014	8,000,000	14-May	SHSU - Student Health and Counseling Center (New Construction)
Revenue Bonds	2014	6,350,000	14-May	SHSU - Chilled/Heated Water & Electrical Infrastructure (New Construction)
Revenue Bonds	2014	85,114,955	14-May	SHSU - South Residential District Student Housing (New Construction)
Revenue Bonds	2014	1,500,000	14-May	SHSU - Sycamore Vivarium (New Construction)
Revenue Bonds	2014	7,990,629	14-May	SRSU - Fletcher Hall (New Construction and Renovation)
Revenue Bonds	2014	20,815,000	14-May	TxStUniv - Bobcat Stadium Expansion - South End Zone (New Construction)
Revenue Bonds	2014	1,300,000	14-May	TxStUniv - Energy Conservation Retrofit 2014 (Renovation - Not EPC)
Revenue Bonds	2014	23,671,000	14-May	TxStUniv - Jones Dining Hall Replacement (New Construction)

**NOTE 17: Risk Management**

As with any state agency, System Administration may be subject to a variety of civil claims or complaints arising from the performance of its duties although no claims or complaints are currently pending against System Administration for actions arising from performance of its duties. It is System Administration's policy periodically to assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Currently there is no purchase of commercial insurance, nor is System Administration involved in any risk pool with other government entities for these risks.

**NOTE 18: Management Discussion and Analysis**

Note is not applicable for Texas State University System.

**NOTE 19: The Financial Reporting Entity**

The Texas State University System has the following component units and related parties.

**COMPONENT UNITS**

Component Units (CUs) are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, CUs can be other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would create misleading or incomplete financial statements.

The Texas State University-San Marcos has the following blended component units:

**The Texas State University-San Marcos Research Foundation** (Research Foundation) was formed as an independent 501(c)(3) organization on July, 22, 2010. The Research Foundation was formed to support the university's mission and objectives of promoting higher education, conducting research, providing public service, and assisting in economic development in Texas. The Research Foundation has a fiscal year end of February 28 and is exclusively associated with the university.

The Research Foundation is included in the financial statements of Texas State University-San Marcos (University) as a blended component unit in accordance with GASB Statement 14 as amended by GASB Statement 39. The key business officers of the University comprise the entirety of the Research Foundation's officers and directors, thereby giving the University the ability to impose its will on the Research Foundation.

During fiscal year ending February 28, 2013, the Research Foundation incurred expenses in the amount of \$431.00

**The Harold M. Freeman Education Foundation** was exclusively formed to make use of certain ranch property, known as the Freeman Ranch, available to Texas State University-San Marcos. The ranch property is used and operated solely for farm, ranch, and game management, educational and research purposes in connection with the educational activities of the university.

The activities of the Freeman Ranch are included in the financial statements of Texas State University-San Marcos as a blended component unit. The management and administration of the ranch is the responsibility of business officers who in the execution of these responsibilities employ ranch management, establish policies and maintain fiscal accountability.

## **Note 19 Continued**

### **RELATED ORGANIZATIONS**

The following foundations and organizations, while not components units, are disclosed due to their significant relationship with the System and its components.

#### **Texas State University System**

##### **Texas State University System Foundation, Inc.**

The Texas State University System Foundation, Inc. was established in 1977 by the Board of Regents to assist the System in gaining private financial support, and to help component institutions pursue additional education-related activities and outreach. It is a private, nonprofit corporation that exists solely for the benefit of the Texas State University System. It has an independent board of directors that governs Foundation activities and manages Foundation funds. During fiscal year 2013, the Foundation had net assets of \$8,695,433. The Foundation provided \$1,143,379 in scholarships and faculty awards, as well as assistance to several institutions, the Chancellor and Board of Regents.

#### **Lamar University**

##### **Lamar University Foundation**

The Lamar University Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar University. The Foundation is not considered a component unit of the university. The Foundation is a Related Organization.

The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$1,175,586.46 to the University during the year ended August 31, 2013. During the fiscal year the University furnished certain services, such as office space and utilities, to the Foundation, for which the Foundation was billed at cost, \$214,803.19. Accounts receivable of \$371,134.71 are due from the Foundation at August 31, 2013.

#### **Lamar Institute of Technology**

##### **Lamar Institute of Technology Foundation**

The Lamar Institute of Technology Foundation is a nonprofit organization with the sole purpose of supporting educational activities of Lamar Institute of Technology. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$67,002.58 to the Institute during the year ended August 31, 2013.

## **Note 19 Continued**

### **Lamar State College – Orange**

#### **Lamar State College-Orange Foundation, Inc**

Lamar State College-Orange Foundation, Inc. is a non-profit organization, which was established in December 1983, to support the development and promotion of Lamar State College-Orange, its students, faculty, staff, and physical facilities. Neither the balance nor the transactions of this organization's fund are reflected in the financial statements during the year ended August 31, 2013. Lamar State College-Orange received \$135,000 from the foundation during the year ended August 31, 2013.

### **Lamar State College - Port Artur**

#### **Port Arthur Higher Education Foundation**

The Port Arthur Higher Education Foundation is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2013. The Port Arthur Higher Education Foundation gave \$207,109.80 in scholarship money directly to Lamar State College Port Arthur students during the year ended August 31, 2013.

#### **Lamar Port Arthur Alumni Association**

The Lamar Port Arthur Alumni Association is a non-profit organization which was established for the purpose of cooperating with and working on behalf of the College. Neither the transactions of this organization or its fund balances are reflected in the financial statements during the year ended August 31, 2013.

### **Sam Houston State University**

#### **The Sam Houston Foundation**

The Sam Houston University Foundation was formed in 2011 to support the educational, scientific, athletic, and research mission of Sam Houston State University. The Foundation raises and manages fund designated for support to the university. In total, the Foundation Board reported payments of \$84,844.42 for university support.

### **Sul Ross State University**

#### **Sul Ross State University Friends of the Center for Big Bend Studies Inc.**

Sul Ross State University Friends of the Center for Big Bend Studies Inc. was formed in 2003 to seek, receive, and disperse funding in support of the programs of the Sul Ross State University Center for Big Bend Studies. During 2013, the Friends of the Center for Big Bend Studies expended \$ 223,650.00 in support of the Center for Big Bend Studies.

## **Note 19 Continued**

### **Sul Ross State University Support Organization**

Sul Ross State University Support Organization was formed in 2003 exclusively for charitable, educational, and scientific purposes. During 2013, the Support Organization expended zero in support of the mission and programs of the University.

### **Texas State University-San Marcos**

#### **The State University –San Marcos Development Foundation**

The Texas State University-San Marcos Development Foundation was formed in 1977 to support the educational, scientific and research mission of Texas State. The Development Foundation raises and manages endowment funds designated for scholarships and other support for the university. In total, the Development Foundation Board reported payments of \$1,159,046.62 for university support and \$809,159.76 for student scholarships from Development Foundation funds during the fiscal year ended August 31, 2013. Donations to the Development Foundation are restricted gifts of \$4,300,037.00 and, temporarily restricted gifts of \$653,909.72.

#### **The McCoy College of Business Administration Development Foundation**

The McCoy College of Business Foundation (Foundation), a 501.c.3, founded in 2004, is dedicated exclusively to the support of The McCoy College of Business at Texas State University. The Foundation Board of Directors manages the Foundation's investments and decides annually on the amount of funds to transfer from the endowments to the McCoy College of Business in support of chairs, professorships, undergraduate scholarships, graduate fellowships, faculty development, program development and student development. Based upon estimated, unaudited, figures during the fiscal year ended August 31, 2013 the Foundation approved a \$651,300.00 distribution from endowments to the university, received new contributions of \$563,142.50 for endowments and ended with accrued assets and liabilities of \$29,748,001.35 and \$16,287.54 respectively. The Foundation pays for its own operating expenses (including staff salaries, accounting, supplies and auditing), which totaled approximately \$75,627.19 in fiscal year 2013 or less than 0.3% of the assets of the Foundation. Fees for investment management were less than 1% of the assets.

#### **Texas State University – San Marcos Support Foundation**

The Texas State University-San Marcos Support Foundation was formed exclusively for charitable, educational and scientific purposes to assist in the development of the university. The Support Foundation had assets totaling \$335,127.52 as of August 31, 2013. The Support Foundation income was \$2,570.65, and expended \$5,971.13 of which \$3,600.00 was in direct support of the university, including payment for university-provided services.

**Note 19 Continued**

Texas State Alumni Association

The efforts and funds of the Texas State Alumni Association are dedicated to Texas State University-San Marcos for student scholarships, campus support, and alumni outreach activities. At August 31, 2013, Texas State University-San Marcos holds \$219,909.98 in deposits that are considered Held in Trust for Others – Agency Funds on behalf of the Alumni Association. Agency funds are assets not owned by the university but held in custodianship, to be used or withdrawn by the depositors at will. The Agency funds resources, including those of the Alumni Association, are reflected in the university's financial records as cash and cash equivalents with a corresponding liability to the depositing organizations.

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

The Texas State University System is not aware of any non-compliance items or material violation of financial related issues.

**NOTE 21: Not Applicable to the AFR**

**NOTE 22: Donor-Restricted Endowments**

The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by each university. Each institution's spending for endowments reflects an objective to distribute as much of the total return as is consistent with overall investment objectives while protecting the real value of the endowment corpus. 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. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Nonexpendable funds are those required to be retained in perpetuity.

The Uniform Prudent Management of Institutional Funds Act, Texas Property Code, Chapter 163, provides general guidelines on how endowments should be maintained. An institution may appropriate for expenditures or accumulate as much as the institution determines prudent for the uses, benefits, purposes and duration of the endowment. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditures. The target distribution for Texas State University System institutions is between 3% and 5%.

**Note 22 Continued**

Following is the expendable and nonexpendable endowments for the Texas State University System:

<b>DONOR RESTRICTED ENDOWMENT</b>	<b>AMOUNT OF NET APPRECIATION</b>
True Endowments - Expendable	\$ 17,067,750.48
Term Endowments - Expendable	-
True Endowments - Nonexpendable	5,871,667.69
Term Endowments - Nonexpendable	615,806.22
<b>TOTAL</b>	<b>\$ 23,555,224.39</b>

**NOTE 23: Extraordinary and Special Items**

The Texas State University System had no special or extraordinary items to report for the fiscal year ended August 31, 2013.

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

The following accounts are disaggregated as follows:

**Federal Receivable**

Instruction	\$ 1,690,889.18
Research	2,664,547.38
Public Service	116,133.93
Student Scholarships/Loans	10,300,763.41
Academic Support	694,321.32
Student Services	120,426.10
Operation /Maintenance of Plant	23,626.60
<b>TOTAL</b>	<b>\$ 15,610,707.92</b>

**Other Payables - Current**

Interest Payable on Outstanding Bonds	16,406,707.45
Financial Aid Refund Deposits	439,167.48
Loan Fund	16,581.01
Payroll Payables	48,991.30
Other Payables	384,668.98
<b>TOTAL</b>	<b>\$ 17,296,116.22</b>



**NOTE 25: Termination Benefits**

During the fiscal year ended August 31, 2013, Texas State University System did not provide termination benefits.

**NOTE 26: Segment Information**

The Texas State University System has no segments to report as of August 31, 2013.

**NOTE 27: Service Concession Arrangements**

Note not applicable

**NOTE 28: Trouble Debt Restructuring**

Note not applicable

**NOTE 29: Deferred Outflows and Deferred Inflows of Resources**

Note not applicable



UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM  
 SCHEDULE 2A  
 COMBINED MISCELLANEOUS BOND INFORMATION  
 For the Year Ended August 31, 2013

Business Type Activity Description	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
<b>REVENUE BONDS</b>					
Student Housing System Revenue Bonds, Southwest Texas State University					
Series 1986	\$ 3,500,000.00	3.0%	1988	2016	10-01-96
Subtotal	<u>3,500,000.00</u>				
Revenue Financing System Bonds Texas State University System					
Series 2003	\$ 47,635,000.00	3.625% to 4.625%	2004	2013	03-15-23
Series 2004	85,950,000.00	2.25% to 5.00%	2005	2034	09-15-14
Series 2005	43,250,000.00	3.25% to 5.00%	2006	2026	03-15-15
Series 2006	140,260,000.00	4.25% to 5.00%	2007	2034	03-15-16
Series 2006A	23,475,000.00	4.00% to 5.50%	2008	2026	03-15-16
Series 2008	207,395,000.00	3.00% to 5.25%	2008	2028	03-15-18
Series 2009	86,745,000.00	3.00% to 5.25%	2009	2029	03-15-19
Series 2010	99,950,000.00	2.00% to 5.00%	2011	2022	03-15-20
Series 2010A	65,735,000.00	2.00% to 5.00%	2010	2040	03-15-20
Series 2011	86,775,000.00	2.00% to 5.00%	2012	2042	03-15-21
Series 2012	27,860,000.00	2.00% to 5.00%	2013	2032	03-15-21
Series 2013	<u>87,060,000.00</u>	2.00% to 5.00%	2013	2042	03-15-23
Subtotal	<u>1,002,090,000.00</u>				
<b>TOTAL</b>	<b>\$ <u>1,005,590,000.00</u></b>				

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM  
SCHEDULE 2B  
COMBINED CHANGE IN BONDED INDEBTEDNESS  
For the Year Ended August 31, 2013

Business Type Activity	Bonds Outstanding 09-01-12	Bonds Issued	Bonds Matured	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-13	Amounts Due Within One Year
<b>REVENUE BONDS</b>						
Student Housing System Revenue Bonds,						
Southwest Texas State University						
Series 1986	\$ 685,000.00	\$	\$ 165,000.00	\$ 520,000.00	\$ 0.00	\$
Subtotal	<u>685,000.00</u>		<u>165,000.00</u>	<u>520,000.00</u>	<u>0.00</u>	<u>-</u>
Revenue Financing System Bonds						
Texas State University System						
Series 2003	2,280,000.00		2,280,000.00		0.00	-
Series 2004						
Par Value	56,810,000.00		8,620,000.00	16,195,000.00	31,995,000.00	8,560,000.00
Premium	1,260,337.46		359,366.66		900,970.80	250,530.76
Series 2005	35,655,000.00		1,365,000.00		34,290,000.00	1,620,000.00
Series 2006	122,085,000.00		3,660,000.00		118,425,000.00	3,850,000.00
Series 2006A	19,130,000.00		985,000.00		18,145,000.00	1,030,000.00
Series 2008	163,480,000.00		8,450,000.00		155,030,000.00	8,680,000.00
Series 2009	76,985,000.00		2,960,000.00		74,025,000.00	3,115,000.00
Series 2010						
Par Value	98,445,000.00		6,465,000.00		91,980,000.00	6,780,000.00
Premium	4,942,549.79		494,254.98		4,448,294.81	494,254.98
Series 2010A						
Par Value	64,495,000.00		1,240,000.00		63,255,000.00	1,285,000.00
Premium	4,021,790.51		143,635.35		3,878,155.16	143,635.35
Series 2011						
Par Value	85,335,000.00		1,985,000.00		83,350,000.00	2,045,000.00
Premium	5,797,881.15		193,262.70		5,604,618.45	193,262.70
Series 2012						
Par Value	27,860,000.00		710,000.00		27,150,000.00	3,210,000.00
Premium	3,098,573.42		154,928.67		2,943,644.75	154,928.67
Series 2013						
Par Value		87,060,000.00	920,000.00		86,140,000.00	795,000.00
Premium		11,458,409.22	194,210.32		11,264,198.90	388,420.64
Subtotal Revenue Bonds	<u>771,681,132.33</u>	<u>98,518,409.22</u>	<u>41,179,658.68</u>	<u>16,195,000.00</u>	<u>812,824,882.87</u>	<u>42,595,033.10</u>
TOTAL	\$ <u>772,366,132.33</u>	\$ <u>98,518,409.22</u>	\$ <u>41,344,658.68</u>	\$ <u>16,715,000.00</u>	\$ <u>812,824,882.87</u>	\$ <u>42,595,033.10</u>

**UNAUDITED**  
**TEXAS STATE UNIVERSITY SYSTEM**  
**SCHEDULE 2C**  
**COMBINED DEBT SERVICE REQUIREMENTS**  
**For the Year Ended August 31, 2013**

<u>Business Type Activity</u>			
Description	Year	Principal	Interest
Revenue Financing System Bonds			
Texas State University System			
Series 2004	2014	8,560,000.00	1,582,530.00
	2015	6,460,000.00	1,154,530.00
	2016	1,640,000.00	831,530.00
	2017	830,000.00	766,750.00
	2018	875,000.00	725,250.00
	2019-2023	5,075,000.00	2,924,750.00
	2024-2028	4,740,000.00	1,564,750.00
	2029-2033	3,100,000.00	658,750.00
	2034	715,000.00	35,750.00
		<u>31,995,000.00</u>	<u>10,244,590.00</u>
Series 2005	2014	1,620,000.00	1,682,487.50
	2015	1,320,000.00	1,601,487.50
	2016	5,665,000.00	1,535,487.50
	2017	6,940,000.00	1,252,237.50
	2018	7,285,000.00	905,237.50
	2019-2023	8,305,000.00	1,620,568.76
	2024-2026	3,155,000.00	288,225.00
		<u>\$ 34,290,000.00</u>	<u>\$ 8,885,731.26</u>
Series 2006	2014	3,850,000.00	5,921,250.00
	2015	4,045,000.00	5,728,750.00
	2016	4,235,000.00	5,526,500.00
	2017	4,450,000.00	5,314,750.00
	2018	4,685,000.00	5,092,250.00
	2019-2023	27,185,000.00	21,703,000.00
	2024-2028	34,670,000.00	14,194,500.00
	2029-2033	32,865,000.00	4,872,750.00
	2034	2,440,000.00	122,000.00
		<u>\$ 118,425,000.00</u>	<u>\$ 68,475,750.00</u>
Series 2006A	2014	1,030,000.00	860,275.00
	2015	1,080,000.00	808,775.00
	2016	1,135,000.00	754,775.00
	2017	1,190,000.00	698,025.00
	2018	1,255,000.00	632,575.00
	2019-2023	7,265,000.00	2,175,262.50
	2024-2026	5,190,000.00	473,850.00
		<u>\$ 18,145,000.00</u>	<u>\$ 6,403,537.50</u>
Series 2008	2014	8,680,000.00	7,879,300.00
	2015	9,105,000.00	7,532,100.00
	2016	8,800,000.00	7,076,850.00
	2017	9,245,000.00	6,636,850.00
	2018	9,710,000.00	6,174,600.00
	2019-2023	47,830,000.00	23,704,137.50
	2024-2028	61,660,000.00	9,869,512.50
		<u>\$ 155,030,000.00</u>	<u>\$ 68,873,350.00</u>

**UNAUDITED**  
**TEXAS STATE UNIVERSITY SYSTEM**  
**SCHEDULE 2C**  
**COMBINED DEBT SERVICE REQUIREMENTS**  
**For the Year Ended August 31, 2013**

Series 2009	2014	3,115,000.00	3,767,212.50
	2015	3,270,000.00	3,611,462.50
	2016	3,445,000.00	3,447,962.50
	2017	3,605,000.00	3,275,712.50
	2018	3,790,000.00	3,095,462.50
	2019-2023	21,985,000.00	12,429,287.50
	2024-2028	28,260,000.00	6,148,637.50
	2029	6,555,000.00	327,750.00
		\$ 74,025,000.00	\$ 36,103,487.50
Series 2010	2014	6,780,000.00	4,599,000.00
	2015	9,615,000.00	4,260,000.00
	2016	9,865,000.00	3,779,250.00
	2017	10,775,000.00	3,286,000.00
	2018	11,310,000.00	2,747,250.00
	2019-2022	43,635,000.00	5,203,500.00
		\$ 91,980,000.00	\$ 23,875,000.00
Series 2010A	2014	1,285,000.00	2,948,912.50
	2015	1,335,000.00	2,897,512.50
	2016	1,375,000.00	2,857,462.50
	2017	1,430,000.00	2,802,462.50
	2018	1,490,000.00	2,745,262.50
	2019-2023	8,475,000.00	12,682,112.50
	2024-2028	10,815,000.00	10,358,312.50
	2029-2033	13,110,000.00	7,707,962.50
	2034-2038	16,290,000.00	4,284,156.26
	2039-2040	7,650,000.00	578,500.00
	\$ 63,255,000.00	\$ 49,862,656.26	
Series 2011	2014	2,045,000.00	4,041,737.50
	2015	2,130,000.00	3,959,937.50
	2016	2,215,000.00	3,874,737.50
	2017	2,320,000.00	3,763,987.50
	2018	2,435,000.00	3,647,987.50
	2019-2023	13,940,000.00	16,491,137.50
	2024-2028	17,690,000.00	12,750,900.00
	2029-2033	16,800,000.00	8,147,750.00
	2034-2038	11,915,000.00	4,810,250.00
	2039-2042	11,860,000.00	1,518,500.00
	\$ 83,350,000.00	\$ 63,006,925.00	
Series 2012	2014	3,210,000.00	1,136,087.50
	2015	810,000.00	1,007,687.50
	2016	820,000.00	987,437.50
	2017	830,000.00	962,837.50
	2018	870,000.00	929,637.50
	2019-2023	12,730,000.00	3,569,937.50
	2024-2028	4,095,000.00	1,044,787.50
2029-2032	3,785,000.00	328,156.26	
	\$ 27,150,000.00	\$ 9,966,568.76	
Series 2013	2014	795,000.00	3,703,850.00
	2015	2,930,000.00	3,687,950.00
	2016	2,920,000.00	3,629,350.00
	2017	2,315,000.00	3,570,950.00
	2018	2,360,000.00	3,524,650.00
	2019-2023	15,345,000.00	15,885,700.00
	2024-2028	18,000,000.00	11,782,500.00
	2029-2033	18,030,000.00	7,875,350.00
	2034-2038	12,060,000.00	4,648,250.00
	2039-2042	11,385,000.00	1,458,000.00
	\$ 86,140,000.00	\$ 59,766,550.00	

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM  
 SCHEDULE 2D  
 COMBINED SCHEDULE OF ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE  
 For the Year Ended August 31, 2013

Business Type Activity - Revenue Bonds	Pledged and Other Sources and Related Expenditures for the Year			
	Net Available for Debt Service			
	Total Pledged and Other Sources	Operating Expenses Expenditures and Capital Outlay	Debt Service	
Description of Issues			Principal	Interest
Student Housing System Revenue Bonds				
Southwest Texas State University				
Series 1986	\$	\$	\$ 165,000	\$ 18,075.00
TSUS Revenue Financing System Revenue Bonds				
Series 2003			2,280,000	91,200.02
Series 2004			8,620,000	2,410,923.71
Series 2005			1,365,000	1,750,737.53
Series 2006			3,660,000	6,104,250.00
Series 2006A			985,000	902,137.52
Series 2008			8,450,000	8,196,174.98
Series 2009			2,960,000	3,915,212.50
Series 2010			6,465,000	4,922,250.00
Series 2010A			1,240,000	2,998,512.52
Series 2011			1,985,000	4,101,287.54
Series 2012			710,000	1,249,340.03
Series 2013			920,000	341,206.25
Subtotal Revenue Financing System Revenue Bonds			39,640,000	36,983,232.60
Total	\$	\$	\$ 39,805,000	\$ 37,001,307.60

UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM  
SCHEDULE 2E  
COMBINED SCHEDULE OF DEFEASED BONDS OUTSTANDING  
For the Year Ended August 31, 2013

Business Type Activity - Revenue Bonds

<u>Description of Issues</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Financing System Revenue Bonds Revenue Financing System Revenue Bonds Series 2004	2013	16,195,000.00 <u>\$ 16,195,000.00</u>
Total Defeased Bonds		<u>\$ 16,195,000.00</u>



UNAUDITED

TEXAS STATE UNIVERSITY SYSTEM  
 SCHEDULE 2F  
 COMBINED SCHEDULE OF EARLY EXTINGUISHMENT AND REFUNDING  
 FOR THE YEAR ENDED AUGUST 31, 2013

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
Revenue Bonds					
Housing System					
Revenue Bonds, Series '86	Early Extinguishment	\$ 520,000.00			
Revenue Financing System Bonds Series 2004	Advance Refunding	16,195,000.00	15,395,000.00	(2,123,207.92)	1,964,158.77
Total		\$ 16,715,000.00	\$ 15,395,000.00	\$ (2,123,207.92)	\$ 1,964,158.77

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

**Cash in State Treasury**

<b>Agency</b>	<b>Fund</b>	<b>Unrestricted Cash</b>
Lamar University Beaumont	0256	\$ 7,262,788.79
Lamar Institue of Technology	0287	1,150,373.48
Lamar State College Orange	0285	1,795,642.87
Lamar State College Port Arthur	0286	823,006.69
Sam Houston University	0259	31,437,977.87
Sam Houston University	0581	2,250,844.14
Sam Houston University	5083	530,333.23
Sul Ross State University	0262	559,479.04
Texas State University San Marcos	0260	17,432,410.08

**Total Cash in State Treasury**      **\$ 63,242,856.19**



