

THE UNIVERSITY OF TEXAS SYSTEM

ANNUAL FINANCIAL REPORT

PRIMARY FINANCIAL STATEMENTS

FISCAL YEAR 2014



The University of Texas at Arlington ♦ The University of Texas at Austin ♦ The University of Texas at Brownsville ♦ The University of Texas at Dallas ♦ The University of Texas at El Paso ♦ The University of Texas-Pan American ♦ The University of Texas of the Permian Basin ♦ The University of Texas at San Antonio ♦ The University of Texas at Tyler ♦ The University of Texas Southwestern Medical Center ♦ The University of Texas Medical Branch at Galveston ♦ The University of Texas Health Science Center at Houston ♦ The University of Texas Health Science Center at San Antonio ♦ The University of Texas M. D. Anderson Cancer Center ♦ The University of Texas Health Science Center at Tyler ♦ The University of Texas System Administration



**THE UNIVERSITY OF TEXAS SYSTEM
PRIMARY FINANCIAL STATEMENTS
and Related Information**

As of and for the Year Ended August 31, 2014

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Dr. Vistasp M. Karbhari, President	
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**THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS**

As of August 31, 2014

Officers

Paul L. Foster, Chairman
Wm. Eugene "Gene" Powell, Vice Chairman
R. Steven "Steve" Hicks, Vice Chairman
Francie A. Frederick, General Counsel to the Board of Regents

Members

*Terms scheduled to expire February 1, 2015**

R. Steven "Steve" Hicks	Austin
Wm. Eugene "Gene" Powell	San Antonio
Robert L. Stillwell	Houston

*Terms scheduled to expire February 1, 2017**

Alex M. Cranberg	Austin
Wallace L. Hall, Jr.	Dallas
Brenda Pejovich	Dallas

*Terms scheduled to expire February 1, 2019**

Ernest Aliseda	McAllen
Jeffery D. Hildebrand	Houston
Paul L. Foster	El Paso

*Term scheduled to expire May 31, 2015**

Max Richards (Student Regent)	Austin
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*Each Regent's term expires when a successor has been appointed, qualified, and taken the oath of office.
The Student Regent serves a one-year term.

THE UNIVERSITY OF TEXAS SYSTEM
SENIOR ADMINISTRATIVE OFFICIALS
As of August 31, 2014

Francisco G. Cigarroa, Chancellor

Raymond S. Greenberg, Executive Vice Chancellor for Health Affairs

Scott C. Kelley, Executive Vice Chancellor for Business Affairs

Pedro Reyes, Executive Vice Chancellor for Academic Affairs

Stephanie A. Bond Huie, Vice Chancellor for Strategic Initiatives

Patricia D. Hurn, Vice Chancellor for Research and Innovation

Barry R. McBee, Vice Chancellor and Chief Governmental Relations Officer

Randa S. Safady, Vice Chancellor for External Relations

Daniel H. Sharphorn, Vice Chancellor and General Counsel

William H. Shute, Vice Chancellor for Federal Relations

Amy Shaw Thomas, Vice Chancellor and Counsel for Health Affairs

Bruce E. Zimmerman, Chief Executive Officer and Chief Investment Officer-UTIMCO



The University of Texas System Consolidated
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 2,749,734,693.81	2,340,584,196.62
Restricted Cash & Cash Equivalents	245,413,608.33	203,514,887.85
Balance in State Appropriations	101,987,447.65	58,047,636.61
Securities Lending Collateral	997,969,911.26	633,473,260.60
Accounts Receivable, Net:		
Federal (allow. \$451,699.13 in 2014 & \$905,543.83 in 2013)	558,343,142.55	550,876,511.04
Other Intergov. (allow. \$512,483.22 in 2014 & \$452,940.12 in 2013)	97,899,533.26	63,775,287.59
Student (allow. \$12,233,504.34 in 2014 & \$12,489,327.07 in 2013)	284,979,773.64	269,269,025.04
Patient & Healthcare(allow. \$585,674,156.29 in 2014 & \$1,474,832,422.95 in 2013)	899,826,090.06	876,924,408.04
Interest and Dividend Receivables	62,113,092.41	52,597,704.46
Contributions (allow. \$7,057,910.02 in 2014 & \$5,440,155.81 in 2013)	145,416,362.01	254,039,562.61
Investment Trades Receivables	64,710,494.59	65,280,600.65
Other (allow. \$5,875,121.74 in 2014 & \$4,909,865.64 in 2013)	411,588,495.05	337,695,096.45
Due From Other Funds	422,410,405.49	492,608,829.95
Due From Other Agencies	44,979,424.84	39,789,212.03
Inventories	98,078,746.39	91,167,926.43
Loans & Contracts (allow. \$9,012,902.63 in 2014 & \$8,572,327.78 in 2013)	52,781,801.23	48,493,818.33
Other Current Assets	231,638,733.63	207,632,115.10
Total Current Assets	7,469,871,756.20	6,585,770,079.40
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	(113,786,877.65)	(16,684,632.09)
Restricted Investments	36,678,341,696.59	29,562,179,073.75
Deposit with Brokers for Derivative Contracts	16,648,305.01	126,386,370.46
Loans & Contracts (allow. \$21,687,765.38 in 2014 & \$21,653,863.55 in 2013)	74,972,115.49	72,500,915.53
Contributions Rec. (allow. \$4,080,631.81 in 2014 & \$4,816,333.71 in 2013)	236,976,692.72	182,744,530.92
Unrestricted Investments	5,562,435,869.43	4,440,941,285.26
Other Noncurrent Assets	18,412,255.24	14,295,952.25
Gross Capital/Intangible Assets	24,599,831,664.69	22,797,874,432.08
Accumulated Depreciation/Amortization	(10,542,370,200.86)	(9,653,310,594.25)
Total Noncurrent Assets	56,531,461,520.66	47,526,927,333.91
Total Assets	64,001,333,276.86	54,112,697,413.31
Deferred Outflows of Resources:		
Deferred Outflows-FMV of Derivatives	207,898,478.19	136,968,095.02
Deferred Outflows-Unamortized Loss Refunding Debt	41,314,651.80	47,175,851.93
Total Deferred Outflows of Resources	249,213,129.99	184,143,946.95
Total Assets and Deferred Outflows	64,250,546,406.85	54,296,841,360.26
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	1,018,000,320.20	896,169,208.25
Salaries Payable	462,098,283.70	477,832,793.06
Federal Payables	69,122,774.26	28,780,891.04
Other Intergovernmental Payables		18,967.39
Investment Trades Payables	328,991,841.81	182,891,617.69
Incurred But Not Reported Self Insurance Claims	86,468,574.15	90,671,164.79
Securities Lending Obligations	997,969,911.26	633,473,260.60
Due To Other Funds	422,410,405.49	492,608,829.95
Due To Other State Agencies	16,026,001.72	13,727,086.91
Statewide Interfund Payable	30,231,048.91	24,524,868.36
Unearned Revenue	1,380,186,060.00	1,276,187,257.16
Employees' Compensable Leave - Current Portion	346,600,636.71	327,656,857.63
Notes, Loans, and Leases Payable	1,144,785,034.57	951,946,208.34
Payable From Restricted Assets	169,519,677.55	136,277,883.98
Revenue Bonds Payable	1,549,169,615.24	1,563,111,372.77
Assets Held for Others	20,176,335.03	21,993,194.79
Other Current Liabilities	79,868,328.21	86,097,891.06
Total Current Liabilities	8,121,624,848.81	7,203,967,353.77
Noncurrent Liabilities:		
Incurred But Not Reported Self Insurance Claims	19,503,043.85	22,400,911.21
Employees' Compensable Leave	180,689,105.05	168,633,339.08
Assets Held for Others	769,898,406.71	830,491,308.20
Liability to Beneficiaries	13,171,974.99	13,280,563.88
Net Other Postemployment Benefits Obligation	3,359,347,883.00	2,799,477,678.00
Notes, Loans, and Leases Payable	21,720,372.99	24,193,123.17
Revenue Bonds Payable	5,558,189,139.05	5,294,074,854.33
Statewide Interfund Payable	828,553,462.27	717,345,002.29
Hedging Derivative Liability (Noncurrent)	207,898,478.19	136,968,095.02
Payable to Brokers for Collateral Held	22,455,000.00	47,957,577.94
Investment Derivatives - Liability Positions	61,506,189.08	42,606,318.44
Other Noncurrent Liabilities	8,197,603.16	7,176,896.16
Total Noncurrent Liabilities	11,051,130,658.34	10,104,605,667.72
Total Liabilities	19,172,755,507.15	17,308,573,021.49
Deferred Inflows of Resources:		
Deferred Inflows-Unamortized Gain Refunding Debt	7,139,418.07	8,172,526.29
Total Deferred Inflows of Resources	7,139,418.07	8,172,526.29
Total Liabilities and Deferred Inflows	19,179,894,925.22	17,316,745,547.78
NET POSITION		
Net Investment in Capital Assets	6,109,145,658.36	5,552,397,747.72
Restricted for:		
Nonexpendable		
Permanent University Fund Endowment	17,564,806,331.89	13,040,144,150.93
Permanent Health, True Endowments, and Annuities	4,990,402,294.63	4,300,591,732.88
Expendable		
Capital Projects	147,677,650.40	92,065,308.08
Debt Service	3,126,472.19	3,827,646.45
Funds Functioning as Endowment (Restricted)	441,475,377.52	362,811,504.18
Other Expendable	11,972,227,610.28	10,041,719,801.53
Unrestricted	3,841,790,086.36	3,586,537,920.71
Total Net Position	\$ 45,070,651,481.63	36,980,095,812.48

The University of Texas System Consolidated
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 2,030,705,654.44	1,959,515,182.61
Discounts and Allowances	(526,190,346.14)	(557,702,260.18)
Federal Sponsored Programs	1,247,904,711.98	1,369,699,572.62
Federal Sponsored Programs Pass-Through from State Agencies	76,124,534.01	83,640,939.37
State Sponsored Programs	52,853.64	
State Sponsored Programs Pass-Through from State Agencies	283,148,367.19	260,378,270.97
Local Sponsored Programs	701,185,708.06	647,615,040.25
Private Sponsored Programs	419,254,003.20	400,860,797.52
Sales and Services of Educational Activities	475,831,760.92	415,969,442.12
Discounts and Allowances Sales and Services of Educational Activities	(476,374.25)	(312,923.91)
Sales and Services of Hospitals	10,744,641,652.06	9,507,408,744.22
Discounts and Allowances Sales and Services of Hospitals	(5,995,654,002.96)	(5,035,123,257.93)
Professional Fees (Patient Charges)	4,704,065,700.54	4,402,645,495.09
Discounts and Allowances Professional Fees (Patient Charges)	(3,295,052,362.24)	(3,096,553,736.06)
Auxiliary Enterprises	499,559,728.10	486,811,073.48
Discounts and Allowances Auxiliary Enterprises	(14,507,534.37)	(14,875,827.30)
Other Operating Revenues	292,468,252.87	211,735,339.04
Total Operating Revenues	11,643,062,307.05	11,041,711,891.91
Operating Expenses:		
Instruction	3,157,745,567.06	2,977,934,791.47
Research	2,029,646,771.04	2,026,973,347.19
Public Service	286,433,453.03	286,057,017.90
Hospitals / Clinics	4,260,963,681.84	4,003,967,786.75
Academic Support	665,309,851.99	644,043,227.69
Student Services	233,524,024.00	222,683,952.09
Institutional Support	1,532,506,189.09	1,428,049,726.28
Operations and Maintenance of Plant	765,150,767.79	753,241,682.96
Scholarships and Fellowships	364,752,259.63	432,520,809.48
Auxiliary Enterprises	530,106,934.95	510,805,348.68
Depreciation and Amortization	1,117,334,639.56	1,105,011,809.75
Total Operating Expenses	14,943,474,139.98	14,391,289,500.24
Operating Income (Loss)	(3,300,411,832.93)	(3,349,577,608.33)
Nonoperating Revenues (Expenses):		
State Appropriations	2,044,999,174.23	1,829,391,886.83
Federal Nonexchange Sponsored Programs	334,661,194.63	448,603,823.35
State Nonexchange Pass-Through	2,990,575.00	31,313,224.54
Gift Contributions for Operations	414,201,991.69	445,301,009.05
Investment Income	3,159,694,110.35	2,128,403,395.86
Net Increase (Decrease) in Fair Value of Investments	5,436,272,550.31	2,135,065,126.17
Interest Expense on Capital Asset Financings	(258,318,375.58)	(270,571,369.79)
Gain (Loss) on Sale of Capital Assets	(35,330,676.45)	(21,457,746.24)
Other Nonoperating Revenues	16,747,573.97	22,185,399.77
Other Nonoperating (Expenses)	(19,026,839.04)	(48,580,777.95)
Net Nonoperating Revenues (Expenses)	11,096,891,279.11	6,699,653,971.59
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	7,796,479,446.18	3,350,076,363.26
Capital Appropriations (HEAF)	17,368,543.00	17,368,543.00
Gifts and Sponsored Programs for Capital Acquisitions	530,222,944.04	367,830,103.12
Additions to Permanent Endowments / Annuities	183,462,432.11	106,191,621.00
Transfers From Other State Agencies	121,532,487.45	54,901,889.60
Transfers to Other State Agencies	(558,393,687.13)	(276,966,375.02)
Legislative Appropriations Lapsed	(116,496.50)	(3,930.59)
Change in Net Position	8,090,555,669.15	3,619,398,214.37
Beginning Net Position	36,980,095,812.48	33,360,697,598.11
Ending Net Position	\$ 45,070,651,481.63	36,980,095,812.48

The University of Texas System Consolidated
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	1,533,014,559.31	1,391,203,408.05
Proceeds from Patients and Customers	6,146,237,259.31	5,668,370,110.50
Proceeds from Sponsored Programs	2,733,244,887.63	2,593,264,468.21
Proceeds from Auxiliaries	484,706,675.75	467,452,898.67
Proceeds from Other Revenues	769,721,599.74	642,915,672.40
Payments to Suppliers	(4,437,666,925.83)	(4,211,974,028.14)
Payments to Employees	(8,724,979,099.54)	(8,306,851,780.26)
Payments for Loans Provided	(117,815,189.14)	(107,552,979.34)
Proceeds from Loan Programs	109,311,056.66	107,531,261.01
Net Cash Provided (Used) by Operating Activities	<u>(1,504,225,176.11)</u>	<u>(1,755,640,968.90)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	2,002,960,101.35	2,015,024,069.32
Proceeds from Operating Gifts	484,510,418.51	363,142,348.70
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	120,599,445.47	68,823,631.89
Proceeds from Other Nonoperating Revenues	3,178,615.82	5,348,248.38
Receipts for Transfers from System or Other Agencies	639,608,950.28	465,368,690.48
Payments for Transfers to System or Other Agencies	(1,434,086,873.73)	(688,535,420.93)
Payments for Other Uses	(3,741,386.52)	(710,085.29)
Proceeds from Nonexchange Sponsored Programs	358,183,173.15	453,544,213.68
Net Cash Provided by Noncapital Financing Activities	<u>2,171,212,444.33</u>	<u>2,682,005,696.23</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	1,555,300,628.75	454,973,505.00
Payments of Other Costs on Debt Issuance	(4,894,738.50)	(1,455,526.66)
Proceeds from Capital Appropriations, Grants, and Gifts	248,332,880.13	181,166,696.78
Proceeds from Sale of Capital Assets	19,798,824.20	4,860,314.54
Payments for Additions to Capital Assets	(1,803,405,937.03)	(1,805,320,246.17)
Payments of Principal on Capital Related Debt	(1,087,224,096.34)	(361,331,394.87)
Payments of Interest on Capital Related Debt	(280,974,202.78)	(270,790,967.88)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,353,066,641.57)</u>	<u>(1,797,897,619.26)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	16,056,318,857.43	10,209,689,868.84
Proceeds from Interest and Investment Income	1,821,218,895.26	1,424,817,212.90
Payments to Acquire Investments	(16,837,511,407.23)	(10,695,382,962.82)
Net Cash Provided (Used) by Investing Activities	<u>1,040,026,345.46</u>	<u>939,124,118.92</u>
Net Increase (Decrease) in Cash	353,946,972.11	67,591,226.99
Cash and Cash Equivalents (Beginning of the Year)	2,527,414,452.38	2,459,823,225.39
Cash and Cash Equivalents (End of the Year)	<u>\$ 2,881,361,424.49</u>	<u>\$ 2,527,414,452.38</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(3,300,411,832.93)	(3,349,577,608.33)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	1,117,334,639.56	1,105,011,809.75
Bad Debt Expense	333,794,936.24	277,811,355.18
Changes in Assets and Liabilities:		
Accounts Receivable	(463,452,667.33)	(578,929,238.44)
Inventories	(6,910,819.96)	(3,542,512.86)
Loans and Contracts	(8,173,494.26)	(21,718.33)
Other Current and Noncurrent Assets	(28,049,939.88)	24,666,265.27
Accounts Payable	137,785,738.10	171,655,617.42
Unearned Revenue	129,458,243.45	31,885,312.84
Assets Held for Others	(1,030,827.16)	(12,341,961.25)
Employees' Compensable Leave	30,999,545.05	22,959,191.69
Other Current and Noncurrent Liabilities	(5,438,901.99)	19,171,431.16
Other Postemployment Benefits Obligation	559,870,205.00	535,611,087.00
Total Adjustments	<u>1,796,186,656.82</u>	<u>1,593,936,639.43</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,504,225,176.11)</u>	<u>\$ (1,755,640,968.90)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	5,436,272,550.31	2,135,065,126.17
Donated Capital Assets	248,511,101.77	70,596,256.51
Capital Assets Acquired Under Capital Lease Purchases	1,542,401.45	1,650,286.66
Miscellaneous Noncash Transactions	(31,487,699.53)	(54,727,565.51)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended August 31, 2014

1. The Financial Reporting Entity

The financial records of The University of Texas System (the System), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The significant accounting policies followed by the System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include The University of Texas System Administration and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by The University of Texas System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of nine academic and six health-related institutions of higher education, as well as the System administrative offices. The fifteen institutions are as follows: The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at Brownsville, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas–Pan American, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas at Tyler, The University of Texas Southwestern Medical Center, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas M. D. Anderson Cancer Center, and The University of Texas Health Science Center at Tyler. The System is governed by a nine-member Board of Regents appointed by the Governor.

Blended Component Units

The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. The net position of the blended component units is insignificant to the System. Blended financial information is available upon request.

U. T. Southwestern Health Systems, 5323 Harry Hines Boulevard, Dallas, Texas 75390, is governed by a four-member board appointed by U. T. Southwestern Medical Center. U. T. Southwestern Health Systems provides support of health care services and grants to conduct research and provide educational programs to accomplish the mission of U. T. Southwestern Medical Center. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to U. T. Southwestern Medical Center. The corporation's fiscal year end is August 31.

U. T. Southwestern Moncrief Cancer Center, 400 West Magnolia Avenue, Fort Worth, Texas 76104, is governed by a four-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Moncrief Cancer Center provides resources for cancer prevention, early detection and support services to cancer patients and their families within Tarrant County and surrounding areas. The corporation is blended rather than discretely presented because it has substantively the same governing board as U. T. Southwestern Medical Center and there is a financial benefit relationship. The corporation's fiscal year end is August 31.

Moncrief Cancer Foundation, 5323 Harry Hines Blvd. Dallas, Texas 75390, is governed by a six-member board appointed by the president of U. T. Southwestern Medical Center. Moncrief Cancer Foundation supports comprehensive, multidisciplinary cancer treatment programs in Tarrant County and surrounding areas. The foundation is blended rather than discretely presented because it provides services entirely or almost entirely to U. T. Southwestern Medical Center and U. T. Southwestern Moncrief Cancer Center. The foundation's fiscal year end is August 31.

St. Paul Medical Foundation, 5909 Harry Hines Boulevard, Dallas, Texas 75390, has no members appointed. The management of the foundation is vested in its board of directors and such committees of the board that the board may, from time to time establish. The number of directors shall be no less than three. The president of the foundation shall be a voting ex-officio member, and non-voting ex-officio members shall be the president of St. Paul Hospital and the president of U. T. Southwestern Medical Center or his or her designee. St. Paul Medical Foundation is a newly blended entity for the System beginning fiscal year 2014. St. Paul Medical Foundation supports the advancement, through

philanthropy, of excellent and innovative patient care and promotes and supports scientific, educational, charitable, religious and research activities of the programs and facilities at St. Paul Hospital. The foundation is blended rather than discretely presented because it provides services entirely or almost entirely to U. T. Southwestern Medical Center. The foundation's fiscal year end is December 31.

UTMB Healthcare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555, is governed by an eight-member board appointed by U. T. Medical Branch - Galveston. UTMB Healthcare Systems, Inc. establishes business for U. T. Medical Branch - Galveston in selected markets, providing referrals, temporary staffing, and medical facilities. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to U. T. Medical Branch - Galveston. The corporation's fiscal year end is August 31.

The University Medical Branch Student Book Store, Inc., 301 University Blvd., Galveston, Texas 77555, is governed by a five-member board appointed by U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it operates the book store for U. T. Medical Branch - Galveston and provides services entirely or almost entirely to U. T. Medical Branch - Galveston. The corporation's fiscal year end is June 30.

U. T. Physicians, P. O. Box 20627, Houston, Texas 77225, is governed by a five-member board appointed by U. T. Health Science Center - Houston. The corporation is blended rather than discretely presented because it provides management services for the physician practice plan entirely or almost entirely to U. T. Health Science Center - Houston. The corporation's fiscal year end is August 31.

U. T. System Medical Foundation, 6431 Fannin, Suite J11 310, Houston, Texas 77030, is governed by a three-member board appointed by U. T. Health Science Center - Houston. The foundation is blended rather than discretely presented because it provides services to support the medical residency programs entirely or almost entirely to U. T. Health Science Center - Houston. The foundation's fiscal year end is August 31.

University Physicians Group, 6126 Wurzbach Road, San Antonio, Texas 78238, is governed by a five-member board. The Dean of the School of Medicine is the Chairman of the Board, and four board members are members of and elected by the physician practice plan board. The corporation is blended rather than discretely presented because it provides health care education and research activity services entirely to U. T. Health Science Center - San Antonio. The corporation's fiscal year end is August 31.

M. D. Anderson Physician's Network, 7505 South Main, Suite 500, Houston, Texas 77030, is governed by a four-member board appointed by M. D. Anderson. M. D. Anderson Physicians Network transfers programs representative of M. D. Anderson to the broad community. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to M. D. Anderson. The corporation's fiscal year end is August 31.

M. D. Anderson Services Corporation, 7505 South Main, Suite 500, Houston, Texas 77030, is governed by a seven-member board appointed by the president of M. D. Anderson and the U. T. System Board of Regents. M. D. Anderson Services Corporation serves as an instrument of M. D. Anderson in its efforts to achieve its mission beyond the M. D. Anderson main campus. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to M. D. Anderson. The corporation's fiscal year end is August 31.

East Texas Quality Care Network, Inc., P. O. Box 6053, Tyler, Texas 75711-6053, is governed by a four-member board appointed by U. T. Health Science Center - Tyler. The corporation is blended rather than discretely presented because it provides agency nursing services entirely or almost entirely to U. T. Health Science Center - Tyler. The corporation's fiscal year end is August 31.

The University of Texas Investment Management Company (UTIMCO), 401 Congress Avenue, Suite 2800, Austin, Texas 78701, is governed by a nine-member board consisting of at least three members of the U. T. System Board of Regents, the Chancellor of the System, three independent directors with substantial background and expertise in investments appointed by the U. T. System Board of Regents, and two members appointed by the Texas A&M System Board of Regents, one of whom must have a substantial background and expertise in investments. The corporation is blended rather than discretely presented because it provides investment management services entirely or almost entirely to the System. The corporation's fiscal year end is August 31.

The University of Texas Fine Arts Foundation, U. T. Austin, Main Building, P. O. Box T, Austin, Texas 78713 is governed by a three-member board appointed by U. T. Austin. The University of Texas Fine Arts Foundation provides services to acquire the Suida-Manning Art Collection for the Blanton Museum of Art. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is December 31.

The University of Texas Communication Foundation, U. T. Austin, P. O. Box 7322, Austin, Texas 78713 is governed by a three-member board appointed by U. T. Austin. The University of Texas Communication Foundation provides services to the U. T. Austin College of Communication to facilitate the participation by students, faculty and others in professional communication projects. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is August 31.

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2014 is as follows:

	Southwestern Health Systems	Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	St. Paul Medical Foundation	UTMB Healthcare Systems	The University Medical Branch Student Book Store, Inc.	U. T. Physicians
Condensed Statement of Net Position							
Current Assets	\$ 11,564,619.31	1,437,604.29	86,699,201.00	13,404,348.00	16,400,810.36	3,187,156.53	30,802,460.27
Noncurrent Assets	-	33,647,377.85	6,578,722.00	124,034.00	2,335,153.52	14,902.66	21,226,747.15
Total Assets	11,564,619.31	35,084,982.14	93,277,923.00	13,528,382.00	18,735,963.88	3,202,059.19	52,029,207.42
Current Liabilities	109,763.07	751,927.34	19,065,475.00	12,101.00	1,989,057.44	53,940.13	32,461,500.91
Noncurrent Liabilities	-	-	-	-	2,488,795.48	-	605,475.64
Total Liabilities	109,763.07	751,927.34	19,065,475.00	12,101.00	4,477,852.92	53,940.13	33,066,976.55
Net Investment in Capital Assets	-	30,757,833.41	-	-	2,335,153.52	14,902.66	16,538,991.41
Restricted Nonexpendable	-	1,630,134.00	-	-	-	-	-
Restricted Expendable	-	-	74,212,448.00	13,516,281.00	-	-	-
Unrestricted	11,454,856.24	1,945,087.39	-	-	11,922,957.44	3,133,216.40	2,423,239.46
Total Net Position	\$ 11,454,856.24	34,333,054.80	74,212,448.00	13,516,281.00	14,258,110.96	3,148,119.06	18,962,230.87
Condensed Statement of Revenues, Expenses and Changes in Net Position							
Operating Revenues	\$ 313,100.00	5,160,316.77	1,576.00	255,568.00	26,124,824.85	1,339,799.10	87,433,984.10
Operating Expenses	(1,804,758.98)	(5,760,234.40)	(498,817.00)	(109,196.00)	(23,975,438.71)	(1,509,593.70)	(83,388,020.76)
Operating Income/(Loss)	(1,491,658.98)	(599,917.63)	(497,241.00)	146,372.00	2,149,386.14	(169,794.60)	4,045,963.34
Nonoperating Revenues (Expenses)	2,503,997.95	402,820.95	13,256,403.00	1,590,101.00	845,572.26	7,721.66	587,557.64
Income/(Loss) Before Other Changes in Net Position	1,012,338.97	(197,096.68)	12,759,162.00	1,736,473.00	2,994,958.40	(162,072.94)	4,633,520.98
Other Changes in Net Position	43,223.33	(2,696,500.01)	(1,367,922.00)	(332,606.00)	-	-	-
Change in Net Position	1,055,562.30	(2,893,596.69)	11,391,240.00	1,403,867.00	2,994,958.40	(162,072.94)	4,633,520.98
Net Position - August 31, 2013	10,399,293.94	37,226,651.49	62,821,208.00	12,112,414.00	11,263,152.56	3,310,192.00	14,328,709.89
Net Position-August 31, 2014	\$ 11,454,856.24	34,333,054.80	74,212,448.00	13,516,281.00	14,258,110.96	3,148,119.06	18,962,230.87
Condensed Statement of Cash Flows							
Net Cash provided (used) by:							
Operating Activities	\$ 92,464.00	355,867.00	(609,057.00)	221,138.00	1,314,069.50	(190,125.48)	12,580,789.99
Noncapital Financing Activities	-	(2,555,778.00)	(3,339,812.00)	(241,409.00)	(4,579.92)	-	1,000.00
Capital and Related Financing	(288,205.00)	-	-	-	(898,752.12)	(16,558.51)	(5,628,032.37)
Investing Activities	2,001,056.00	(498,129.00)	-	-	684,022.24	5,496.44	686,628.12
Net Increase (Decrease) in Cash and Cash Equivalents	1,805,315.00	(2,698,040.00)	(3,948,869.00)	(20,271.00)	1,094,759.70	(201,187.55)	7,640,385.74
Cash and Cash Equivalents - August 31, 2013	2,774,185.56	3,649,675.00	8,974,985.00	567,487.00	1,729,067.89	2,817,628.00	7,386,218.71
Cash and Cash Equivalents - August 31, 2014	\$ 4,579,500.56	951,635.00	5,026,116.00	547,216.00	2,823,827.59	2,616,440.45	15,026,604.45

U. T. System Medical Foundation	University Physicians Group	M. D. Anderson Physician's Network	M. D. Anderson Services Corp	East Texas Quality Care Network	UTIMCO	University of Texas Fine Arts Foundation	University of Texas Communication Foundation	U. T. System Total
8,543,560.97	-	13,177,828.77	92,310,952.87	310,529.83	12,376,038.00	3,741.81	211.28	290,219,063.29
-	6,506,137.00	32,579,800.89	622,849,856.05	-	1,094,969.00	16,907,430.00	132,477.58	743,997,607.70
8,543,560.97	6,506,137.00	45,757,629.66	715,160,808.92	310,529.83	13,471,007.00	16,911,171.81	132,688.86	1,034,216,670.99
1,385,466.28	-	9,990,148.34	115,957,171.54	44,715.69	9,219,694.00	-	-	191,040,960.74
250,000.00	4,570,515.00	173,736.10	329,103,956.05	-	1,320,212.00	16,907,430.00	111,336.67	355,531,456.94
1,635,466.28	4,570,515.00	10,163,884.44	445,061,127.59	44,715.69	10,539,906.00	16,907,430.00	111,336.67	546,572,417.68
-	-	920,701.78	2,008.51	-	-	-	-	50,569,591.29
-	-	-	50,000,000.00	-	-	-	-	51,630,134.00
-	-	-	-	-	-	-	-	87,728,729.00
6,908,094.69	1,935,622.00	34,673,043.44	220,097,672.82	265,814.14	2,931,101.00	3,741.81	21,352.19	297,715,799.02
6,908,094.69	1,935,622.00	35,593,745.22	270,099,681.33	265,814.14	2,931,101.00	3,741.81	21,352.19	487,644,253.31
132,402,126.42	1,932,386.00	21,347,093.73	3,090,608.54	45,618.17	24,477,011.00	1,317,925.00	-	305,241,937.68
(132,285,978.92)	(1,700,258.00)	(12,334,729.29)	(1,300,624.17)	(27,839.96)	(25,161,082.00)	(771.40)	(274.38)	(289,857,617.67)
116,147.50	232,128.00	9,012,364.44	1,789,984.37	17,778.21	(684,071.00)	1,317,153.60	(274.38)	15,384,320.01
229.14	(232,128.00)	2,877,362.83	81,209,601.09	-	7,220.00	(1,247,996.16)	-	101,808,463.36
116,376.64	-	11,889,727.27	82,999,585.46	17,778.21	(676,851.00)	69,157.44	(274.38)	117,192,783.37
-	-	-	-	-	-	(69,912.00)	-	(4,423,716.68)
116,376.64	-	11,889,727.27	82,999,585.46	17,778.21	(676,851.00)	(754.56)	(274.38)	112,769,066.69
6,791,718.05	1,935,622.00	23,704,017.95	187,100,095.87	248,035.93	3,607,952.00	4,496.37	21,626.57	374,875,186.62
6,908,094.69	1,935,622.00	35,593,745.22	270,099,681.33	265,814.14	2,931,101.00	3,741.81	21,352.19	487,644,253.31
(764,894.86)	1,250,850.00	11,001,326.00	1,531,546.00	66,575.50	2,549,234.00	1,317,153.60	(274.38)	30,716,661.87
-	-	-	(7,491,700.00)	-	-	(1,248,011.00)	-	(14,880,289.92)
-	(1,250,850.00)	(475,933.84)	-	-	(1,079,180.00)	(69,912.00)	-	(9,707,423.84)
229.14	-	(3,719,208.41)	26,123,649.10	-	7,220.00	14.84	(741.74)	25,290,236.73
(764,665.72)	-	6,806,183.75	20,163,495.10	66,575.50	1,477,274.00	(754.56)	(1,016.12)	31,419,184.84
1,924,447.55	-	12,083,434.62	71,426,753.73	88,087.23	10,234,124.00	4,496.37	1,227.40	123,661,818.06
1,159,781.83	-	18,889,618.37	91,590,248.83	154,662.73	11,711,398.00	3,741.81	211.28	155,081,002.90

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2013 is as follows:

	Southwestern Health Systems	Southwestern Moncrief Cancer Center	Moncrief Cancer Foundation	UTMB Healthcare Systems	The University Medical Branch Student Book Store, Inc.	U. T. Physicians	U. T. System Medical Foundation
Condensed Statement of Net Position							
Current Assets	\$ 8,004,743.79	4,497,741.89	75,964,249.00	14,924,416.99	3,323,644.00	21,767,471.52	8,181,483.05
Noncurrent Assets	3,366,663.86	34,724,260.31	5,913,695.00	2,445,028.98	-	19,069,328.26	-
Total Assets	11,371,407.65	39,222,002.20	81,877,944.00	17,369,445.97	3,323,644.00	40,836,799.78	8,181,483.05
Current Liabilities	24,963.71	1,995,350.71	19,056,736.00	2,714,165.89	13,452.00	24,941,794.11	1,139,765.00
Noncurrent Liabilities	947,150.00	-	-	3,392,127.52	-	1,566,295.78	250,000.00
Total Liabilities	972,113.71	1,995,350.71	19,056,736.00	6,106,293.41	13,452.00	26,508,089.89	1,389,765.00
Net Investment in Capital Assets	3,366,663.86	32,072,204.49	-	2,445,028.98	-	-	-
Restricted Nonexpendable	-	1,540,528.53	-	-	-	-	-
Restricted Expendable	-	-	62,821,208.00	-	-	-	-
Unrestricted	7,032,630.08	3,613,918.47	-	8,818,123.58	3,310,192.00	14,328,709.89	6,791,718.05
Total Net Position	\$ 10,399,293.94	37,226,651.49	62,821,208.00	11,263,152.56	3,310,192.00	14,328,709.89	6,791,718.05
Condensed Statement of Revenues, Expenses and Changes in Net Position							
Operating Revenues	\$ 94,500.00	4,428,859.41	4,766.00	3,736,873.04	988,490.00	77,081,206.31	119,793,255.57
Operating Expenses	(1,735,244.70)	(4,905,462.73)	(479,242.00)	(2,996,931.55)	(1,159,090.00)	(74,096,579.65)	(119,606,695.94)
Operating Income/(Loss)	(1,640,744.70)	(476,603.32)	(474,476.00)	739,941.49	(170,600.00)	2,984,626.66	186,559.63
Nonoperating Revenues (Expenses)	1,610,206.94	2,153,099.41	8,375,893.00	545,763.88	17,347.00	1,202,898.32	52.41
Income/(Loss) Before Other Changes in Net Position	(30,537.76)	1,676,496.09	7,901,417.00	1,285,705.37	(153,253.00)	4,187,524.98	186,612.04
Other Changes in Net Position	449,454.80	631,705.09	(4,742,681.79)	-	-	-	-
Change in Net Position	418,917.04	2,308,201.18	3,158,735.21	1,285,705.37	(153,253.00)	4,187,524.98	186,612.04
Net Position - August 31, 2012	9,980,376.90	34,918,450.31	59,662,472.79	9,977,447.19	3,463,445.00	10,141,184.91	6,605,106.01
Net Position-August 31, 2013	\$ 10,399,293.94	37,226,651.49	62,821,208.00	11,263,152.56	3,310,192.00	14,328,709.89	6,791,718.05
Condensed Statement of Cash Flows							
Net Cash provided (used) by:							
Operating Activities	\$ 30,000.00	2,688,244.00	(4,188,649.00)	198,475.03	140,142.00	5,010,696.81	281,660.04
Noncapital Financing Activities	(189,430.00)	(3,729,312.00)	9,678,054.00	(4,446.56)	-	139,000.00	-
Capital and Related Financing	747,000.00	-	2,000,000.00	(1,195,837.78)	-	(5,184,251.02)	-
Investing Activities	3,458.00	3,454,323.00	-	(36,909.27)	14,231.00	406,336.92	-
Net Increase (Decrease) in Cash and Cash Equivalents	591,028.00	2,413,255.00	7,489,405.00	(1,038,718.58)	154,373.00	371,782.71	281,660.04
Cash and Cash Equivalents - August 31, 2012	2,183,157.56	1,236,420.00	1,485,580.00	2,767,786.47	2,663,255.00	7,014,436.00	1,642,787.51
Cash and Cash Equivalents - August 31, 2013	\$ 2,774,185.56	3,649,675.00	8,974,985.00	1,729,067.89	2,817,628.00	7,386,218.71	1,924,447.55

University Physicians Group	M. D. Anderson Physician's Network	M. D. Anderson Services Corp	East Texas Quality Care Network	UTIMCO	University of Texas Fine Arts Foundation	University of Texas Communication Foundation	U. T. System Total
-	4,978,450.65	72,276,311.20	296,912.44	10,849,782.00	4,496.37	1,227.40	225,070,930.30
7,756,987.00	25,630,583.76	567,775,534.80	-	730,737.00	16,977,342.00	145,398.45	684,535,559.42
7,756,987.00	30,609,034.41	640,051,846.00	296,912.44	11,580,519.00	16,981,838.37	146,625.85	909,606,489.72
1,251,166.00	6,665,061.62	94,235,266.50	48,876.51	6,791,344.00	-	-	158,877,942.05
4,570,199.00	239,954.84	358,716,483.63	-	1,181,223.00	16,977,342.00	124,999.28	387,965,775.05
5,821,365.00	6,905,016.46	452,951,750.13	48,876.51	7,972,567.00	16,977,342.00	124,999.28	546,843,717.10
-	488,169.75	2,067.00	-	-	-	-	38,374,134.08
-	-	50,000,000.00	-	-	-	-	51,540,528.53
-	-	-	-	-	-	-	62,821,208.00
1,935,622.00	23,215,848.20	137,098,028.87	248,035.93	3,607,952.00	4,496.37	21,626.57	210,026,902.01
1,935,622.00	23,704,017.95	187,100,095.87	248,035.93	3,607,952.00	4,496.37	21,626.57	362,762,772.62
2,268,702.00	18,944,899.81	4,320,236.89	43,385.64	24,133,175.00	1,725,270.00	59,576.41	257,623,196.08
(1,985,082.00)	(11,461,783.65)	(984,992.49)	(25,383.20)	(25,761,798.00)	4,441.34	(381.00)	(245,194,225.57)
283,620.00	7,483,116.16	3,335,244.40	18,002.44	(1,628,623.00)	1,729,711.34	59,195.41	12,428,970.51
(283,620.00)	742,586.02	47,441,186.51	-	14,444.00	(1,277,096.21)	-	60,542,761.28
-	8,225,702.18	50,776,430.91	18,002.44	(1,614,179.00)	452,615.13	59,195.41	72,971,731.79
-	-	-	-	-	(448,131.00)	406,050.62	(3,703,602.28)
-	8,225,702.18	50,776,430.91	18,002.44	(1,614,179.00)	4,484.13	465,246.03	69,268,129.51
1,935,622.00	15,478,315.77	136,323,664.96	230,033.49	5,222,131.00	12.24	(443,619.46)	293,494,643.11
1,935,622.00	23,704,017.95	187,100,095.87	248,035.93	3,607,952.00	4,496.37	21,626.57	362,762,772.62
1,199,951.00	7,707,691.00	2,666,337.00	(184,244.57)	3,096,027.00	1,729,711.34	(381.00)	20,375,660.65
-	-	(10,095,829.00)	-	15,459.00	(1,277,137.00)	-	(5,463,641.56)
(1,199,951.00)	(459,869.21)	-	-	(806,917.00)	(448,131.00)	15,922.00	(6,532,035.01)
-	(10,732,544.17)	23,416,815.73	-	-	40.79	(24,753.98)	16,500,998.02
-	(3,484,722.38)	15,987,323.73	(184,244.57)	2,304,569.00	4,484.13	(9,212.98)	24,880,982.10
-	15,568,157.00	55,439,430.00	272,331.80	7,929,555.00	12.24	10,440.38	98,213,348.96
-	12,083,434.62	71,426,753.73	88,087.23	10,234,124.00	4,496.37	1,227.40	123,094,331.06

ASSETS HELD BY AFFILIATED ORGANIZATIONS

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government, the System. This guidance states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 5% of net position. As of August 31, 2014, none of the System's potential component units meet the criteria for inclusion in the System's financial statements. Based upon the most recent available information, the combined net position of these potential component units reported by the organizations total \$2,162,933,730.00 at August 31, 2014, and \$1,993,006,388.00 at August 31, 2013.

2. Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2014, related to pass-through grants were \$362,263,476.20 and \$19,529,697.78, respectively. Funds received and provided during the year ended August 31, 2013, related to pass-through grants were \$375,332,434.88 and \$10,079,719.73, respectively.

In 1991, Texas Southmost College and U. T. Brownsville entered into a contractual arrangement to maximize resources and bring additional educational opportunities to the communities of the Lower Rio Grande Valley. The primary goal of the partnership, which was operationally managed by the System, was to offer students a seamless educational process by eliminating barriers between two institutions located on the same campus. In November, 2010 the U. T. System Board of Regents found that the current educational partnership between the Board of Regents on behalf of U. T. Brownsville and the Texas Southmost College Board of Trustees could no longer be sustained and a notice of termination of the Educational Partnership Agreement was provided. While the Agreement remains in effect through a date no later than August 31, 2015, the two institutions began operating separately effective September 1, 2013.

Other related-party transactions identified in the financial statements include Due From/To Other State Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

3. Joint Ventures

U. T. Southwestern Health Systems (UTSHS), a blended component unit of U. T. Southwestern Medical Center, is a participating member of U. T. Southwestern DVA Healthcare, LLP (DVA). DVA is a joint venture between UTSHS and Davita Inc. to provide care for dialysis patients in the Dallas-Fort Worth area. UTSHS's equity interest in DVA at August 31, 2014 and 2013 was \$6,635,673.45 and \$5,113,743.74, respectively, or 49%. Separate financial statements for DaVita may be obtained at DaVita Inc., 601 Hawaii Street, El Segundo, California 90245 or www.davita.com.

U. T. Southwestern Medical Center entered into a limited partnership agreement on June 30, 2006, with Premier Purchasing Partners, L.P. (Premier). The principal business of Premier is to operate and manage healthcare-related programs and investments for the benefit of its partners including U. T. Southwestern Medical Center and to otherwise assist the partners in providing superior healthcare services in their communities. Premier negotiates and executes reduced cost purchase contracts between its partners and vendors of healthcare products and services by leveraging the aggregated demand of its partners and to operate group purchasing and other programs to increase both individual participant and aggregate purchasing volumes. On October 1, 2013, Premier completed an IPO and reorganization. Following the reorganization, Premier and its consolidated subsidiaries now operate as a publicly traded company. In connection with the IPO, each member owner received Class B common units (non-marketable shares) in exchange for their historical interest in Premier. These Class B common units are eligible for exchange into Class A common stock over the next seven years with one-seventh becoming eligible for exchange each October 31st, beginning on October 31, 2014 and the last tranche eligible for exchange on October 31, 2020. Member owners will have the ability to exchange any eligible units each quarter. Until Class B common units are exchanged for Class A common stock, the value of the

non-marketable securities are accounted for as an other asset recognized each month by taking one twelfth of one seventh of the Class B units that could be exchanged on the anniversary of October 31 multiplied by the price of the publically traded Class A common units as of the end of each month. As of August 31, 2014, U. T. Southwestern Medical Center has not elected to exchange Class B Common Units for Class A common stock. As of August 31, 2014 the value of the non-marketable securities held by U. T. Southwestern Medical Center was \$1,258,463.00. Prior to the IPO and Reorganization, U. T. Southwestern Medical Center's investment in Premier was \$456,010.00 or 0.32% as of August 31, 2013. The distributions received from Premier Purchasing Partners, L.P., which is a combination of an administrative fee shareback and tax distribution was \$777,030.52 for fiscal year 2014. Separate financial statements for Premier may be obtained at Premier, Inc., 12225 El Camino Real, San Diego, California 92130 or www.premierinc.com.

U. T. Medical Branch - Galveston entered into a limited partnership agreement on September 1, 2012, with Premier Purchasing Partners, L.P. The principal business of Premier is to operate and manage healthcare-related programs and investments for the benefit of its partners including U. T. Medical Branch - Galveston and to otherwise assist the partners in providing superior healthcare services in their communities. Premier negotiates and executes reduced cost purchase contracts between its partners and vendors of healthcare products and services by leveraging the aggregated demand of its partners and to operate group purchasing and other programs to increase both individual participant and aggregate purchasing volumes. On October 1, 2013, Premier completed an IPO and reorganization. Following the reorganization, Premier and its consolidated subsidiaries now operate as a publicly traded company. In connection with the IPO, each member owner received Class B common units (non-marketable shares) in exchange for their historical interest in Premier. These Class B common units are eligible for exchange into Class A common stock over the next seven years with one-seventh becoming eligible for exchange each October 31st, beginning on October 31, 2014 and the last tranche eligible for exchange on October 31, 2020. Member owners will have the ability to exchange any eligible units each quarter. Until Class B common units are exchanged for Class A common stock, the value of the non-marketable securities are accounted for as an other asset recognized each month by taking one twelfth of one seventh of the Class B units that could be exchanged on the anniversary of October 31 multiplied by the price of the publically traded Class A common units as of the end of each month. As of August 31, 2014, U. T. Medical Branch - Galveston has not elected to exchange Class B Common Units for Class A common stock. As of August 31, 2014 the value of the non-marketable securities held by U. T. Medical Branch - Galveston was \$917,015.36. Prior to the IPO and Reorganization, U. T. Medical Branch - Galveston's investment in Premier was \$617,555.00 or 0.18% as of August 31, 2013. The distributions received from Premier Purchasing Partners, L.P., which is a combination of an administrative fee shareback and tax distribution was \$484,648.24 for fiscal year 2014. Separate financial statements for Premier may be obtained at Premier, Inc., 12225 El Camino Real, San Diego, California 92130 or www.premierinc.com.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Physician's Dialysis of Houston. Physician's Dialysis of Houston is a joint venture entered into by U. T. Physicians and DaVita, Inc. U. T. Physician's equity interest in Physician's Dialysis of Houston at August 31, 2014 and 2013 was \$482,398.86 and \$755,836.13, respectively, or 35.62%. Separate financial statements for Physician's Dialysis of Houston may be obtained at Physician's Dialysis of Houston, Attention: Marie Sinfield, 1423 Pacific Avenue, Tacoma, Washington 98402.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of TMC Holding Company, L.L.C. (TMC Holding). TMC Holding is a Limited Liability Corporation entered into by U. T. Physicians, Baylor College of Medicine and Memorial Hermann/USP Surgery Centers III, L.L.P. U. T. Physicians' equity interest in TMC Holding at August 31, 2014 and 2013 was \$324,842.59 and \$246,506.85 respectively, or 18.1%. Separate financial statements for TMC Holding may be obtained by contacting Vanessa Smith, 3050 Post Oak Boulevard, Suite 620, Houston, Texas 77056.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Bluesky MOB, L.L.P. Bluesky MOB, L.L.P. is a Limited Liability Partnership of which U. T. Physicians purchased an 18.7% interest in for \$380,754.85 on August 1, 2012. U. T. Physicians' equity interest in Bluesky MOB, LLP at August 31, 2014 and 2013 was \$380,754.85, or 18.7%. Separate financial statements for Bluesky MOB, L.L.P. may be obtained at Moore, Reichl, & Baker, P.C., c/o Doug Reichl, CPA, 11200 Westheimer Suite 410, Houston, Texas, 77042.

U. T. Health Science Center - Houston is a participating member of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operation to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. U. T. Health Science Center - Houston's equity interest in TECO at

August 31, 2014 and 2013 was \$12,723,230.00 and \$12,652,720.00 respectively, or 13.6% and 14.4% respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030 or http://teco.tmc.edu/home/teco_home.php.

M. D. Anderson is a participating member of the Texas Medical Center Hospital Laundry Cooperative Association (the Association). The Association was established on April 30, 1971, for the purpose of acquiring, owning, and operating a laundry system on a cooperative basis solely for the benefit of members of the Association. Net earnings of the Association may be refunded to the members on a patronage basis or retained by the Association as equity allocated to the members. M. D. Anderson's equity interest in the Association at August 31, 2014 and 2013 was \$3,628,754.40 and \$2,877,360.80, respectively, or 40%. Separate financial statements for the Association may be obtained at 1601 Braeswood Boulevard, Houston, Texas 77030 or <http://www.texasmedicalcenter.org/root/en/GetToKnow/TMCInstitutions/OtherInstitutions/Laundry/Laundry>.

M. D. Anderson is a participating member of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operations to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. UTMDA's equity interest in TECO at August 31, 2014 and 2013 was \$37,692,012.00 and \$35,712,389.00, respectively, or 40.2% and 40.6%, respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030 or http://teco.tmc.edu/home/teco_home.php.

M. D. Anderson is a participating member of P.E.T. Net Houston, LLC (PETNet). PETNet is a joint venture entered into by M. D. Anderson and P.E.T. Pharmaceuticals, Inc. to lease and operate a facility located on M. D. Anderson's campus to produce positron radiopharmaceuticals and isotopes. Construction of the facility commenced in 2003. M. D. Anderson's equity interest in PETNet at August 31, 2014 and 2013 was \$2,038,785.43 and \$5,241,695.80, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, Pennsylvania 19355.

M. D. Anderson entered into a limited partnership agreement on December 19, 2002 with PTC-Houston Management, L.P. and PTC-Houston Investors, LLC to create The Proton Therapy Center-Houston LTD., L.L.P. (PTC Partnership). PTC Partnership was established to develop and operate a proton therapy facility, which will provide cancer treatment to patients utilizing proton therapy technology. Under the Staffing and Operations Agreement between M. D. Anderson and PTC Partnership, M. D. Anderson shall be the exclusive supplier of all technical and operational services to support PTC Partnership operations, and for which, M. D. Anderson will be reimbursed on a monthly basis. Under a separate agreement, the Professional Services Agreement, M. D. Anderson shall provide services of physicians, medical physicists and medical dosimetrists to PTC Partnership, for which, M. D. Anderson shall bill patients and retain all professional fees associated with such services.

M. D. Anderson entered into a limited liability company agreement on December 19, 2002 to form PTC-Houston Investors, L.L.C (Investors). Investors was established to invest in and be a limited partner in the PTC Partnership. Investors entered into a ground lease with M. D. Anderson on December 19, 2002 to lease approximately four acres on M. D. Anderson's property for an initial term of sixty years. M. D. Anderson's initial capital contribution of \$2,500,000.00 to Investors was provided through the ground lease. M. D. Anderson's equity interest in Investors at August 31, 2009 was \$2,500,000.00, or approximately 8.2%.

On March 30, 2010, M. D. Anderson entered into an Agreement and Stipulation among Purchasers of LLC Membership Interests of PTC-Houston Investors, L.L.C. in which PTC Partnership assigned the right to purchase additional shares of Investors to its partners. As part of this agreement, M. D. Anderson purchased 13.12195 units of interest in Investors for \$5,725,941.82 giving M. D. Anderson a total ownership interest of approximately 51.22%. In addition, all members of Investors further consented to the redemption of M. D. Anderson's total interest in Investors in exchange for the conveyance by Investors to M. D. Anderson of 51.22% of Investors' right, title and interest under PTC Partnership agreement including without limitation, 51.22% of Investors' Capital Contributions and Investors' right to receive distributions and 51.22% of the percentage interests in PTC Partnership owned by Investors, which approximated \$15,621,950.00 as of March 30, 2010.

Following the execution of the foregoing, M. D. Anderson entered into an Amended and Restated Limited Partnership Agreement (Agreement) dated March 30, 2010 between PTC Partnership, Investors, PTC-Houston Management, L.P., and UTMDA. The purposes of PTC Partnership are to assume the lease formerly held by Investors with M. D. Anderson to lease approximately four acres on the M. D. Anderson's property for an initial term of 60 years, develop and/or acquire other proton therapy related business opportunities in the area and engage in any other activities that are reasonably incidental to the foregoing or that are contemplated by the agreement or the related agreements. As part of the agreement, each partner has made or is deemed to have made the Initial Contribution which equaled \$15,621,950.00 for M. D. Anderson or 51.22%. However, M. D. Anderson's only capital contribution to PTC Partnership has been through the ground lease which equals \$2,500,000.00. M. D. Anderson has recorded cash distributions and has adjusted its carrying value based on the operating results of PTC Partnership as required by the Agreement, which does not equal the Initial Contribution. Until the carrying value of the investment equals or exceeds the Initial Contribution value, M. D. Anderson has elected to record the carrying value on the statement of net position. As of August 31, 2014 and 2013, M. D. Anderson's equity interest in PTC Partnership was \$0. M. D. Anderson received cash contributions totaling \$4,936,966.46 and \$8,019,905.35 during the fiscal years ended August 31, 2014 and 2013, respectively. Separate financial statements for PTC Partnership may be obtained at <http://www.mdanderson.org/patient-and-cancer-information/proton-therapy-center/index.html>.

M. D. Anderson is a participating member in the National Center for Therapeutics Manufacturing (the "NCTM"). M. D. Anderson entered into a Collaboration, Investment and Facility Use Agreement as of May 19, 2010 with Texas A&M University System to collaborate on the design of the NCTM and on grants and proposals relating to cancer therapeutics that could be developed at the NCTM. M. D. Anderson's cost-based interest in NCTM at August 31, 2014 and 2013 was \$2,490,000.00 or approximately 5%. Separate financial statements for NCTM may be obtained at <http://www.tamus.edu/iit/nctm/>.

M. D. Anderson entered into a limited partnership agreement on January 10, 1990, with Premier Purchasing Partners, L.P. The principal business of Premier is to operate and manage healthcare-related programs and investments for the benefit of its partners including M. D. Anderson and to otherwise assist the partners in providing superior healthcare services in their communities. Premier negotiates and executes reduced cost purchase contracts between its partners and vendors of healthcare products and services by leveraging the aggregated demand of its partners and to operate group purchasing and other programs to increase both individual participant and aggregate purchasing volumes. On October 1, 2013, Premier completed an IPO and reorganization. Following the reorganization, Premier and its consolidated subsidiaries now operate as a publicly traded company. In connection with the IPO, each member owner received Class B common units (non-marketable shares) in exchange for their historical interest in Premier. These Class B common units are eligible for exchange into Class A common stock over the next seven years with one-seventh becoming eligible for exchange each October 31st, beginning on October 31, 2014 and the last tranche eligible for exchange on October 31, 2020. Member owners will have the ability to exchange any eligible units each quarter. Until Class B common units are exchanged for Class A common stock, the value of the non-marketable securities are accounted for as an other asset recognized each month by taking one twelfth of one seventh of the Class B units that could be exchanged on the anniversary of October 31 multiplied by the price of the publically traded Class A common units as of the end of each month. As of August 31, 2014, M. D. Anderson has not elected to exchange Class B Common Units for Class A common stock. As of August 31, 2014 the value of the non-marketable securities held by M. D. Anderson was \$5,139,343.66. Prior to the IPO and Reorganization, M. D. Anderson's investment in Premier was \$3,719,000.00 or 0.96% as of August 31, 2013. The distributions received from Premier Purchasing Partners, L.P., which is a combination of an administrative fee shareback and tax distribution was \$2,276,397.56 for fiscal year 2014. Separate financial statements for Premier may be obtained at Premier, Inc., 12225 El Camino Real, San Diego, California 92130 or www.premierinc.com.

4. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. The System reports as a business type activity, as defined by GASB. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2013

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective 2013, addressed issues related to service concession arrangements (SCAs), which are a type of public-private or public-public

partnership. Implementation of Statement No. 60 had no effect on the System's net position or changes in net position for the years ended August 31, 2013 and 2012.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for 2013, modified the existing requirements for the assessment of component units that should be included in the financial statements of the System. Implementation of Statement No. 61 had no effect on the System's net position or changes in net position for the years ended August 31, 2013 and 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for 2013, modified the presentation of deferred inflows and deferred outflows in the financial statements to move deferred inflows and outflows to their own section of the Statement of Net Position with no impact on net position.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for 2012, clarified the existing requirements for the termination of hedge accounting. Implementation of Statement No. 64 had no effect on the System's net position or changes in net position for the year ended August 31, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which was early implemented in 2013, reclassified, as deferred inflows and deferred outflows of resources, items which were previously reported as assets and liabilities, and required writing off prepaid issuance costs that were previously classified as other noncurrent assets and amortized as a component of interest expense.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2014

GASB Statement No. 66, *Technical Corrections - 2012*, effective 2014, enhanced the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance. Implementation of Statement No. 66 had no effect on the System's net position or changes in net position for the years ended August 31, 2014 and 2013.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective 2014, established new accounting and financial reporting requirements for financial guarantees that are nonexchange transactions. Implementation of Statement No. 70 had no effect on the System's net position or changes in net position for the years ended August 31, 2014 and 2013.

CASH AND CASH EQUIVALENTS

Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Intermediate Term Fund (ITF) and the Long Term Fund (LTF) are not considered cash and cash equivalents. Additionally, Endowments invested in money market accounts are also excluded from Cash and Cash Equivalents as the intent is to invest these funds for more than one year. Cash held in the State treasury for the Permanent University Fund (PUF), the Permanent Health Fund (PHF) and the Available University Fund (AUF) are considered cash and cash equivalents. Other highly liquid investments of these major funds which are held in pooled funds and invested with custodians are not considered cash and cash equivalents according to the investment policies of the System. Restricted cash and cash equivalents include cash held in the state treasury for the PUF and PHF and restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investments to be disbursed to the institutions to support capital projects on a cost reimbursable basis. Due to the cost reimbursable nature of restricted sources of funds used for construction, restricted cash and cash equivalents are often negative. Also included in restricted cash and cash equivalents are Short Term Fund (STF) holdings held as collateral on interest rate swaps.

BALANCE IN STATE APPROPRIATIONS

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recorded at fair value. The fair value of derivatives is recorded as either an investment, a deferred outflow or deferred inflow on the statement of net position. The valuation of investment derivatives is discussed in the Investments disclosure below. Financial institutions have calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows.

The System has entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the System's debt programs. Each of the System's interest rate swaps is a contractual agreement entered into between the System and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense.

Interest rate swaps determined to be hedging derivatives are designated as cash flow hedges. Hedging derivative assets and hedging derivative liabilities are recorded on the System's statement of net position. Under hedge accounting, for derivatives that are determined to be effective, changes in the fair value of hedging derivatives are considered to be deferred inflows and reported as hedging derivative assets (for hedging derivatives with positive fair values) or deferred outflows and reported as hedging derivative liabilities (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not effective are recorded as net increase (decrease) in the fair value of investments in the statement of revenues, expenses and changes in net position.

INVESTMENTS

The majority of the investments of the System, except for PUF lands, are managed by UTIMCO, a private investment corporation that provides services entirely to the System and its related foundations. All investments are reported as noncurrent as these funds have an investment horizon extending beyond one year. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions. The System's investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the System are valued based upon prices supplied by FT Interactive Data and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security and publicly traded mutual fund fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Physical commodities, specifically gold, are valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold.

Private investment funds, which consist of non-regulated investment funds, are fair valued by management. The fair values of these investments are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources. In rare cases the private investments are valued at cost, but only when management believes this is the best approximation of value. As of August 31, 2014 and 2013, investments in private investment funds in the amount of \$7,206,241,053.00 and \$5,957,410,384.00, respectively, have been estimated by management.

Hedge funds, developed country equity, emerging markets equity, natural resources, real estate and fixed income investment funds and certain other private placements are fair valued by management based on net position value information provided by the investment manager, as well as other relevant factors as indicated above. As of August 31, 2014 and 2013, investments in these funds in the amount of \$15,183,422,554.00 and \$12,430,135,379.00, respectively, have been estimated by management.

The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO via www.utimco.org.

The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved reserves. The present value of the royalty cash flows is calculated by applying a ten percent discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31. A percentage of probable and possible reserves of oil and gas are included in the fair value estimate. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are valued at three times the previous 12 months' revenue. As a rule of thumb, this measure has been used historically to determine the selling price of these types of properties by willing parties. The PUF lands' surface interests are reported at the price per acre from the American Society of Farm Managers and Rural Appraisers. Other real estate holdings are reported by one of the following methods of valuation: the latest

available appraised amount as determined by an independent State certified or other licensed appraiser, or by any other generally accepted industry standard, including tax assessments.

The System is authorized to invest funds, as provided in Section 51.0031 of the Texas Education Code and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed income and equity type securities. The investments of the System are governed by various investment policies approved by the U. T. System Board of Regents.

CONTRIBUTIONS RECEIVABLE

Current and noncurrent contributions receivable are amounts pledged to the university by donors, net of allowances. Multi-year gift pledges greater than \$10,000 must be reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing new multi-year gift pledges that are received during the new fiscal year. The scale of discount rates are based upon U.S. Treasury Notes and Bonds asked yields as listed in the Wall Street Journal on the first day of the fiscal year. Existing gift pledges are not recalculated since these pledges were previously calculated at historical discount rates.

INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically based on the specific identification, weighted average or first-in, first-out methods, which are not in excess of net realizable value.

RESTRICTED ASSETS

Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.

LOANS AND CONTRACTS

Current and noncurrent loans and contracts are receivables, net of allowances, related to student loans.

SECURITIES LENDING COLLATERAL AND OBLIGATIONS

The collateral secured for securities lent are reported as an asset on the statement of net position. The obligations for securities lent are reported as a liability on the statement of net position that directly offsets the cash collateral received from brokers or dealers in exchange for securities loaned. The costs of securities lending transactions are reported as expenses in the statement of revenues, expenses and changes in net position. See Note 6 for details regarding the securities lending program.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. The System follows the State's capitalization policy with a cost equal to or greater than \$5,000.00 for equipment items, \$100,000.00 for buildings, building improvements and improvements other than buildings, and \$500,000.00 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on the resources reserved for this purpose (see Note 11). The thresholds for software are \$100,000.00 for purchased software and \$1,000,000.00 for internally developed software including Enterprise Resource Planning replacements. The System capitalizes, but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally two to fifteen years for equipment items, five years for software, six years for Enterprise Resource Planning replacements, fifteen years for library books, ten to fifty years for buildings and their components and fifteen to forty years for infrastructure elements.

OTHER ASSETS

Included in other current assets are prepaid expenses and lease receivables due within one year. Included in the other noncurrent assets are lease receivables that will be realized beyond one year.

DEFERRED OUTFLOWS

Deferred outflows consist of the fair market value of derivatives and unamortized losses on refunding of debt. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain

or loss is amortized, using the straight line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense.

UNEARNED REVENUE

Unearned revenue represents revenues such as tuition recorded in August for the fall semester and payments received in advance for sponsored programs.

ASSETS HELD FOR OTHERS – CURRENT AND NONCURRENT

Assets held for others represent funds held by the System as custodial or fiscal agent for students, faculty members, foundations, and others. Included in assets held for others as of August 31, 2014 and 2013 is \$432,420,743.97 and \$390,651,560.39, respectively, for the Physician's Referral Service Supplemental Retirement Plan/Retirement Benefit Plan at M. D. Anderson. As of August 31, 2014 and 2013, assets held for others also included \$202,858,886.56 and \$334,905,968.18, respectively, from foundations that invest their assets with UTIMCO.

LIABILITY TO BENEFICIARIES

The System holds numerous irrevocable charitable remainder trusts and a pooled income fund. Together, these assets are reflected in the accompanying consolidated financial statements within restricted investments.

The charitable remainder trusts designate the U. T. System Board of Regents as both trustee and remainder beneficiary. The System is required to pay to the donors (or other donor-designated income beneficiaries) either a fixed amount or the lesser of a fixed percentage of the fair value of the trusts' assets or the trusts' income during the beneficiaries' lives. Trust assets are measured at fair value when received and monthly thereafter. A corresponding liability to beneficiaries is measured at the present value of expected future cash flows to be paid to the beneficiaries based upon the applicable federal rate on the gift date. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by UTIMCO. Donors (or designated beneficiaries) periodically receive, during their lives, a share of the income earned on the fund proportionate to the value of their contributions to the fund. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes. Contribution revenue is measured at the fair value of the assets received, discounted for a term equal to the life expectancies of the beneficiaries.

DEFERRED INFLOWS

Deferred inflows consist of unamortized gains on refunding of debt. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense.

NET POSITION

The System has classified resources into the following three net position categories:

Net Investment in Capital Assets

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

Restricted:

Nonexpendable

Net position subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Expendable

Net position 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 with the passage of time.

Unrestricted

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by action of management or the U. T. System Board of Regents. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital programs (see Note 21 for details on unrestricted net position).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

REVENUES AND EXPENSES

Operating revenues include activities such as student tuition and fees; net sales and services of hospitals; net professional fees; net sales and services of auxiliary enterprises; most federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation, scholarships and fellowships, and impairment losses and insurance recoveries received in the same year as the associated loss. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, State appropriations, investment income and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trust, and insurance policies. The System does not recognize these potential refunds, gifts and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses that are defined as nonoperating expenses by GASB.

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

STATEWIDE INTERFUND TRANSFERS AND INTERFUND PAYABLES

In accordance with the provisions set forth in Article 7, Section 18 of the Texas Constitution, the System transfers one-third of the annual earnings of the PUF investments and lands to the Texas A&M University System (TAMUS). In addition to the transfer of the current year earnings in 2014 and 2013 of \$302,400,531.84 and \$223,351,040.10, respectively, the System recorded a liability of \$850,417,528.29 and \$732,319,493.83 at August 31, 2014 and 2013, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the statement of net position. Additional details related to the operations of the PUF can be found in Note 8. Also included in statewide interfund payables as of August 31, 2014 and 2013 is \$8,366,982.89 and \$9,550,376.82, respectively, related to the revolving loan programs administered by the Texas State Comptroller's Office.

In accordance with tuition set-asides required by Section 61.539, Section 61.910, Section 61.9660, Section 61.9731, Section 56.095 and Section 56.465 of the Texas Education Code, the institutions transferred tuition revenues of \$23,106,664.23 in 2014 and \$23,323,071.85 in 2013 to the Texas Higher Education Coordinating Board.

UNCOMPENSATED CARE AND CHARITY CARE

The System's health-related institutions provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs and providers recognize appropriate patient specific funding and lump sum funding available to offset costs. Hospital charges are converted to cost by the application of the Medicare cost to charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost to charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to \$599,827,754.09 and \$671,930,187.74 for 2014 and 2013, respectively.

The American Institute of Certified Public Accountants (AICPA) defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance and the hospital waives all or part of its charges, consistent with its internal charity care policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to \$70,768,674.73 and \$73,882,331.29 for 2014 and 2013, respectively.

NET PATIENT SERVICE REVENUE

The System's health-related institutions have agreements with third-party payors that provide for payments to these institutions at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

U. T. Southwestern Medical Center's, U. T. Medical Branch - Galveston's and U. T. Health Science Center - Tyler's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are reimbursed under a prospective reimbursement methodology. Also, additional reimbursement is received for graduate medical education, disproportionate share, bad debts and other reimbursable costs, as defined, under a variety of payment methodologies.

M. D. Anderson's inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facilities current year cost to the facility-specific cost per discharge. Certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, as M. D. Anderson is designated as a cancer hospital, the Medicare program provides for a "hold-harmless" payment that is equal to the difference between the prospectively determined amounts and the current year adjusted cost (i.e., the current year adjusted cost is determined through application of a payment to cost ratio, which is derived from a previous Medicare cost report, to the current year actual cost). M. D. Anderson is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by M. D. Anderson and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement cost methodology. The System's health-related institutions are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System's health-related institutions and audits thereof by the Medicaid fiscal intermediary.

The System's health-related institutions have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System's health-related institutions under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. The System's health-related institutions recognized bad debt expense of \$332,372,420.48 and \$274,751,458.19 in 2014 and 2013, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Disaggregation of Other Receivable Balances

Net other receivables at August 31, 2014 and 2013 are detailed by type as follows:

<u>Net Other Receivables</u>	<u>2014</u>	<u>2013</u>
Receivables related to investments	\$ 191,732,432.80	145,388,037.39
Receivables related to gifts, grants and sponsored programs	60,140,589.01	46,517,988.49
Receivables related to external parties/other companies	88,833,644.33	90,662,671.11
Receivables related to auxiliary enterprises	20,736,165.38	18,504,218.43
Receivables related to payroll	16,096,664.10	7,006,478.88
Receivables related to patents	1,418,440.00	162,144.65
Receivables related to travel	1,679,342.12	996,749.42
Receivables related to loan funds and financial aid	1,897,920.69	1,617,753.60
Receivables related to agency funds	1,637,204.04	1,346,251.62
Receivables related to other various activities	27,416,092.58	25,492,802.86
Total	\$ <u>411,588,495.05</u>	<u>337,695,096.45</u>

6. Deposits, Investments and Repurchase Agreements

DEPOSITS OF CASH IN BANK

As of August 31, 2014 and 2013, the carrying amount of deposits was \$214,005,862.06 and \$199,716,013.67, respectively, as presented below:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents per statement of cash flows and Exhibit A	\$ 2,881,361,424.49	2,527,414,452.38
Less: Cash in State Treasury	824,214,671.19	651,599,527.18
Repurchase agreement – Texas		
Treasury Safekeeping Trust Co.	616,630.96	1,048,163.47
Other cash equivalent investments	1,835,413,019.36	1,667,453,123.02
Other	7,111,240.92	7,597,625.04
Deposits of cash in bank	\$ <u>214,005,862.06</u>	<u>199,716,013.67</u>

As of August 31, 2014 and 2013, the total bank balances were \$104,327,960.50 and \$66,634,979.74, respectively.

DEPOSIT RISKS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System maintains depository relationships with various banking institutions. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. This agreement provides that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2014 and 2013, the System had no bank balances that were exposed to custodial credit risk.

INVESTMENT RISKS

The investment risk disclosure that follows relates to the System's investments. Risks associated with the System's investments in hedge funds, private investments, public market funds, and securities lending transactions are discussed in separate sections of this note. As of August 31, 2014 and 2013, the investments including securities lending collateral were as follows:

Type of Security	2014 Fair Value	2013 Fair Value
U.S. Government:		
U.S. Treasury Securities	\$ 514,611,749.98	539,601,781.72
U.S. Treasury Strips	299,896.00	448,870.00
U.S. Treasury TIPS	8,074,382.97	36,952,742.78
U.S. Government Agency Obligations	109,375,695.27	159,605,758.43
Corporate Obligations	327,754,767.90	314,548,902.46
Corporate Asset and Mortgage Backed Securities	62,853,293.34	67,966,521.33
Equity	1,767,268,263.64	1,544,012,907.37
International Obligations (Government and Corporate)	2,140,118,952.27	1,527,163,196.83
International Equity	2,955,342,856.34	2,580,734,252.59
Fixed Income Money Market and Bond Mutual Fund	2,458,660,209.42	2,666,926,884.91
Other Commingled Funds:		
Hedge Funds	10,668,009,355.21	8,833,185,272.32
Fixed Income	27,801,897.33	23,450,916.30
U. S. Equity	1,798,578,203.12	1,485,358,911.79
International Other Commingled Funds:		
Non-U.S. Developed Equity	1,415,926,961.30	1,060,984,105.16
Emerging Markets	1,344,717,233.10	973,874,764.07
Real Estate	208,390,827.96	1,447,815.67
Natural Resources	6,056,978.37	286,981,200.19
Commodities	-	1,916,719.56
PUF Lands	8,000,787,873.60	4,651,061,660.60
Other Real Estate	312,988,605.91	306,229,349.95
Physical Commodity	726,213,446.21	788,198,816.80
Investment Derivatives – Asset Positions	92,771,171.39	104,911,760.49
Alternative Investments:		
Limited Partnerships (Private Investments)	7,272,639,504.37	6,029,048,669.00
Miscellaneous (guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	21,535,441.02	18,508,578.69
Total Securities	42,240,777,566.02	34,003,120,359.01
Securities Lending Collateral Investment Pool	997,969,911.26	633,473,260.60
TOTAL	\$ 43,238,747,477.28	34,636,593,619.61
Deposit with Brokers for Derivative Contracts, net:		
U.S. Treasury Bonds and Notes	\$ 1,984,605.97	459,660.76
U.S. Treasury Bills	7,980,222.84	46,594,447.40
U.S. Treasury Inflation Protected	2,529,524.66	1,226,774.81
Foreign Government and Provincial Obligations	-	(2,238,038.23)
Fixed Income Money Market and Mutual Funds	(18,301,048.46)	32,385,947.78
Total Deposit with Brokers for Derivative Contracts, net	\$ (5,806,694.99)	78,428,792.52

(A) *Credit Risk* - Article VII, Section 11b of the Texas Constitution authorizes the U. T. System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the U. T. System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. In 2011, some of the U.S. government direct obligations were downgraded and thus U.S. government direct obligations have been added to the credit risk disclosure. The following tables present each applicable investment type grouped by rating as of August 31, 2014 and 2013:

<u>Investment Type</u>	August 31, 2014					
	MOODY'S		STANDARD & POOR'S		FITCH	
	<u>Fair Value</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government Direct Obligations	\$ 535,380,400.42	Aaa	535,480,382.42	Aa	535,480,382.42	Aaa
	99,982.00	NR	-	-	-	-
U.S. Government Agency Obligations	109,375,695.27	Aaa	109,375,695.27	AA	109,375,695.27	AAA
Corporate Obligations	7,234,910.98	Aaa	6,126,035.98	AAA	6,029,574.00	AAA
	36,545,169.16	Aa	36,690,439.00	AA	32,655,958.09	AA
	153,965,566.63	A	203,696,648.26	A	169,949,434.39	A
	113,775,637.91	Baa	73,110,270.08	BBB	39,121,882.25	BBB
	3,503,324.85	Ba	1,384,543.75	BB	1,837,750.00	BB
	2,330,882.50	B	1,282,062.50	B	1,282,062.50	B
	10,399,275.87	NR	2,517,640.29	CCC	76,878,106.67	NR
	-	-	2,947,128.04	NR	-	-
Corporate Asset and Mortgage Backed Securities	9,417,554.89	Aaa	17,896,561.60	AAA	21,940,404.94	AAA
	1,582,810.40	Aa	14,350,399.04	AA	1,738,639.19	AA
	2,491,083.06	A	5,296,645.99	A	79,467.15	A
	1,913,908.78	Baa	1,973,901.23	BBB	158,731.41	BBB
	2,212,145.69	Ba	277,999.96	BB	65,576.09	BB
	1,294,234.86	B	1,909,945.29	B	1,884,968.00	B
	12,746,950.26	Caa	15,664,056.81	CCC	351,664.82	CCC
	1,720,513.45	Ca	1,123,603.83	D	2,357,189.24	C
	29,474,091.95	NR	4,360,179.59	NR	225,153.42	D
	-	-	-	-	34,051,499.08	NR
International Obligations (Government and Corporate)	487,325,660.76	Aaa	141,406,160.18	AAA	257,165,356.33	AAA
	435,210,325.95	Aa	313,116,721.72	AA	413,058,706.77	AA
	358,943,662.91	A	430,991,040.80	A	504,643,894.76	A
	613,838,628.34	Baa	355,688,984.15	BBB	637,546,502.22	BBB
	90,799,908.35	Ba	45,270,584.26	BB	4,797,104.85	B
	15,079,536.42	B	16,934,631.91	B	322,907,387.34	NR
	507,455.00	Caa	836,710,829.25	NR	-	-
	138,413,774.54	NR	-	-	-	-
Fixed Income Money Market and Bond Mutual Fund	2,087,251,713.35	Aaa	2,078,447,006.18	AAA	8,804,707.17	AAA
	262,832,574.22	NR	96,132,231.38	Aa	2,341,279,580.40	NR
	-	-	175,505,050.01	NR	-	-
Miscellaneous	1,725,700.00	Aaa	2,235,059.85	AAA	1,185,800.00	AAA
	3,966,778.58	Aa	3,258,171.58	AA	2,223,990.58	AA
	8,159,963.15	A	9,408,470.15	A	9,208,568.75	A
	3,535,325.50	Baa	3,315,932.70	BBB	504,609.50	BBB
	28,853,189.78	NR	219,392.80	BB	33,117,988.18	NR
	-	-	27,803,929.93	NR	-	-
	\$ 5,571,908,335.78		5,571,908,335.78		5,571,908,335.78	

August 31, 2013

Investment Type	MOODY'S		STANDARD & POOR'S		FITCH	
	Fair Value	Rating	Fair Value	Rating	Fair Value	Rating
U.S. Government Direct Obligations	\$ 625,134,298.47	Aaa	625,284,277.47	Aa	625,284,277.47	Aaa
	149,979.00	NR	-	-	-	-
U.S. Government Agency Obligations	159,605,758.43	Aaa	159,605,758.43	AA	159,605,758.43	AAA
Corporate Obligations	6,083,822.10	Aaa	5,221,096.33	AAA	3,609,753.00	AAA
	30,057,296.93	Aa	40,080,811.34	AA	37,343,370.80	AA
	155,392,175.54	A	183,761,519.19	A	145,743,953.63	A
	97,568,324.66	Baa	69,945,685.18	BBB	47,027,646.74	BBB
	8,752,519.82	Ba	4,894,407.22	BB	3,268,932.73	BB
	2,380,899.00	B	2,817,085.54	CCC	249,975.00	B
	14,313,864.41	NR	7,828,297.66	NR	77,305,270.56	NR
Corporate Asset and Mortgage Backed Securities	16,935,528.93	Aaa	25,760,695.09	AAA	26,372,151.15	AAA
	771,431.03	Aa	12,212,171.45	AA	1,785,359.86	AA
	1,440,481.80	A	3,303,497.18	A	90,224.52	A
	2,249,075.07	Baa	2,912,557.52	BBB	183,669.37	BBB
	1,743,675.88	Ba	305,222.06	BB	48,815.98	BB
	3,999,409.77	B	1,515,311.99	B	1,131,965.76	B
	11,849,966.03	Caa	16,501,397.24	CCC	408,185.52	CCC
	1,639,893.89	Ca	1,001,751.09	CC	2,807,580.73	C
	27,337,058.93	NR	169,955.99	D	245,654.47	D
	-	-	4,283,961.72	NR	34,892,913.97	NR
International Obligations (Government and Corporate)	495,112,452.33	Aaa	217,280,271.50	AAA	331,323,170.43	AAA
	383,266,221.06	Aa	251,116,017.07	AA	332,318,926.39	AA
	100,208,507.04	A	291,187,343.62	A	317,871,240.09	A
	402,796,564.16	Baa	124,782,135.44	BBB	334,909,445.12	BBB
	81,387,916.57	Ba	56,469,298.95	BB	1,575,372.00	BB
	495,430.00	Caa	867,199.44	B	867,199.44	B
	61,658,067.44	NR	495,430.00	CCC	206,059,805.13	NR
	-	-	582,727,462.58	NR	-	-
Fixed Income Money Market and Bond Mutual Fund	2,356,222,031.38	Aaa	2,344,986,204.35	AAA	11,235,827.03	AAA
	19,158,468.85	Aa	11,235,827.03	Aa	2,628,570,969.11	NR
	264,426,295.91	NR	283,584,764.76	NR	-	-
Miscellaneous	1,615,715.00	Aaa	907,420.65	AAA	1,110,690.00	AAA
	3,918,195.65	Aa	5,536,501.80	AA	3,423,383.65	AA
	7,344,011.70	A	7,341,420.55	A	7,341,420.55	A
	232,412.50	Ba	24,438,523.80	BB	755,195.00	BB
	2,081,139.00	B	1,325,944.00	B	26,919,121.60	NR
	24,358,336.95	NR	-	-	-	-
	\$ 5,371,687,225.23		5,371,687,225.23		5,371,687,225.23	

(B) *Concentrations of Credit Risk* – The System’s investment policy statements for funds managed by UTIMCO contain the limitation that no more than five percent of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2014 and 2013, these funds did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the fund’s fixed income investments.

(C) *Custodial Credit Risk* – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the System’s investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2014 and 2013, the System did not have any deposits or investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the System’s investments is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the System’s investments to changes in interest rates. The System has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the System’s modified duration by investment type as of August 31, 2014 and 2013:

Investment Type	August 31, 2014		August 31, 2013	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments in Securities:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 513,833,827.80	8.08	463,896,503.08	8.06
U.S. Treasury Strips	299,896.00	0.38	448,870.00	0.98
U.S. Treasury Bills	777,922.18	0.04	75,705,278.64	0.29
U.S. Treasury Inflation Protected	8,074,382.97	10.20	36,952,742.78	13.61
U.S. Agency Asset Backed	4,841,445.31	3.10	3,492,400.80	4.01
Total U.S. Government Guaranteed	<u>527,827,474.26</u>	8.05	<u>580,495,795.30</u>	7.37
U.S. Government Non-Guaranteed:				
U.S. Agency	14,863,281.38	0.88	14,509,417.43	1.19
U.S. Agency Asset Backed	89,670,968.58	3.02	141,603,940.20	3.86
Total U.S. Government Non-Guaranteed	<u>104,534,249.96</u>	2.72	<u>156,113,357.63</u>	3.61
Total U.S. Government	<u>632,361,724.22</u>	7.17	<u>736,609,152.93</u>	6.58
Corporate Obligations:				
Domestic	390,608,061.24	5.68	382,515,423.79	5.20
Foreign	337,428,662.68	4.37	341,810,968.23	5.28
Total Corporate Obligations	<u>728,036,723.92</u>	5.07	<u>724,326,392.02</u>	5.24
Foreign Government and Provincial Obligations	1,802,690,289.59	6.61	1,185,352,228.60	5.19
Other Debt Securities	18,439,059.68	9.68	15,343,699.50	10.36
Total Debt Securities	<u>3,181,527,797.41</u>	6.39	<u>2,661,631,473.05</u>	5.62
Other Investment Funds - Debt	27,801,897.33	7.70	23,450,916.30	7.00
Convertible Stock	-	-	755,195.00	14.35
Fixed Income Money Market and Mutual Funds	2,368,385,336.03	0.28	2,607,420,848.36	0.27
Total	<u>\$ 5,577,715,030.77</u>	3.80	<u>5,293,258,432.71</u>	2.99
Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 1,984,605.97	8.07	459,660.76	43.87
U.S. Treasury Bills	7,980,222.84	0.20	46,594,447.40	0.35
U.S. Treasury Inflation Protected	2,529,524.66	8.55	1,226,774.81	11.62
Total U.S. Government Guaranteed	<u>12,494,353.47</u>	3.14	<u>48,280,882.97</u>	1.05
Foreign Government and Provincial Obligations	-	-	(2,238,038.23)	0.00
Fixed Income Money Market and Mutual Funds	(18,301,048.46)	0.00	32,385,947.78	0.00
Total Deposit with Brokers for Derivative Contracts	<u>\$ (5,806,694.99)</u>	(6.75)	<u>78,428,792.52</u>	0.64

The System has purchased options on ten year constant maturity swaps, with expiries ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2014, these options had a notional value of \$10,000,000,000 and a fair value of \$1,371,292. As of August 31, 2013, these options had a notional value of \$11,500,000,000 and a fair value of \$22,679,720. The risk of loss on these options is limited to the premiums paid by the System upon the purchase of the options, which totaled \$57,013,750 and \$64,613,751 as of August 31, 2014 and 2013, respectively. The System also purchased both puts and swaptions on the Japanese Yen, with expiries ranging from one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2014, the puts had a notional value of \$1,000,000,000 with a fair value of \$540,179. As of August 31, 2013, these puts and swaptions had a notional value of \$5,758,000,000 with a fair value of \$26,533,395. The risk of loss on these options is limited to the premiums paid by the System upon the purchase of the options, which totaled \$7,452,315 and \$44,094,447 as of August 31, 2014 and 2013, respectively. It is estimated that these options would adjust the 2014 duration of total debt securities of 6.39 downward by approximately 0.03, and the total duration of 3.80 downward by approximately 0.03. It is estimated that these options would adjust the 2013 duration of total debt securities of 5.62 downward by approximately 0.40, and the total duration of 2.99 downward by approximately 0.34. One of the System's external managers also uses options and interest rate and credit default swaps to modify the duration of its portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration as presented above.

(E) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes – The System may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The System also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2014 and 2013, the System's investments included the following investments that are highly sensitive to interest rate changes:

- Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2014 and 2013, these securities amounted to \$138,667,376 and \$147,049,057, respectively.
- Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2014 and 2013, these securities amounted to \$40,622,557 and \$76,666,350, respectively.
- Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31 2014 and 2013 these securities amounted to \$14,992,213 and \$14,238,571, respectively.

(F) Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the System's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the System's total fixed income and developed country equity exposures in the System's investment policy statements.

Classification between domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following tables summarize the System's exposure to non-U.S. dollar investments by asset type as of August 31, 2014 and 2013.

Investment Type	2014 Fair Value	Investment Type	2014 Fair Value
Domestic Common Stock:		Foreign Government & Provincial Obligations (cont.):	
Indian Rupee	\$ 91,437	British Pound	\$ 87,774,534
Taiwan Dollar	51,458	Canadian Dollar	12,047,201
Total Domestic Common Stock	142,895	Columbian Peso	11,639,701
Foreign Common Stock:		Euro	492,703,134
Australian Dollar	38,103,967	Hungarian Forint	34,126,611
Brazilian Real	173,259,824	Indonesian Rupiah	29,036,720
British Pound	238,945,447	Japanese Yen	43,136,924
Canadian Dollar	83,808,073	Malaysian Ringgit	55,117,871
Chilean Peso	2,940,801	Mexican Peso	223,137,043
Chinese Yuan Renminbi	171,404,884	New Zealand Dollar	122,870,064
Colombian Peso	1,126,112	Norwegian Kroner	44,865,587
Czech Koruna	1,879,231	Polish Zloty	83,606,184
Danish Krone	14,798,399	Singapore Dollar	5,956,571
Egyptian Pound	4,374,993	South African Rand	63,639,974
Euro	165,442,326	South Korean Won	55,493,986
Hong Kong Dollar	325,592,002	Swedish Krona	28,601,089
Hungarian Forint	513,791	Swiss Franc	327,525
Indian Rupee	71,082,092	Thai Baht	11,876,568
Indonesian Rupiah	36,328,351	Total Foreign Government & Provincial Obligations	1,758,219,859
Japanese Yen	490,750,862	Corporate Obligations:	
Malaysian Ringgit	27,846,522	Australian Dollar	46,564,003
Mexican Peso	97,969,517	British Pound	30,086,503
Philippines Peso	31,145,661	Danish Krone	569,006
Polish Zloty	8,144,900	Euro	92,390,236
Qatari Riyal	475,382	Mexican Peso	1,646,048
Singapore Dollar	39,867,251	Swedish Krona	2,925,068
South African Rand	39,110,392	Total Corporate Obligations	174,180,864
South Korean Won	267,227,000	Investment Funds - Emerging Markets:	
Swedish Krona	23,052,023	Brazilian Real	30,417,079
Swiss Franc	21,200,157	British Pound	117,920,691
Taiwan Dollar	76,552,068	Hong Kong Dollar	3,304,556
Thai Baht	25,471,457	Swedish Krona	1,996,093
Turkish Lira	15,208,740	Total Investment Funds - Emerging Markets	153,638,419
United Arab Emirates Dirham	2,494,785	Investment Funds - Natural Resources:	
Vietnamese Dong	8,009,250	British Pound	2,883,615
Total Foreign Common Stock	2,504,126,260	Private Investments:	
Other Equity Securities:		Australian Dollar	21,005,663
Brazilian Real	230	British Pound	55,469,773
Canadian Dollar	26,544	Canadian Dollar	193,653,508
Hong Kong Dollar	406,681	Euro	328,917,853
Indonesian Rupiah	146	Total Private Investments	599,046,797
South Korean Won	11,344	Cash and Cash Equivalents:	
Taiwan Dollar	417	Australian Dollar	2,889,835
Thai Baht	9,850	Brazilian Real	4,565,514
Total Other Equity Securities	455,212	British Pound	949,932
Foreign Preferred Stock:		Canadian Dollar	231,446
Brazilian Real	77,145,000	Chilean Peso	34,438
Colombian Peso	278,690	Chinese Yuan Renminbi	15,071,075
South African Rand	40,996	Colombian Peso	183,385
South Korean Won	11,191,737	Czech Koruna	1,888
Total Foreign Preferred Stock	88,656,423	Danish Krone	986
Foreign Government & Provincial Obligations:		Egyptian Pound	56,615
Australian Dollar	178,797,281	Euro	3,964,488
Brazilian Real	173,465,291	Hong Kong Dollar	3,351,052

Investment Type (cont.)	2014 Fair Value	Investment Type	2014 Fair Value
Cash and Cash Equivalents (cont.):		Futures:	
Hungarian Forint	327	Australian Dollar	\$ (9,311)
Indian Rupee	291,868	British Pound	(7,820)
Indonesian Rupiah	16,725	Canadian Dollar	(29,611)
Israeli Shekel	1,860	Euro	(194,953)
Japanese Yen	10,089,912	Total Futures	(241,695)
Malaysian Ringgit	357,332	Foreign Exchange Contracts:	
Mexican Peso	6,432,179	Australian Dollar	(1,237,891)
New Zealand Dollar	1,634	Brazilian Real	(2,434,806)
Norwegian Kroner	713	British Pound	(215,453)
Peruvian Nuevo Sol	6,070	Canadian Dollar	421,554
Philippine Peso	19,121	Chilean Peso	(2,959,887)
Polish Zloty	158,618	Chinese Yuan Renminbi	(202,289)
Singapore Dollar	1,203	Colombian Peso	4,187
South African Rand	24,774	Czech Koruna	744,414
South Korean Won	860,271	Danish Krone	(15,197)
Swedish Krona	1,162	Euro	3,938,769
Swiss Franc	1,121	Hong Kong Dollar	(4)
Taiwan Dollar	736,369	Hungarian Forint	116,892
Thai Baht	20,395	Indian Rupee	386,227
Turkish Lira	39,806	Israeli Shekel	131,045
Vietnamese Dong	166,181	Japanese Yen	2,862,169
Total Cash and Cash Equivalents	<u>50,528,295</u>	Malaysian Ringgit	211,700
Purchased Options:		Mexican Peso	1,046,974
Japanese Yen	540,179	New Zealand Dollar	2,900,903
Written Options:		Norwegian Kroner	7,262
Australian Dollar	(25,204)	Polish Zloty	1,256,773
Brazilian Real	(402,839)	Russian Ruble	16,437
Euro	7,420	Singapore Dollar	3,340
Japanese Yen	(539,180)	South African Rand	(109,094)
Mexican Peso	(1,170)	South Korean Won	4,005,572
Total Written Options	<u>(960,973)</u>	Swedish Krona	324,446
Swaps:		Swiss Franc	873,678
Brazilian Real	229,871	Taiwan Dollar	278,108
British Pound	(362,529)	Thai Baht	6,943
Euro	36,109,832	Turkish Lira	(12,195)
Japanese Yen	1,480,770	Total Foreign Exchange Contracts	<u>12,350,577</u>
Mexican Peso	281,825		
Total Swaps	<u>37,739,769</u>	Total	<u>\$ 5,381,306,496</u>

Investment Type	2013 Fair Value	Investment Type	2013 Fair Value
Domestic Common Stock:		Foreign Government & Provincial Obligations (cont.):	
Indian Rupee	\$ 88,641	Hong Kong Dollar	\$ 1,444,716
Foreign Common Stock:		Hungarian Forint	26,707,122
Australian Dollar	54,286,237	Japanese Yen	93,513,687
Brazilian Real	133,091,217	Malaysian Ringgit	7,532,620
British Pound	221,002,437	Mexican Peso	139,941,565
Canadian Dollar	69,567,165	New Zealand Dollar	89,587,021
Chilean Peso	4,286,688	Polish Zloty	53,554,155
Chinese Yuan Renminbi	106,876,111	Singapore Dollar	8,225,960
Colombian Peso	825,413	South African Rand	38,148,712
Czech Koruna	2,923,000	South Korean Won	29,435,999
Danish Krone	6,990,963	Swedish Krona	1,382,641
Egyptian Pound	2,784,226	Turkish Lira	17,046,344
Euro	136,170,112	Total Foreign Government & Provincial Obligations	1,142,880,108
Hong Kong Dollar	288,682,404	Corporate Obligations:	
Hungarian Forint	1,289,148	Australian Dollar	55,283,248
Indian Rupee	33,367,267	British Pound	57,904,431
Indonesian Rupiah	24,717,927	Canadian Dollar	3,670,782
Japanese Yen	478,840,412	Euro	74,440,383
Malaysian Ringgit	37,065,961	Japanese Yen	5,146,057
Mexican Peso	30,011,010	New Zealand Dollar	3,738,196
Moroccan Dirham	730,234	Swedish Krona	2,943,869
Norwegian Kroner	9,330,668	Total Corporate Obligations	203,126,966
Pakistan Rupee	1,853,145	Investment Funds - Emerging Markets:	
Peruvian Neuvo Sol	6,443	Brazilian Real	27,132,424
Philippines Peso	29,303,016	British Pound	98,656,513
Polish Zloty	11,218,335	Canadian Dollar	882,914
Singapore Dollar	34,373,094	Hong Kong Dollar	2,368,141
South African Rand	40,618,210	Swedish Krona	1,338,498
South Korean Won	128,425,797	Taiwan Dollar	712,522
Swedish Krona	34,354,856	Total Investment Funds - Emerging Markets	131,091,012
Swiss Franc	26,091,615	Investment Funds - Natural Resources:	
Taiwan Dollar	87,242,585	British Pound	4,868,209
Thai Baht	30,813,639	Private Investments:	
Turkish Lira	19,298,392	Australian Dollar	16,717,178
United Arab Emirates Dirham	4,966,755	British Pound	47,129,737
Total Foreign Common Stock	2,091,404,482	Canadian Dollar	136,323,134
Other Equity Securities:		Euro	309,124,708
Hong Kong Dollar	14,968	Total Private Investments	509,294,757
Chilean Peso	61	Cash and Cash Equivalents:	
Indian Rupee	423	Australian Dollar	846,126
Taiwan Dollar	299	Brazilian Real	13,049,835
Total Other Equity Securities	15,751	British Pound	18,917,116
Foreign Preferred Stock:		Canadian Dollar	196,196
Brazilian Real	62,440,434	Chilean Peso	11,408
Colombian Peso	44,427	Chinese Yuan Renminbi	7,317,997
Total Foreign Preferred Stock	62,484,861	Colombian Pesa	7,091
Foreign Government & Provincial Obligations:		Czech Koruna	18,806
Australian Dollar	112,218,448	Danish Krone	373
Brazilian Real	50,233,870	Egyptian Pound	1
British Pound	104,674,405	Euro	60,630,095
Canadian Dollar	30,401,224	Hong Kong Dollar	3,696,506
Colombian Peso	6,715,607	Hungarian Forint	2,286
Euro	332,116,012	Indian Rupee	235,274

Investment Type (cont.)	2013 Fair Value	Investment Type	2013 Fair Value
Cash and Cash Equivalents (cont.):		Futures:	
Indonesian Rupiah	1,461,308	Australian Dollar	\$ 9,312
Israeli Shekel	2	British Pound	57,576
Japanese Yen	4,798,408	Canadian Dollar	(6,648)
Malaysian Ringgit	146,922	Euro	150,783
Mexican Peso	516,029	Japanese Yen	12,698
Moroccan Dirham	34,665	Total Futures	223,721
New Zealand Dollar	458,497	Foreign Exchange Contracts:	
Norwegian Kroner	529	Australian Dollar	3,791,304
Pakistan Rupee	120	Brazilian Real	(719,166)
Peruvian Nuevo Sol	768	British Pound	(751,058)
Philippine Peso	65,692	Canadian Dollar	48,926
Polish Zloty	175,827	Chilean Peso	(608,184)
Singapore Dollar	1,920	Chinese Yuan Renminbi	(537,706)
South African Rand	75,190	Colombian Peso	148,109
South Korean Won	408,253	Czech Koruna	(777)
Swedish Krona	1,682	Danish Krone	(17,776)
Swiss Franc	3,376	Euro	433,533
Taiwan Dollar	708,773	Hong Kong Dollar	(153)
Thailand Baht	795,968	Hungarian Forint	56
Turkish Lira	35,492	Indian Rupee	(1,469,615)
Total Cash and Cash Equivalents	114,618,531	Indonesian Rupiah	3,935
Purchased Options:		Israeli Shekel	1,128
Japanese Yen	26,533,395	Japanese Yen	9,066,450
Written Options:		Malaysian Ringgit	(116,415)
British Pound	(30,034)	Mexican Peso	(91,288)
Euro	(36,326)	New Zealand Dollar	2,907,473
Total Written Options	(66,360)	Norwegian Kroner	(247,998)
Swaps:		Polish Zloty	(844,380)
British Pound	9,829	Russian Ruble	(127,126)
Euro	29,648	Singapore Dollar	7,058
Japanese Yen	55,948	South African Rand	(11,141,157)
Mexican Peso	34,861	South Korean Won	(1,958,848)
Total Swaps	130,286	Swedish Krona	(165,119)
		Swiss Franc	(743,686)
		Taiwan Dollar	(2,563,323)
		Thailand Baht	(44,898)
		Total Foreign Exchange Contracts	(5,740,701)
		Total	\$ 4,280,953,659

(G) *Counterparty (Credit) Risk* – The derivative instruments utilized by the System contain varying degrees of off-statement of net position risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statement of net position. The System manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The System had gross counterparty exposure as follows as of August 31, 2014 and 2013 for options, swaps, and foreign currency exchange contracts:

Options

	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	<u>Counterparty Rating</u>
\$	11,025,640,000	131,383,410	2,154,651	1,298,885	A
\$	<u>11,025,640,000</u>	<u>131,383,410</u>	<u>2,154,651</u>	<u>1,298,885</u>	

Swaps

	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	<u>Counterparty Rating</u>
\$	221,557,729	79,716,494	39,176,207	37,581,607	A
\$	<u>221,557,729</u>	<u>79,716,494</u>	<u>39,176,207</u>	<u>37,581,607</u>	

Foreign Currency Exchange Contracts

	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2014</u>	<u>Fair Value as of August 31, 2014</u>	<u>Counterparty Rating</u>
\$	1,871,213,349	1,083,534,045	26,859,671	14,833,457	A
	39,229,960	5,329,455	407,402	83,039	AA
\$	<u>1,910,443,309</u>	<u>1,088,863,500</u>	<u>27,267,073</u>	<u>14,916,496</u>	

Options

	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2013</u>	<u>Fair Value as of August 31, 2013</u>	<u>Counterparty Rating</u>
\$	17,263,800,000	132,713,300	50,114,147	1,838,081	A
\$	<u>17,263,800,000</u>	<u>132,713,300</u>	<u>50,114,147</u>	<u>1,838,081</u>	

Swaps

	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2013</u>	<u>Fair Value as of August 31, 2013</u>	<u>Counterparty Rating</u>
\$	75,400,299	64,932,458	1,664,034	1,438,930	A
\$	<u>75,400,299</u>	<u>64,932,458</u>	<u>1,664,034</u>	<u>1,438,930</u>	

Foreign Currency Exchange Contracts

	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	<u>Notional</u>	<u>Notional</u>	<u>Fair Value as of August 31, 2013</u>	<u>Fair Value as of August 31, 2013</u>	<u>Counterparty Rating</u>
\$	1,079,572,756	1,305,381,437	26,634,756	32,330,726	A
	6,128,342	7,507,833	15,652	60,383	AA
\$	<u>1,085,701,098</u>	<u>1,312,889,270</u>	<u>26,650,408</u>	<u>32,391,109</u>	

As of August 31, 2014 and 2013, the System also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the System to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, and therefore, they are not presented in the previous tables.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the System and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the System to cover the System's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the System in one of its accounts at the System's custodian bank. As of August 31, 2014 and 2013, the System held \$22,455,000 and \$47,318,038, respectively, as collateral related to derivative instruments other than futures, and had on deposit with brokers \$8,238,291 and \$7,921,418, respectively, as collateral related to derivative instruments other than futures.

SECURITIES LENDING

In accordance with the prudent investor investment standards, the System participates in a securities lending program. The System began the program, under a contract with the System's lending agent, on September 1, 1995. The lending agent is authorized to lend any securities held by the System's custodian except those securities, which the policy guidelines prohibit lending. At August 31, 2014 and 2013, there were a total of \$1,049,551,283.80 and \$869,554,924.00, respectively, of securities out on loan to brokers/dealers. A combination of cash and qualified non-cash securities are held as collateral against the outstanding securities on loan. The value of cash collateral held for these securities consisted of \$997,969,911.26 at August 31, 2014 and \$633,473,260.60 at August 31, 2013. These amounts are recorded as assets, with an offsetting liability to return the collateral on the consolidated statement of net position. The qualified non-cash securities received as collateral for securities lending activities are not recorded as assets because these securities remain under the control of the transferor, except in the event of default.

In security lending transactions, the System transfers its securities to brokers/dealers for collateral, which may be cash, securities issued or guaranteed by the United States government or its agencies, and irrevocable bank letters of credit, and simultaneously agrees to return the collateral for the same securities in the future.

Cash received as collateral for securities lending activities is invested and reinvested in a non-commingled pool exclusively for the benefit of the System. The pool is managed in accordance with investment guidelines established in the securities lending contract between the System and its securities lending agent. Pool investments are valued at cost which is indicative of fair value. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. The System was collateralized 103 percent on August 31, 2014 and 104 percent on August 31, 2013 for securities on loan collateralized by cash. The System's collateral pool investments, rating by NRSRO and weighted average maturity in days as of August 31, 2014 and 2013, are shown in the following table:

Description	August 31, 2014			August 31, 2013		
	Fair Value	Rating	Weighted Average	Fair Value	Rating	Weighted Average
Repurchase Agreements	\$ 249,215,702	No Rating	2	291,415,535	No Rating	3
Commercial Paper	488,769,723	P	59	142,092,433	P	67
Corporate Obligations	-			4,505,264	AAA	
Corporate Obligations	27,299,285	AA		32,178,005	AA	
Corporate Obligations	25,183,356	A		5,469,929	A	
Total Corporate Obligations	52,482,641		38	42,153,198		40
International Obligations	128,617,796	AA		94,916,479	AA	
International Obligations	45,114,474	A		36,203,862	A	
Total International Obligations	173,732,270		41	131,120,341		38
Negotiable Certificates of Deposit	33,816,832	P	71	26,635,979	P	75
Other Receivables/Payables	(47,257)	Not Rated		55,775	Not Rated	
Total Collateral Pool Investment	\$ 997,969,911		41	633,473,261		30

Collateral pool investments are uninsured and are held by the securities lending agent, in its name, on behalf of the System, except for the investments in repurchase agreements, which are held in the securities lending agent's name by a third party custodian not affiliated with the System or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk, because the pool investments are not held by counterparties to the lending transactions or a counterparties' trust department or agent.

Lending income is earned if the returns on those investments exceed the "rebate" paid to borrowers of the securities. The income is then shared with the lending agent based on a contractually negotiated rate split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from the System's resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium or fee for the securities loan. This income is split with the same ratio as the earnings for cash collateral. The collateral pledged to the System by the borrower is custodied by the lending agent or through a third party arrangement. These securities held as collateral are not available to the System for selling or pledging unless the borrower is in default of the loan. On both August 31, 2014 and 2013, the System held collateral equal to 102 percent of the securities on loan that were collateralized by non-cash securities.

The collateral received must have a fair value of 102 percent of the loaned securities of United States issuers. If the fair value of the collateral held in connection with loans of securities of United States issuers is less than 100 percent at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102 percent of the fair value.

For non-U. S. issuers, the collateral should remain at 105 percent of the fair value of the loaned securities at the close of any business day. If it falls below 105 percent, the borrower must deliver additional collateral by the close of the following business day. The System was collateralized 108 percent for international loans on August 31, 2014 and 107 percent for international loans on August 31, 2013.

In the event of default, where the borrower is unable to return the securities loaned, the System has authorized the lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the lending agent has indemnified the System from any loss due to borrower default.

At August 31, 2014 and 2013, the System had no credit risk exposure to borrowers because the amounts the System owed to borrowers exceeded the amounts the borrowers owed the System.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the years ended August 31, 2014 and 2013.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative securities are financial instruments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivatives cover a broad range of financial instruments, such as forwards, futures, options and swaps.

(A) *Futures Contracts* – Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. Futures contracts are marked to market daily; that is, they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts.

During the years ended August 31, 2014 and 2013, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the year ending August 31, 2014 was an increase of \$36,178,067. The change in fair value of open futures contracts for the year ending August 31, 2013 was an increase of \$3,256,388, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position. The System had \$8,410,014 and \$117,825,413 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2014 and 2013, respectively. Short futures may be used by internal managers and a limited number of external managers of the System to hedge the System's interest rate or currency risk associated with security positions. The amount of the net realized gain on the futures contracts was \$8,866,299 for the year ended August 31, 2014. The amount of the net realized loss on the futures contracts was \$160,275,081 for the year ended August 31, 2013. The System executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

During the years ended August 31, 2014 and 2013, certain of the System's investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2014 and 2013.

The following discloses the notional, carrying and fair values of futures contracts at August 31, 2014:

	Notional Value at August 31, 2014		Carrying and Fair Value at August 31, 2014	
	Long	Short	Assets	Liabilities
Commodity Futures	\$ 887,726,488	158,203,161	8,495,443	17,847,796
Domestic Fixed Income	45,874,352	213,531	1,187	29,687
International Fixed Income Futures	247,662,178	80,146,626	7,417	243,537
Totals	\$ 1,181,263,018	238,563,318	8,504,047	18,121,020

The following discloses the notional, carrying and fair values of futures contracts at August 31, 2013:

	Notional Value at August 31, 2013		Carrying and Fair Value at August 31, 2013	
	Long	Short	Assets	Liabilities
Foreign Equity Futures	\$ 267,392,950	-	2,244,550	-
Commodity Futures	868,061,160	70,188,863	4,906,000	7,207,677
Domestic Fixed Income	38,421,429	50,388,188	-	23,508
International Fixed Income Futures	469,602,135	50,761,379	246,894	34,999
Interest Rate Swap	-	1,029,188	172	-
Totals	\$ 1,643,477,674	172,367,618	7,397,616	7,266,184

(B) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in investments for the asset positions and investment derivatives-liability positions for the liability positions. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated statement of net position. Risks arise from the possible inability of counter-parties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The following tables summarize, by currency, the contractual amounts of the System's foreign exchange contracts at August 31, 2014 and 2013. Foreign currency amounts are translated at exchange rates as of August 31, 2014 and 2013. The "Net Buy" amounts represent the U. S. dollar equivalent of net commitments to purchase foreign currencies and the "Net Sell" amounts represent the U. S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy	Net Sell	Unrealized Gains	Unrealized Losses
	August 31, 2014	August 31, 2014	on Foreign Exchange Contracts August 31, 2014	on Foreign Exchange Contracts August 31, 2014
Australian Dollar	\$ -	147,134,776	195,958	1,433,849
Brazilian Real	-	97,249,403	500,490	2,935,296
British Pound	21,370,433	-	650,938	866,391
Canadian Dollar	45,336,083	-	442,895	21,341
Chilean Peso	59,057,658	-	-	2,959,887
Chinese Yuan Renminbi	406,707	-	-	202,289
Columbian Peso	-	11,124,964	93,717	89,530
Czech Koruna	-	33,679,118	749,848	5,434
Danish Krone	1,438,311	-	20,479	35,676
Euro	-	229,670,052	4,163,956	225,187
Hong Kong Dollar	-	408,876	-	4
Hungarian Forint	-	11,428,060	127,379	10,487
Indian Rupee	45,354,591	-	482,255	96,028
Israeli Shekel	-	10,670,672	152,209	21,164
Japanese Yen	54,278,869	263,023,379	7,494,259	4,632,090
Malaysian Ringgit	25,590,198	-	231,788	20,088
Mexican Peso	1,962,382	32,051,170	1,756,771	709,797
New Zealand Dollar	-	157,739,919	3,056,850	155,947
Norwegian Kroner	532,767	-	10,746	3,484
Polish Zloty	-	35,240,810	1,308,014	51,241
Russian Ruble	761,109	-	160,022	143,585
Singapore Dollar	851,572	-	5,128	1,788
South African Rand	-	16,384,560	30,753	139,847
South Korean Won	106,767,304	-	4,047,864	42,292
Swedish Krona	-	22,867,775	377,057	52,611
Swiss Franc	-	42,973,120	921,438	47,760
Taiwan Dollar	177,616,647	-	278,108	-
Thailand Baht	1,008,455	-	7,011	68
Turkish Lira	1,145,267	-	1,140	13,335
TOTAL	\$ 543,478,353	1,111,646,654	27,267,073	14,916,496

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2014 was an increase in the amount of \$12,452,576, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

Currency	Net Buy	Net Sell	Unrealized Gains	Unrealized Losses
	August 31, 2013	August 31, 2013	on Foreign Exchange Contracts August 31, 2013	on Foreign Exchange Contracts August 31, 2013
Australian Dollar	\$ -	180,824,680	3,922,612	131,308
Brazilian Real	-	17,349,409	1,232,331	1,951,497
British Pound	15,644,860	-	476,417	1,227,475
Canadian Dollar	-	23,330,734	85,162	36,236
Chilean Peso	34,161,616	-	-	608,184
Chinese Yuan Renminbi	249,469	-	-	537,706
Columbian Peso	-	5,877,064	148,109	-
Czech Koruna	186,556	-	-	777
Danish Krone	1,827,951	-	14	17,790
Euro	-	137,968,499	1,316,530	882,997
Hong Kong Dollar	52,753	484,157	-	153
Hungarian Forint	-	3,258	56	-
Indian Rupee	31,449,024	-	4	1,469,619
Indonesian Rupiah	-	21,217	96,252	92,317
Israeli Shekel	199,210	-	1,128	-
Japanese Yen	-	254,173,397	12,952,651	3,886,201
Malaysian Ringgit	15,514,222	-	-	116,415
Mexican Peso	22,867,141	6,699,969	1,427,753	1,519,041
New Zealand Dollar	-	112,215,727	3,117,082	209,609
Norwegian Kroner	2,251,395	-	234,697	482,695
Polish Zloty	-	33,683,347	397,912	1,242,292
Russian Ruble	81,146	-	717,532	844,658
Singapore Dollar	4,551,996	-	26,972	19,914
South African Rand	65,516,212	-	51,950	11,193,107
South Korean Won	50,598,217	-	351,027	2,309,875
Swedish Krona	7,024,865	-	73,278	238,397
Swiss Franc	-	25,803,402	-	743,686
Taiwan Dollar	66,268,817	-	18,373	2,581,696
Thailand Baht	1,063,580	-	2,566	47,464
TOTAL	\$ 319,509,030	798,434,860	26,650,408	32,391,109

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2013 was a decrease in the amount of \$4,813,003, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

(C) *Written Options* – Written options are used to alter the market (systematic) exposure without trading the underlying cash market securities, and to hedge and control risks, so that the actual risk/return profile is more closely aligned with the target risk/return profile. The fair value is included on the consolidated statement of net position in investment derivatives-liability positions. During the year, the System wrote call options on currencies, equities and Euro Bund futures. The following discloses the contracts outstanding, the expiration date and the fair values of the outstanding written call options contracts as of August 31, 2014 and 2013:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2014	
				Assets	Liabilities
Currency					
	AUD/USD Spot	4,900,000	11/26/2014	\$ -	\$ 25,204
	BRL/USD Spot	2,500,000	09/09/2014	-	86
	BRL/USD Spot	1,000,000	09/11/2014	-	241
	BRL/USD Spot	2,400,000	09/25/2014	-	979
	BRL/USD Spot	2,100,000	09/26/2014	-	720
	BRL/USD Spot	2,200,000	03/11/2015	-	22,557
	BRL/USD Spot	4,400,000	05/29/2015	-	65,340
	BRL/USD Spot	1,700,000	06/02/2015	-	24,109
	BRL/USD Spot	4,200,000	06/08/2015	-	61,524
	BRL/USD Spot	2,000,000	06/10/2015	-	37,382
	BRL/USD Spot	3,300,000	06/15/2015	-	63,710
	BRL/USD Spot	4,200,000	06/21/2016	-	126,189
	MXN/USD Spot	4,400,000	09/11/2014	-	1,170
				-	429,211
Equity					
	Laredo Petroleum Inc.	6	01/17/2015	-	282
	Rosetta Resources, Inc.	12	01/17/2015	-	2,400
				-	2,682
Other					
	Euro-Bund Futures	57	09/26/2014	-	7,218
				-	7,218
				\$ -	\$ 439,111

The change in fair value of open call options for the year ending August 31, 2014, was an increase in the amount of \$255,934, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position. The System recognized gains in the amount of \$26,624,940 on call options written, which are included in investment income on the consolidated statement of revenues, expenses and changes in net position for the year ended August 31, 2014.

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Commodity					
	Aluminum Futures	18	12/04/13	\$ -	\$ 67
	Copper Futures	10	12/03/14	-	33,455
				-	33,522
Interest Rate Swaps					
	6 month EURIBOR	12,100,000	03/12/14	-	11,025
				-	11,025
				\$ -	\$ 44,547

The change in fair value of open call options for the year ending August 31, 2013, was an increase in the amount of \$190,389, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position. The System recognized gains in the amount of \$2,552,624 on call options written, which are included in investment income on the consolidated statement of revenues, expenses and changes in net position for the year ended August 31, 2013.

The System also wrote put options on Euro Bund futures, equities, interest rate swaps, currencies, commodities, credit default swaps and other options for the years ended August 31, 2014 and 2013. The following discloses the contracts outstanding, the expiration date and the fair values of the outstanding written put options contracts as of August 31, 2014 and 2013:

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2014	
				Assets	Liabilities
Interest Rate Swap					
	U.S. 3 month LIBOR	23,600,000	09/21/2015	\$ -	\$ 300,633
				-	300,633
Credit Default Swap					
	Markit ITraxx Europe Index Series 21	4,600,000	09/17/2014	-	142
	Markit ITraxx Europe Index Series 21	8,300,000	12/14/2014	-	12,882
	Markit ITraxx Europe Index Series 21	9,800,000	12/17/2014	-	9,347
	Markit CDX North America Inv. Grade Index Series 22	12,400,000	12/17/2014	-	6,797
				-	29,168
Commodity					
	Crude Oil Futures	7	11/17/2015	-	5,320
				-	5,320
Equity					
	Apple Inc.	98	01/17/2015	-	686
				-	686
Currency					
	JPY/USD Spot	9,200,000	02/18/2016	-	94,512
	JPY/USD Spot	3,500,000	04/21/2016	-	61,587
	JPY/USD Spot	3,200,000	05/19/2016	-	47,718
	JPY/USD Spot	3,900,000	02/18/2019	-	139,647
	JPY/USD Spot	5,400,000	02/28/2019	-	195,718
				-	539,182
Other					
	CPI Urban Consumer Not Seasonally Adjusted	1,300,000	09/29/2020	-	690
	Euro-Bund Futures	214	09/26/2014	37,007	-
				37,007	690
				\$ 37,007	\$ 875,679

The change in fair value of open put options for the year ending August 31, 2014, was an increase in the amount of \$1,335,686, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position. The System recognized gains in the amount of \$2,867,793 on put options written which are included in investment income on the consolidated statement of revenues, expenses and changes in net position for the year ended August 31, 2014.

Type	Underlying	Contracts	Expiration Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Interest Rate Swap					
	U.S. 3 month LIBOR	7,200,000	09/03/13	\$ -	\$ 130,755
	U.S. 3 month LIBOR	9,000,000	09/30/13	-	140,540
	U.S. 3 month LIBOR	54,900,000	10/18/13	-	398,042
	6 month British LIBOR	2,200,000	10/25/13	-	30,034
	6 month EURIBOR	12,100,000	03/12/14	-	25,301
	U.S. 3 month LIBOR	23,600,000	09/21/15	-	1,098,653
				-	1,823,325
Commodity					
	Brent Crude Futures	7	11/17/15	-	21,840
				-	21,840
Equity					
	Apple, Inc.	13	01/17/15	-	65,270
				-	65,270
Other					
	CPI Urban Consumer Not Seasonally Adjusted	1,300,000	09/29/20	-	1,593
	CPI Urban Consumer Not Seasonally Adjusted	1,400,000	10/13/20	-	2,137
				-	3,730
				\$ -	\$ 1,914,165

The change in fair value of open put options for the year ending August 31, 2013, was a decrease in the amount of \$884,594, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position. The System recognized gains in the amount of \$20,902,929 on put options written which are included in investment income on the consolidated statement of revenues, expenses and changes in net position for the year ended August 31, 2013.

(D) *Swaps* – Swaps are used to adjust interest rate and yield curve exposures. During the year, the System entered into interest rate, equity, credit default, currency and commodity swap contracts. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. The following discloses the notional amount (presented in US dollar equivalents), the coupon rate and the fair values of the outstanding swap contracts as of August 31, 2014:

Currency	USD Notional Value	Maturity Date	Fair Value at August 31, 2014		
			Assets	Liabilities	
Interest Rate (Pay-Fixed Receive-Variable):					
Brazilian Real	Receive Brazil Cetip Interbank Deposit Pay 11.000%	\$ 19,619,655	01/04/2021	\$ 5,782	\$ 822
Japanese Yen	Receive 6 month Yen LIBOR Pay 1.500%	32,632,140	06/19/2033	1,362,057	-
Mexican Peso	Receive Mexican Interbank Rate Pay 5.610%	9,812,257	07/07/2021	49,426	-
	Receive Mexican Interbank Rate Pay 5.630%	1,001,875	07/07/2021	5,756	-
	Receive Mexican Interbank Rate Pay 5.640%	382,395	06/04/2021	2,904	-
	Receive Mexican Interbank Rate Pay 6.600%	443,579	05/21/2029	7,707	-
U.S. Dollar	Receive 3 month US Dollar LIBOR Pay 3.000%	21,100,000	06/20/2023	-	152,059
	Receive 3 month US Dollar LIBOR Pay 3.500%	500,000	12/17/2044	39,207	-
	Receive 3 month US Dollar LIBOR Pay 4.500%	2,700,000	06/19/2024	138,912	-
		<u>88,191,901</u>		<u>1,611,751</u>	<u>152,881</u>
Interest Rate (Pay-Variable Receive-Fixed):					
Brazilian Real	Receive 10.910% Pay Brazil Cetip Interbank Deposit	39,239,314	01/02/2017	224,912	-
British Pound	Receive 1.750% Pay 6 month British LIBOR	107,118,375	12/17/2016	-	259,897
	Receive 3.500% Pay 6 month British LIBOR	664,300	09/17/2044	-	102,633
Euro	Receive 2.000% Pay 6 month EURIBOR	6,059,120	09/17/2024	-	537,082
	Receive 2.750% Pay 6 month EURIBOR	2,107,520	09/17/2044	-	518,951
Japanese Yen	Receive 0.250% Pay 6 month Yen LIBOR	962,600	09/18/2015	-	1,008
Mexican Peso	Receive 5.610% Pay Mexican Interbank Rate	4,864,065	07/07/2021	17,664	-
	Receive 6.600% Pay Mexican Interbank Rate	1,674,890	05/21/2029	28,588	-
	Receive 6.985% Pay Mexican Interbank Rate	688,311	05/19/2034	25,763	-

(Continued)

Currency		USD Notional Value	Maturity Date	Fair Value at August 31, 2014	
				Assets	Liabilities
Interest Rate (Pay-Variable Receive-Fixed):					
Mexican Peso	Receive 7.140%	520,058	04/26/2034	28,521	-
	Pay Mexican Interbank Rate				
	Receive 7.380%	1,223,664	02/09/2029	115,494	-
	Pay Mexican Interbank Rate				
U.S. Dollar	Receive 0.750%	24,200,000	12/17/2016	88,509	-
	Pay 3 month US Dollar LIBOR				
	Receive 1.000%	3,800,000	12/17/2016	-	5,020
	Pay 3 month US Dollar LIBOR				
	Receive 1.250%	3,900,000	03/18/2017	-	7,889
	Pay 3 month US Dollar LIBOR				
	Receive 1.250%	126,000,000	06/17/2017	310,909	-
	Pay 3 month US Dollar LIBOR				
	Receive 2.500%	51,100,000	06/18/2021	-	1,526,609
	Pay 3 month US Dollar LIBOR				
	Receive 3.000%	1,900,000	12/17/2024	-	69,010
	Pay 3 month US Dollar LIBOR				
		<u>376,022,217</u>		<u>840,360</u>	<u>3,028,099</u>
Credit Default:					
Euro	0.250%	1,448,920	12/20/2014	1,630	-
	1.000%	1,448,920	03/20/2019	16,358	-
	1.000%	9,615,560	06/20/2019	138,416	7,305
	1.000%	658,600	03/20/2021	-	2,265
Japanese Yen	1.000%	924,096	12/20/2018	20,359	-
	1.000%	5,005,520	06/20/2019	99,363	-
U.S. Dollar	0.510%	800,000	03/20/2018	-	12,162
	0.590%	1,000,000	09/20/2014	-	1,531
	0.750%	1,000,000	09/20/2017	-	20,498
	0.820%	1,000,000	03/20/2018	-	22,306
	0.862%	1,800,000	11/20/2016	35,530	-
	0.900%	1,000,000	06/20/2019	-	29,123
	0.990%	200,000	09/20/2015	-	2,396
	1.000%	1,300,000	06/20/2015	11,318	-
	1.000%	9,100,000	06/20/2018	276,114	-
	1.000%	10,800,000	03/20/2019	38,545	30,258
	1.000%	41,000,000	06/20/2019	872,574	6,882
	1.000%	7,800,000	09/20/2019	153,876	15,272
	1.060%	680,000	03/20/2018	-	14,155
	1.350%	400,000	03/20/2018	-	17,967
	1.380%	2,000,000	03/20/2017	-	55,683
	1.530%	500,000	09/20/2016	-	14,991
	2.700%	1,000,000	03/20/2019	-	95,334
2.930%	300,000	06/20/2015	-	8,697	
5.000%	2,700,000	06/20/2019	550,233	-	
		<u>103,481,616</u>		<u>2,214,316</u>	<u>356,825</u>
Commodity:					
U.S. Dollar	Gold	900,497	01/30/2015	14,068	-
	Platinum	1,114,555	10/31/2014	-	6,534
	S&P GSCI Grains	5,231,908	02/27/2015	-	-
	S&P GSCI Grains	7,132,175	03/31/2015	-	54,586
	S&P GSCI Grains	4,023,369	07/31/2015	-	30,793
	S&P GSCI Industrial Metals	972,295	02/27/2015	7,501	-
	S&P GSCI Industrial Metals	1,240,272	03/31/2015	9,571	-
	Uranium Physical Spot Price	722,313	11/21/2014	-	94,797
	Uranium Physical Spot Price	125,742	12/19/2014	-	73

(Continued)		USD Notional Value	Maturity Date	Fair Value at August 31, 2014	
				Assets	Liabilities
Commodity:					
	Uranium Physical Spot Price	62,968	01/30/2015	-	160
		<u>21,526,094</u>		<u>31,140</u>	<u>186,943</u>
Currency:					
	Euro	37,013,320	12/17/2019	37,019,030	-
	U.S. Dollar	37,037,019	12/17/2019	-	37,037,018
		<u>74,050,339</u>		<u>37,019,030</u>	<u>37,037,018</u>
Equity:					
	U.S. Dollar	41,535,851	01/13/2015	241,987	-
	MSCI Taiwan Index	38,836,364	05/29/2015	228,336	-
	MSCI Korea Index	80,372,215		470,323	-
		<u>160,744,430</u>		<u>740,646</u>	<u>-</u>
Total		\$ <u>743,644,382</u>		\$ <u>42,186,920</u>	\$ <u>40,761,766</u>

The change in fair value of open swap positions for the year ending August 31, 2014, was an increase in the amount of \$1,513,713, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the notional amount (presented in US dollar equivalents), the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2013:

Currency	USD Notional Value	Maturity Date	Fair Value at August 31, 2013		
			Assets	Liabilities	
Interest Rate (Pay-Fixed Receive-Variable):					
British Pound	Receive 6 month British LIBOR Pay 1.000%	\$ 24,905,090	06/18/15	\$ 18,414	\$ -
Euro	Receive 6 month EURIBOR Pay 0.750%	6,988,580	03/19/15	8,085	-
Japanese Yen	Receive 6 month Yen LIBOR Pay 1.500%	1,121,120	06/19/33	-	33,395
U.S. Dollar	Receive 3 month US Dollar LIBOR Pay 2.650%	2,200,000	07/31/23	-	49,873
		<u>35,214,790</u>		<u>26,499</u>	<u>83,268</u>
Interest Rate (Pay-Variable Receive-Fixed):					
Euro	Receive 2.000% Pay 6 month EURIBOR	395,580	09/18/23	6,722	-
Japanese Yen	Receive 0.250% Pay 6 month Yen LIBOR	1,019,200	09/18/15	294	-
Mexican Peso	Receive 5.000% Pay Mexican Interbank Rate	1,707,607	06/11/18	-	66,409
	Receive 5.000% Pay Mexican Interbank Rate	22,469	09/06/19	-	1,535
	Receive 5.750% Pay Mexican Interbank Rate	501,798	02/22/23	-	43,902
	Receive 6.590% Pay Mexican Interbank Rate	2,306,767	12/08/15	88,141	-
	Receive 6.750% Pay Mexican Interbank Rate	1,280,705	06/08/16	58,566	-
U.S. Dollar	Receive 1.700% Pay 3 month US Dollar LIBOR	1,400,000	03/20/18	-	15,747
		<u>8,634,126</u>		<u>153,723</u>	<u>127,593</u>

(Continued)

Currency		USD Notional Value	Maturity Date	Fair Value at August 31, 2013	
				Assets	Liabilities
Credit Default:					
British Pound	0.670%	1,206,582	09/20/2014	-	8,585
Euro	1.000%	791,160	06/20/2017	14,841	-
Japanese Yen	1.000%	20,353,424	06/20/2018	89,049	-
U.S. Dollar	0.460%	1,000,000	12/20/2013	-	2,216
	0.510%	800,000	03/20/2018	-	12,380
	0.590%	1,000,000	09/20/2014	-	6,150
	0.590%	1,000,000	09/20/2016	-	12,844
	0.700%	800,000	12/20/2018	-	210
	0.750%	1,000,000	09/20/2017	-	17,579
	0.820%	1,000,000	03/20/2018	-	14,521
	0.862%	1,800,000	11/20/2016	58,766	-
	0.900%	1,000,000	06/20/2019	-	19,501
	0.990%	200,000	09/20/2015	-	3,613
	1.000%	3,400,000	09/20/2016	82,818	-
	1.000%	2,400,000	12/20/2016	20,207	-
	1.000%	12,900,000	06/20/2018	154,544	185,358
	1.000%	200,000	06/20/2019	-	5,196
	1.060%	680,000	03/20/2018	-	934
	1.350%	400,000	03/20/2018	-	18,476
	1.380%	2,000,000	03/20/2017	-	68,563
	1.530%	500,000	09/20/2016	-	15,475
	1.920%	1,000,000	03/20/2017	-	19,027
	2.700%	1,000,000	03/20/2019	-	70,880
	2.930%	300,000	06/20/2015	-	15,497
		<u>56,731,166</u>		<u>420,225</u>	<u>497,005</u>
Commodity:					
U.S. Dollar	S&P GSCI Industrial Metal	810,288	12/31/2013	13,911	-
	Nuexco Uranium Ore	194,688	02/28/2014	-	41,396
	Nuexco Uranium Ore	193,897	03/31/2014	-	40,605
	Nuexco Uranium Ore	807,000	04/28/2014	-	118,266
	S&P GSCI Grains	8,328,337	08/29/2014	-	44,595
		<u>10,334,210</u>		<u>13,911</u>	<u>244,862</u>
Equity:					
U.S. Dollar	MSCI Taiwan Index	34,290,079	01/11/2014	-	585,217
	MSCI Korea Index	33,157,956	05/29/2014	1,083,191	-
		<u>67,448,035</u>		<u>1,083,191</u>	<u>585,217</u>
Total		<u>\$ 178,362,327</u>		<u>\$ 1,697,549</u>	<u>\$ 1,537,945</u>

The change in fair value of open swap positions for the year ending August 31, 2013, was a decrease in the amount of \$1,447,257, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

(E) *Investment Funds* – The System’s investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships and corporate structures, which are generally unrated and may be unregulated. These investments are recorded on System’s statement of net position at fair value.

The System invests in hedge fund pools which are invested in private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private placements, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$211,315,684.00 and \$217,890,087.00 of future funding to various hedge fund investments as of August 31, 2014 and 2013, respectively.

The System invests in private investments through private investment pools which are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain of these investments are held through LLCs, of which UTIMCO is the sole managing member. The System had committed \$4,772,443,769.13 and \$3,781,271,248.71 of future funding to various private investments as of August 31, 2014 and 2013, respectively.

Public market funds are invested in exchange traded funds, index funds and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the funds. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. There are certain risks associated with these investments, some of which are investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. As of August 31, 2014, future fundings in the amount of \$54,744,444.44 have been committed to certain public market funds. As of August 31, 2013, future fundings in the amount of \$13,800,000.00 had been committed to certain public market funds. Due to the differences between international time zones, it may be necessary for the System to provide funding for certain managers in advance of the desired investment date to facilitate trading in the international market by the investment manager.

Hedge funds, private investments and public market funds include investments in private placement vehicles that are subject to risk, which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* – Many of the System's investment funds may impose lock-up periods, which would cause the System to incur penalties to redeem its units or prevent the System from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* – As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* – These funds often employ sophisticated investment strategies and may use leverage, which could result in the loss of invested capital.

Investments in hedge funds, private investments and public market funds are also subject to the investment risks previously discussed under the heading of Investment Risks. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

The fair values of these various investment funds, excluding the publicly traded funds, as of August 31, 2014 and 2013 were \$22,389,663,607 and \$18,385,545,763, respectively.

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7. Derivative Instruments

Derivatives are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include forwards, futures, options and swaps. Hedging derivative contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the System against the risk of rising interest rates. The hedging derivatives primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative contracts enable the System to issue bonds at a cost less than what the System would have paid to issue conventional fixed-rate debt. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivatives. The following disclosures summarize the System's derivative activity as reported in the consolidated financial statements.

	Change in Fair Value (FV) 8/31/13 to 8/31/14		Fair Value at 8/31/14		Notional Amount
	Classification	Amount	Classification	Amount	
Cash Flow Hedges-Interest Rate Swaps					
Hedging Derivative Liabilities	Def		Hedging		
Pay-Fixed Receive-Variable	Outflows	\$ (70,930,383.17)	Derivative Liab	\$ (207,898,478.19)	1,276,600,000.00
Investment Derivative Assets	Net Incr. (Decr.)		Investments		
Pay-Variable Receive-Variable	in FV of Invest	(4,995,670.95)		21,160,336.97	490,077,500.00
Investment Derivative Liabilities	Net Incr. (Decr.)		Invest Deriv -		
Pay-Variable Receive-Variable	in FV of Invest	2,893,408.74	Liab Positions	(4,550,142.84)	474,637,500.00
Investment Derivatives					
<u>Investment Derivative Assets:</u>					
Swaps:					
Pay-Fixed Receive-Variable		1,645,147.00		1,611,751.00	65,393,616.00
Pay-Variable Receive-Fixed		840,360.00		840,360.00	198,410,302.00
Credit Default		1,996,449.00		2,214,316.00	92,943,016.00
Commodity		31,140.00		31,140.00	8,344,972.00
Currency		37,019,030.00		37,019,030.00	37,013,320.00
Equity		470,323.00		470,323.00	80,372,215.00
Total Swaps	Net Incr. (Decr.) in FV of Invest	42,002,449.00	Investments	42,186,920.00	482,477,441.00
Futures	Net Incr. (Decr.) in FV of Invest	8,504,047.00	Other Accounts Receivable	8,504,047.00	1,181,263,018.00
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	27,267,073.00	Investments	27,267,073.00	1,910,443,309.00
Purchased Options	Net Incr. (Decr.) in FV of Invest	(28,814,341.34)	Investments	2,156,841.42	11,038,925,000.00
<u>Investment Derivative Liabilities:</u>					
Swaps:					
Pay-Fixed Receive-Variable		(152,881.00)		(152,881.00)	22,798,285.00
Pay-Variable Receive-Fixed		(3,028,392.00)		(3,028,099.00)	177,611,915.00
Credit Default		(83,502.00)		(356,825.00)	10,538,600.00
Commodity		(186,943.00)		(186,943.00)	13,181,122.00
Currency		(37,037,018.00)		(37,037,018.00)	37,037,019.00
Total Swaps	Net Incr. (Decr.) in FV of Invest	(40,488,736.00)	Invest Deriv - Liab Positions	(40,761,766.00)	261,166,941.00
Futures	Net Incr. (Decr.) in FV of Invest	(18,121,020.00)	Current Accounts Payable	(18,121,020.00)	238,563,318.00
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(14,814,497.00)	Invest Deriv - Liab Positions	(14,916,496.00)	1,088,863,500.00
Options Written	Net Incr. (Decr.) in FV of Invest	1,591,620.00	Invest Deriv - Liab Positions	(1,277,784.24)	168,263,552.00

	Change in Fair Value (FV) 8/31/12 to 8/31/13		Fair Value at 8/31/13		Notional Amount
	Classification	Amount	Classification	Amount	
Cash Flow Hedges-Interest Rate Swaps					
Hedging Derivative Liabilities Pay-Fixed Receive-Variable	Def Outflows	\$ 197,116,061.84	Hedging Derivative Liab	\$ (136,968,095.02)	1,309,210,000.00
Investment Derivative Assets Pay-Variable Receive-Variable	Net Incr. (Decr.) in FV of Invest	11,647,124.27	Investments	26,156,007.92	492,682,500.00
Investment Derivative Liabilities Pay-Fixed Receive-Variable	Net Incr. (Decr.) in FV of Invest	160,451.36	Invest Deriv - Liab Positions	-	-
Investment Derivative Liabilities Pay-Variable Receive-Variable	Net Incr. (Decr.) in FV of Invest	584,991.56	Invest Deriv - Liab Positions	(6,718,551.58)	678,715,000.00
Investment Derivatives					
<u>Investment Derivative Assets:</u>					
Swaps:					
Pay-Fixed Receive-Variable		26,499.00		26,499.00	31,893,670.00
Pay-Variable Receive-Fixed		(630,114.00)		153,723.00	5,002,252.00
Credit Default		47,161.00		420,225.00	37,844,584.00
Commodity		13,911.00		13,911.00	810,288.00
Equity		453,612.00		1,083,191.00	33,157,956.00
Total Swaps	Net Incr. (Decr.) in FV of Invest	(88,931.00)	Investments	1,697,549.00	108,708,750.00
Futures	Net Incr. (Decr.) in FV of Invest	7,397,616.00	Other Accounts Receivable	7,397,616.00	1,643,477,674.00
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	26,650,408.00	Investments	26,650,408.00	1,085,701,098.00
Purchased Options	Net Incr. (Decr.) in FV of Invest	2,784,879.06	Investments	50,407,795.80	17,276,694,999.00
<u>Investment Derivative Liabilities:</u>					
Swaps:					
Pay-Fixed Receive-Variable		(83,268.00)		(83,268.00)	3,321,120.00
Pay-Variable Receive-Fixed		(127,593.00)		(127,593.00)	3,631,874.00
Credit Default		(317,386.00)		(497,005.00)	18,886,582.00
Commodity		(244,862.00)		(244,862.00)	9,523,922.00
Equity		(585,217.00)		(585,217.00)	34,290,079.00
Total Swaps	Net Incr. (Decr.) in FV of Invest	(1,358,326.00)	Invest Deriv - Liab Positions	(1,537,945.00)	69,653,577.00
Futures	Net Incr. (Decr.) in FV of Invest	(7,266,184.00)	Current Accounts Payable	(7,266,184.00)	172,367,618.00
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(31,463,411.00)	Invest Deriv - Liab Positions	(32,391,109.00)	1,312,889,270.00
Options Written	Net Incr. (Decr.) in FV of Invest	(694,205.00)	Invest Deriv - Liab Positions	(1,958,712.86)	128,275,002.00

See Note 12 for more information on Cash Flow Hedges – Interest Rate Swaps and Note 6 for more information on Investment Derivatives.

8. Endowments

Restricted investments include \$34,269,430,995.63 and \$27,438,538,154.08 of endowment funds, including annuity and life income funds, as of August 31, 2014 and 2013, respectively. The net position classifications on the statement of net position related to endowment funds, including annuity and life income funds, as of August 31, 2014 and 2013 are as follows:

<u>Net Position Classification of Endowments</u>	<u>2014</u>	<u>2013</u>
Restricted, nonexpendable	\$ 22,555,208,626.52	17,340,735,883.81
Restricted, expendable:		
Net Appreciation on True Endowments	9,892,460,307.29	7,992,049,526.93
Funds Functioning as Endowments	441,475,377.52	362,811,504.18
Book Value of Term Endowments	31,443,487.54	29,332,237.68
Net Appreciation on Term Endowments	35,588,881.18	30,205,020.15
Unrestricted:		
Funds Functioning as Endowments	247,981,486.53	728,516,528.82
Total	\$ <u>33,204,158,166.58</u>	<u>26,483,650,701.57</u>

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the U. T. System Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the U. T. System Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System's policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The System's endowment distribution policy is further discussed below.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of: the PUF and the PHF. The PUF was established for the benefit of the System and the Texas A&M University System. A portion of the PHF was established for the benefit of the System's health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine.

The PUF was established by Chapter 7, Section 11 of the Texas Constitution of 1876 through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the AUF. The Constitution, as amended, is summarized as follows: (i) The U. T. System Board of Regents is held to a "prudent investor" rather than a "prudent person" standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the U. T. System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the U. T. System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of managing PUF land and investments are paid by the PUF.

The U. T. System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the Texas Education Code. Certain funds created by this statute were transferred to the U. T. System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the U. T. System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as Endowment and Similar Funds – State. These endowments provide support for programs that benefit medical research, health education or treatment at health-related institutions. The U. T. System Board of Regents determines the amount of distributions to support the programs based on the PHF's investment policy.

The PHF investment policy provides that the annual payout will be adjusted by the average consumer price index of the previous twelve quarters. However, if this inflationary increase results in a distribution rate below 3.5%, the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%. If the distribution rate exceeds 5.5%, the board may recommend a reduction in the per unit distribution amount. Notwithstanding any of the forgoing provisions, the U. T. System Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the U. T. System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. As provided in the LTF investment policy, distributions from the LTF are determined in the same manner as the PHF described above.

ENDOWMENT AND SIMILAR FUNDS - OTHER THAN STATE

Funds subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include Endowments, Term Endowments and Funds Functioning as Endowments. Funds Functioning as Endowments consist of amounts that have been internally dedicated by the System for long-term investment purposes. Funds with external donor restrictions are classified as Funds Functioning as Endowments – Restricted. If no external restriction exists, the funds are classified as Funds Functioning as Endowments – Unrestricted. Endowment and Term Endowment holdings may be invested in the LTF, or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document; (ii) the inability to sell the gifted investment asset; or (iii) they are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

ANNUITY AND LIFE INCOME FUNDS

The Annuity Funds consist of funds donated to an institution on the condition that the institution pay a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The Life Income Funds consist of funds contributed to an institution subject to the requirement that the institution periodically pay the income earned on the assets, less management expenses, to designated beneficiaries.

AVAILABLE UNIVERSITY FUND

The AUF consists of distributions made to it from the total return on the PUF investment assets and surface income from PUF lands. All surface income from the PUF lands (i.e., grazing leases and land easements) is deposited to the AUF. The AUF must be used first to pay debt service on the PUF bonds and notes. After debt service requirements are met, under present Legislative authority, the AUF may be appropriated for the support and maintenance of U. T. Austin and U. T. System Administration.

9. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2014, is presented below.

	Balance 09/01/13	Adjustments	Reclassifications Completed CIP
<u>Nondepreciable Assets:</u>			
Land and Land Improvements	\$ 552,319,270.22	-	2,189,089.00
Construction in Progress (CIP)	1,480,730,905.46	(500,744.15)	(727,143,605.26)
Nondepreciable Collections	279,242,311.70	-	-
Nonamortizable Intangible Assets	9,242,469.61	-	-
Total Nondepreciable/Nonamortizable Assets	<u>2,321,534,956.99</u>	<u>(500,744.15)</u>	<u>(724,954,516.26)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	14,646,036,964.01	-	521,609,810.76
Infrastructure	338,184,820.24	-	16,224,601.40
Facilities and Other Improvements	749,674,222.12	-	45,006,766.10
Furniture and Equipment	3,108,733,822.65	(9,038,717.31)	17,396,819.96
Vehicles, Boats and Aircraft	78,180,810.36	-	34,910.00
Other Depreciable Assets (including Library Books)	592,660,608.73	(36,039.01)	41,573,676.81
Total Depreciable Assets at Historical Cost	<u>19,513,471,248.11</u>	<u>(9,074,756.32)</u>	<u>641,846,585.03</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(5,897,724,835.21)	-	-
Infrastructure	(150,777,741.48)	-	-
Facilities and Other Improvements	(344,388,161.55)	-	-
Furniture and Equipment	(2,059,593,862.04)	-	-
Vehicles, Boats and Aircraft	(56,726,037.10)	-	-
Other Depreciable Assets (including Library Books)	(429,200,758.26)	-	-
Total Accumulated Depreciation	<u>(8,938,411,395.64)</u>	<u>-</u>	<u>-</u>
Depreciable Assets, net	<u>10,575,059,852.47</u>	<u>(9,074,756.32)</u>	<u>641,846,585.03</u>
<u>Amortizable Intangible Assets:</u>			
Computer Software	962,868,226.98	-	83,107,931.23
Total Amortizable Intangible Assets	<u>962,868,226.98</u>	<u>-</u>	<u>83,107,931.23</u>
Less Accumulated Amortization for:			
Computer Software	(714,899,198.61)	-	-
Total Accumulated Amortization	<u>(714,899,198.61)</u>	<u>-</u>	<u>-</u>
Intangible Capital Assets, net	<u>247,969,028.37</u>	<u>-</u>	<u>83,107,931.23</u>
Capital Assets, net	<u>\$ 13,144,563,837.83</u>	<u>(9,575,500.47)</u>	<u>-</u>

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 08/31/14
-	-	32,294,322.45	(1,395,933.11)	585,406,748.56
-	-	1,380,992,358.18	(1,000,588.00)	2,133,078,326.23
-	-	227,436,595.27	(4,694,018.65)	501,984,888.32
-	-	-	-	9,242,469.61
-	-	1,640,723,275.90	(7,090,539.76)	3,229,712,432.72
-	-	68,924,466.47	(51,485,906.17)	15,185,085,335.07
-	-	2,572.13	-	354,411,993.77
-	-	4,601,550.23	(4,913,215.22)	794,369,323.23
83,112.00	(2,931,392.26)	329,915,770.69	(170,189,428.74)	3,273,969,986.99
-	-	8,672,407.05	(5,955,189.96)	80,932,937.45
-	-	20,873,522.97	(5,483,079.47)	649,588,690.03
83,112.00	(2,931,392.26)	432,990,289.54	(238,026,819.56)	20,338,358,266.54
-	-	(669,476,332.70)	28,123,694.54	(6,539,077,473.37)
-	-	(11,593,706.35)	-	(162,371,447.83)
-	-	(33,653,100.64)	5,526,926.88	(372,514,335.31)
(66,611.33)	2,681,794.65	(265,282,006.11)	141,599,847.59	(2,180,660,837.24)
-	-	(7,853,083.61)	6,106,006.47	(58,473,114.24)
-	-	(25,131,022.49)	5,223,422.99	(449,108,357.76)
(66,611.33)	2,681,794.65	(1,012,989,251.90)	186,579,898.47	(9,762,205,565.75)
16,500.67	(249,597.61)	(579,998,962.36)	(51,446,921.09)	10,576,152,700.79
-	-	27,885,191.56	(42,100,384.34)	1,031,760,965.43
-	-	27,885,191.56	(42,100,384.34)	1,031,760,965.43
-	-	(104,345,387.66)	39,079,951.16	(780,164,635.11)
-	-	(104,345,387.66)	39,079,951.16	(780,164,635.11)
-	-	(76,460,196.10)	(3,020,433.18)	251,596,330.32
16,500.67	(249,597.61)	984,264,117.44	(61,557,894.03)	14,057,461,463.83

A summary of changes in the capital assets for the year ended August 31, 2013 is presented below.

	Balance 09/01/12	Adjustments	Reclassifications Completed CIP
<u>Nondepreciable Assets:</u>			
Land and Land Improvements	\$ 494,397,174.32	-	7,177,976.08
Construction in Progress (CIP)	1,248,589,085.58	(6,170,557.21)	(1,013,808,080.39)
Nondepreciable Collections	249,188,756.36	-	-
Nonamortizable Intangible Assets	3,240,147.60	-	-
Total Nondepreciable/Nonamortizable Assets	<u>1,995,415,163.86</u>	<u>(6,170,557.21)</u>	<u>(1,006,630,104.31)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	13,751,329,564.67	(283,995.00)	785,860,376.44
Infrastructure	309,015,656.02	-	23,850,449.69
Facilities and Other Improvements	691,617,397.90	-	53,931,519.54
Furniture and Equipment	2,916,092,788.70	(15,332,037.11)	18,446,524.88
Vehicles, Boats and Aircraft	73,296,864.09	(113,748.51)	-
Other Depreciable Assets (including Library Books)	595,531,390.21	-	1,628,237.48
Total Depreciable Assets at Historical Cost	<u>18,336,883,661.59</u>	<u>(15,729,780.62)</u>	<u>883,717,108.03</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(5,290,544,799.34)	-	-
Infrastructure	(140,420,569.56)	-	-
Facilities and Other Improvements	(313,442,194.15)	-	-
Furniture and Equipment	(1,930,753,616.20)	-	-
Vehicles, Boats and Aircraft	(50,831,428.64)	-	-
Other Depreciable Assets (including Library Books)	(431,889,165.87)	-	-
Total Accumulated Depreciation	<u>(8,157,881,773.76)</u>	<u>-</u>	<u>-</u>
Depreciable Assets, net	<u>10,179,001,887.83</u>	<u>(15,729,780.62)</u>	<u>883,717,108.03</u>
<u>Amortizable Intangible Assets:</u>			
Computer Software	835,747,964.91	(22,445,338.67)	122,912,996.28
Total Amortizable Intangible Assets	<u>835,747,964.91</u>	<u>(22,445,338.67)</u>	<u>122,912,996.28</u>
Less Accumulated Amortization for:			
Computer Software	(587,609,078.61)	-	-
Total Accumulated Amortization	<u>(587,609,078.61)</u>	<u>-</u>	<u>-</u>
Intangible Capital Assets, net	<u>248,138,886.30</u>	<u>(22,445,338.67)</u>	<u>122,912,996.28</u>
Capital Assets, net	<u>\$ 12,422,555,937.99</u>	<u>(44,345,676.50)</u>	<u>-</u>

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 08/31/13
-	-	57,392,340.09	(6,648,220.27)	552,319,270.22
-	-	1,252,163,026.11	(42,568.63)	1,480,730,905.46
-	-	30,507,231.34	(453,676.00)	279,242,311.70
-	-	6,002,322.01	-	9,242,469.61
-	-	1,346,064,919.55	(7,144,464.90)	2,321,534,956.99
-	-	132,184,775.77	(23,053,757.87)	14,646,036,964.01
-	-	5,318,714.53	-	338,184,820.24
-	-	4,135,618.36	(10,313.68)	749,674,222.12
134,958.24	(765,522.06)	346,825,342.67	(156,668,232.67)	3,108,733,822.65
-	(170,540.44)	9,240,303.00	(4,072,067.78)	78,180,810.36
-	-	25,634,620.23	(30,133,639.19)	592,660,608.73
134,958.24	(936,062.50)	523,339,374.56	(213,938,011.19)	19,513,471,248.11
-	-	(622,818,589.21)	15,638,553.34	(5,897,724,835.21)
-	-	(10,358,860.71)	1,688.79	(150,777,741.48)
-	-	(31,059,076.05)	113,108.65	(344,388,161.55)
(130,183.38)	594,476.29	(258,084,322.93)	128,779,784.18	(2,059,593,862.04)
-	170,540.44	(8,825,964.82)	2,760,815.92	(56,726,037.10)
-	-	(24,878,918.00)	27,567,325.61	(429,200,758.26)
(130,183.38)	765,016.73	(956,025,731.72)	174,861,276.49	(8,938,411,395.64)
4,774.86	(171,045.77)	(432,686,357.16)	(39,076,734.70)	10,575,059,852.47
-	(19,020.00)	49,078,122.17	(22,406,497.71)	962,868,226.98
-	(19,020.00)	49,078,122.17	(22,406,497.71)	962,868,226.98
-	19,020.00	(148,986,078.03)	21,676,938.03	(714,899,198.61)
-	19,020.00	(148,986,078.03)	21,676,938.03	(714,899,198.61)
-	-	(99,907,955.86)	(729,559.68)	247,969,028.37
4,774.86	(171,045.77)	813,470,606.53	(46,950,759.28)	13,144,563,837.83

The System does not have any impairment losses to report for the years ended August 31, 2014 and 2013. There were no capital assets that were idle as of August 31, 2014 or 2013.

10. Leases

OPERATING LEASES

The System has entered into various operating leases for buildings, equipment, vehicles and land. Rental expenses for operating leases were \$103,285,389.38 in 2014 and \$88,990,951.18 in 2013. Future minimum lease rental payments under noncancelable operating leases having an initial term in excess of one year as of August 31, 2014, were as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2015	\$ 79,429,283.97
2016	63,322,761.52
2017	49,774,218.08
2018	34,096,638.50
2019	27,539,061.10
2020 – 2024	73,109,414.60
2025 – 2029	6,161,797.88
2030 – 2034	1,239,985.83
2035 – 2039	277,739.97
2040 – 2044	56,539.00
Total Minimum Future Payments	\$ <u>335,007,440.45</u>

The System has also leased buildings, land, and other capital assets to outside parties under various operating leases. The cost, carrying value and accumulated depreciation of these leased assets as of August 31, 2014 and 2013 were as follows:

<u>Assets Leased</u>	<u>2014</u>	<u>2013</u>
Buildings:		
Cost	\$ 137,834,631.52	129,211,011.69
Less: Accumulated Depreciation	<u>(33,862,038.96)</u>	<u>(33,404,729.62)</u>
Carrying Value of Buildings	103,972,592.56	95,806,282.07
Equipment:		
Cost	2,817,687.63	2,339,658.21
Less: Accumulated Depreciation	<u>(2,475,112.87)</u>	<u>(1,906,697.18)</u>
Carrying Value of Equipment	342,574.76	432,961.03
Parking Lot:		
Cost	-	19,926.94
Less: Accumulated Depreciation	<u>-</u>	<u>(9,519.16)</u>
Carrying Value of Parking Lot	-	10,407.78
Land	4,444,863.06	3,999,800.13
Total Carrying Value	\$ <u>108,760,030.38</u>	<u>100,249,451.01</u>

There were no contingent rentals for the period ending August 31, 2014. Future minimum lease rental income under noncancelable operating leases as of August 31, 2014, was as follows:

<u>Fiscal Year</u>	<u>Lease Income</u>
2015	\$ 18,997,696.24
2016	15,915,230.03
2017	13,793,765.90
2018	10,531,170.20
2019	7,713,984.63
2020 and beyond	114,735,832.31
Total	\$ <u>181,687,679.31</u>

CAPITAL LEASES

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property under capital lease as of August 31, 2014 and 2013 is as follows:

<u>Assets Under Capital Lease</u>	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 2,725,520.91	2,725,520.91
Less: Accumulated Depreciation	(1,991,546.88)	(1,499,328.27)
Nondepreciable Collections	7,535,845.74	6,083,860.33
Land	738,926.94	770,000.00
Total	\$ <u>9,008,746.71</u>	<u>8,080,052.97</u>

Capital lease obligations are due in annual installments through 2018. The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 2014.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,909,710.89	53,500.00	2,963,210.89
2016	1,054,090.55	53,500.00	1,107,590.55
2017	256,543.24	49,041.67	305,584.91
2018	273,274.20	53,500.00	326,774.20
Total Minimum Lease Payments	<u>4,493,618.88</u>	<u>209,541.67</u>	<u>4,703,160.55</u>
		Less: Interest	<u>(209,541.67)</u>
	Present Value of Net Minimum Lease Payments		<u>4,493,618.88</u>

11. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2014 is summarized as follows:

	Balance 09/01/13	Additions	Reductions	Balance 08/31/14	Amounts due within one year
Bonds Payable:					
Permanent University Fund	\$ 1,406,750,000.00	461,920,000.00	266,200,000.00	1,602,470,000.00	402,075,000.00
Revenue Financing System	5,169,335,000.00	259,135,000.00	230,940,000.00	5,197,530,000.00	1,111,365,000.00
Subtotal Bonds Payable – Par	6,576,085,000.00	721,055,000.00	497,140,000.00	6,800,000,000.00	1,513,440,000.00
Unamortized Net Premiums	281,101,227.10	60,791,698.75	34,534,171.56	307,358,754.29	35,729,615.24
Total Bonds Payable	6,857,186,227.10	781,846,698.75	531,674,171.56	7,107,358,754.29	1,549,169,615.24
Notes & Loans Payable:					
Permanent University Fund CP Notes	410,000,000.00	267,500,000.00	319,500,000.00	358,000,000.00	358,000,000.00
Revenue Financing System CP Notes	519,255,000.00	511,135,000.00	267,160,000.00	763,230,000.00	763,230,000.00
Other Notes and Loans	42,229,238.19	303,844.00	1,751,293.51	40,781,788.68	20,645,323.68
Total Notes and Loans Payable	971,484,238.19	778,938,844.00	588,411,293.51	1,162,011,788.68	1,141,875,323.68
Leases Payable:					
Lease Obligations	4,655,093.32	1,542,401.45	1,703,875.89	4,493,618.88	2,909,710.89
Total Notes, Loans and Leases Payable	976,139,331.51	780,481,245.45	590,115,169.40	1,166,505,407.56	1,144,785,034.57
Net Other Postemployment Benefits Obligation	2,799,477,678.00	726,386,814.00	166,516,609.00	3,359,347,883.00	-
Hedging Derivative Liability	136,968,095.02	70,930,383.17	-	207,898,478.19	-
Employee Compensable Leave Incurred But Not Reported Self-Insurance Claims	496,290,196.71	284,643,123.50	253,643,578.45	527,289,741.76	346,600,636.71
Total Bonds, Notes, Loans, Leases, and Compensable Leave Payable	\$ 11,379,133,604.34	3,585,401,670.65	2,490,163,392.19	12,474,371,882.80	3,127,023,860.67

Long-term liability activity for the year ended August 31, 2013 is summarized as follows:

	Balance 09/01/12	Additions	Reductions	Balance 08/31/13	Amounts due within one year
<u>Bonds Payable:</u>					
Permanent University Fund	\$ 1,431,030,000.00	-	24,280,000.00	1,406,750,000.00	406,570,000.00
Revenue Financing System	5,391,760,000.00	-	222,425,000.00	5,169,335,000.00	1,126,395,000.00
Subtotal Bonds Payable – Par	6,822,790,000.00	-	246,705,000.00	6,576,085,000.00	1,532,965,000.00
Unamortized Net Premiums	311,247,599.96	-	30,146,372.86	281,101,227.10	30,146,372.77
Total Bonds Payable	7,134,037,599.96	-	276,851,372.86	6,857,186,227.10	1,563,111,372.77
<u>Notes & Loans Payable:</u>					
Permanent University Fund CP Notes	322,000,000.00	133,000,000.00	45,000,000.00	410,000,000.00	410,000,000.00
Revenue Financing System CP Notes	283,304,000.00	302,441,000.00	66,490,000.00	519,255,000.00	519,255,000.00
Other Notes and Loans	24,446,788.82	19,532,505.00	1,750,055.63	42,229,238.19	20,948,404.31
Total Notes and Loans Payable	629,750,788.82	454,973,505.00	113,240,055.63	971,484,238.19	950,203,404.31
<u>Leases Payable:</u>					
Lease Obligations	4,504,270.90	1,650,286.66	1,499,464.24	4,655,093.32	1,742,804.03
Total Notes, Loans and Leases Payable	634,255,059.72	456,623,791.66	114,739,519.87	976,139,331.51	951,946,208.34
Net Other Postemployment Benefits Obligation	2,263,866,591.00	682,064,563.00	146,453,476.00	2,799,477,678.00	-
Hedging Derivative Liability	334,084,156.86	-	197,116,061.84	136,968,095.02	-
Employee Compensable Leave Incurred But Not Reported Self-Insurance Claims	473,331,005.02	203,457,775.63	180,498,583.94	496,290,196.71	327,656,857.63
Total Bonds, Notes, Loans, Leases, and Compensable Leave Payable	\$ 10,959,247,064.56	2,199,133,569.53	1,779,247,029.75	11,379,133,604.34	2,933,385,603.53

PROJECTED BOND DEBT SERVICE REQUIREMENTS

The principal and interest expense for the next five years and beyond are projected below for bonds issued and outstanding:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,513,440,000.00	270,802,488.98	1,784,242,488.98
2016	247,575,000.00	259,825,914.48	507,400,914.48
2017	262,550,000.00	247,945,263.48	510,495,263.48
2018	274,175,000.00	235,694,699.12	509,869,699.12
2019	278,270,000.00	222,843,417.02	501,113,417.02
2020 – 2024	1,245,240,000.00	924,476,221.58	2,169,716,221.58
2025 – 2029	796,745,000.00	667,589,340.14	1,464,334,340.14
2030 – 2034	764,389,000.00	477,511,220.50	1,241,900,220.50
2035 – 2039	812,831,000.00	277,259,550.02	1,090,090,550.02
2040 – 2044	562,070,000.00	67,830,903.40	629,900,903.40
2045 – 2049	42,715,000.00	3,087,336.00	45,802,336.00
Total Requirements	\$ <u>6,800,000,000.00</u>	<u>3,654,866,354.72</u>	<u>10,454,866,354.72</u>

The System’s variable rate demand bonds mature at various dates through 2039. Outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a “take-out agreement” to convert bonds “put” but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the System’s intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the System does not have “take-out” agreements in place. Accordingly, the System has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$1,276,600,000.00 and \$1,309,210,000.00 at August 31, 2014 and 2013, respectively.

Total interest expense for the years ended August 31, 2014 and 2013 was \$316,520,305.47 and \$320,684,417.10, respectively. Interest expense of \$34,084,408.00 and \$29,978,364.58 associated with financing projects during the construction phase was capitalized during the years ended August 31, 2014 and 2013, respectively. Interest expense was also adjusted \$24,117,521.89 and \$20,134,682.73 for the amortization of premiums and deferred gains and losses on refundings for the years ended August 31, 2014 and 2013, respectively. The remaining amounts of \$258,318,375.58 in 2014 and \$270,571,369.79 in 2013 were reported as interest expense.

Notes and loans payable obligations are due in annual installments through 2018. General information related to notes and loans payable at August 31, 2014, which in substance are not bonds, is summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,141,875,323.68	1,504,390.89	1,143,379,714.57
2016	18,134,445.69	948,266.75	19,082,712.44
2017	1,466,028.73	53,739.92	1,519,768.65
2018	535,990.58	5,249.84	541,240.42
Total Requirements	\$ <u>1,162,011,788.68</u>	<u>2,511,647.40</u>	<u>1,164,523,436.08</u>

POLLUTION REMEDIATION OBLIGATION

In 2011, U. T. Austin received a request from the Texas Commission for Environmental Quality (TCEQ) for additional information related to the site cleanup under a Voluntary Cleanup Program (VCP) at the magnesium pits at the Pickle Research Center. The estimated cost was \$20,000.00 based on the expected cash flow technique. The testing and necessary remediation was complete in 2012 and U. T. Austin received a “no further action” letter from TCEQ in 2013. The pollution remediation obligation was settled for the amount of the liability of \$20,000.00. There were no estimated recoveries reducing the liability or amounts paid.

M. D. Anderson purchased contaminated land in June 2007 with plans to provide a ground lease to the American Cancer Society for a lodging facility for visiting cancer patients with the remaining land to be used for a warehouse with offices and work areas. The land, known as the Almeda property, was previously used by the seller as a solvent storage site and contains solvent contamination. The estimated outlays for the pollution remediation are \$350,000.00 using the expected cash flow technique. The potential for a change in the estimate is unlikely but dependent upon the TCEQ acceptance. These pollution remediation outlays qualify for capitalization and \$381,235.85 and \$339,277.78 were capitalized through August 31, 2014 and 2013 respectively. The purchase price of \$4,287,882.00 and total expected outlays do not exceed the fair market value of the uncontaminated property of \$4,737,882.00, and as such, no pollution remediation liability was established. M. D. Anderson received a \$450,000.00 credit against the purchase price for anticipated environmental remediation costs. M. D. Anderson is awaiting closure on the VCP.

M. D. Anderson purchased contaminated land in 2013. The tenant was the generator of the contamination and the tenant has vacated the property. M. D. Anderson commenced cleanup activities in 2014. The estimated cost of the remediation is \$106,345.00 based on the expected cash flow technique, of which \$101,794.06 was incurred in 2014. This pollution remediation does not qualify for capitalization. The expectation is that the tenant that generated the contamination will reimburse M. D. Anderson for the cost of the pollution remediation; however it is unknown at this point if that will occur.

EMPLOYEES' COMPENSABLE LEAVE

Substantially all full-time System employees earn annual leave from eight to twenty-one hours per month depending upon the respective employee's years of State employment. State law permits employees to carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated annual leave. Both an expense and a liability are recorded as the benefits accrue to employees. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336 hours, whichever is less. The System's policy is to recognize the cost of sick leave when paid, and the liability is not shown in the consolidated financial statements since experience indicates the expense for sick leave to be minimal. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours appointed to work. This obligation is usually paid from the same funding source(s) as the employee's salary or wage compensation.

12. Bonded Indebtedness

At August 31, 2014 and 2013, the System had outstanding bonds payable of \$6,800,000,000.00 and \$6,576,085,000.00, respectively. Permanent University Fund bonds are secured by and payable from the System's interest in the Available University Fund, which consists of distributions from the investment income of the Permanent University Fund. Revenue Financing System debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution.

<u>Bonded Indebtedness</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Principal</u>
Permanent University Fund	0.030%-5.262%	2015-2041	\$ 1,602,470,000.00
Revenue Financing System	0.030%-6.276%	2015-2046	5,197,530,000.00

As of August 31, 2014, the following amounts were authorized, but unissued: Permanent University Fund bonds up to a maximum aggregate amount of \$600 million and Revenue Financing System bonds up to a maximum aggregate amount of \$600 million, each authorized to be issued on or before August 31, 2015. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding as of August 31, 2014, is summarized in the following table.

Bond Series	Purpose	Issue Date	Amount Issued
Permanent University Fund:			
Refunding Bonds Series 2005A	To refund \$102,670,000 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2012 through 2019, both inclusive	April 5, 2005	100,345,000
Bonds Series 2005B	To refund \$125,000,000 principal amount of Permanent University Fund Flexible Rate Notes, Series A	July 7, 2005	124,625,000
Refunding Bonds Series 2006B	To refund \$85,545,000 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2020 through 2022, both inclusive; to refund \$172,985,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2023, 2026 and 2028 through 2030, both inclusive; to refund \$51,905,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the year 2035	January 24, 2007	284,065,000
Bonds Series 2006C	To refund \$100,000,000 principal amount of Permanent University Fund Flexible Rate Notes, Series A	January 24, 2007	97,755,000
Taxable Bonds Series 2009A	To refund \$250,000,000 principal amount of Permanent University Taxable Commercial Paper Notes, Series B	September 17, 2009	250,000,000
Bonds Series 2014A	To refund \$252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B	February 10, 2014	240,340,000
Bonds Series 2014B	To refund \$17,240,000 principal amount of Permanent University Fund Bonds, Series 2004A, maturing on July 1 in the years 2015 and 2016; and to refund \$223,535,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2024, 2025, 2027 and 2033	April 2, 2014	221,580,000
Revenue Financing System:			
Refunding Bonds Series 2002A	To advance refund \$54,575,000 principal amount of Revenue Financing System Bonds, Series 1999A maturing from 2010-2016 and 2020 to achieve debt service savings and pay the cost of issuance	September 27, 2002	54,430,000
Refunding Bonds Series 2002B	To advance refund \$109,240,000 principal amount of Revenue Financing System Bonds, Series 1999B maturing from 2010-2017 and 2020 to achieve debt service savings and pay the cost of issuance	September 27, 2002	108,855,000
Refunding Bonds Series 2004A	To refund \$143,155,000 principal amount of portions of Revenue Financing System Bonds, Series 1995A, 1996A, 1998A, 1998C, 1999A and 2001C, and pay the cost of issuance	March 9, 2004	137,915,000
Refunding Bonds Series 2004B	To refund \$310,460,000 principal amount of portions of Revenue Financing System Bonds, Series 1996B, 1998B, 1998D, 1999B and 2001B, and pay the cost of issuance	March 9, 2004	300,330,000

(Continued)

<u>Bond Series</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>
Revenue Financing System: (continued)			
Bonds Series 2006A	To refund \$24,485,000 principal amount of Revenue Financing System Bonds, Series 1996A, and pay the cost of issuance	May 17, 2006	20,315,000
Bonds Series 2006B	To refund \$413,161,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$147,764,140 and pay the cost of issuance	May 10, 2006	540,570,000
Refunding Bonds Series 2006C	To refund \$177,835,000 principal amount of portions of Revenue Financing System Bonds, 2001C, 2003A and 2004C and pay the cost of issuance	January 4, 2007	175,115,000
Refunding Bonds Series 2006D	To refund \$340,735,000 principal amount of portions of Revenue Financing System Bonds, 2001B, 2003B and 2004D and pay the cost of issuance	January 4, 2007	346,840,000
Bonds Series 2006E	To refund \$58,300,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	January 4, 2007	55,985,000
Bonds Series 2006F	To refund \$330,187,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	January 4, 2007	318,525,000
Bonds Series 2008A	To refund \$265,386,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	January 6, 2009	256,735,000
Taxable Bonds Series 2009B	To refund \$96,639,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$230,860,000 and pay the cost of issuance	June 17, 2009	330,545,000
Bonds Series 2009D	To refund \$258,995,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$16,115,000 principal amount of Revenue Financing System Bonds, 1998B and pay the cost of issuance	July 15, 2009	260,005,000
Bonds Series 2010A	To refund \$258,392,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$134,369,000 and pay the cost of issuance	March 25, 2010	331,415,000
Refunding Bonds Series 2010B	To refund \$393,690,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F and pay the cost of issuance	April 14, 2010	385,380,000

(Continued)

<u>Bond Series</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>
Revenue Financing System: (continued)			
Taxable Bonds Series 2010D	To refund \$349,415,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$163,441,000 and pay the cost of issuance	June 30, 2010	516,245,000
Taxable Bonds Series 2010C	To provide new money of \$600,741,596 and pay the cost of issuance	September 23, 2010	604,310,000
Bonds Series 2010E	To refund \$21,328,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$23,080,404 and pay the cost of issuance	September 23, 2010	39,785,000
Refunding Bonds Series 2012A	To refund \$53,990,000 principal amount of portions of Revenue Financing System Bonds, 2003A and 2004C, to refund \$186,296,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	March 1, 2012	195,850,000
Bonds Series 2012B	To refund \$96,542,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$184,128,000 and pay the cost of issuance	March 21, 2012	238,135,000
Bonds Series 2014A	To refund \$179,411,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$103,148,328 and pay the cost of issuance	May 1, 2014	259,135,000

DEMAND BONDS

Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, and Permanent University Fund Bonds, Series 2008A are variable rate demand bonds with an option to tender on seven days' notice. The System has entered into corresponding interest rate swap agreements to convert the System's interest rate exposure to a fixed rate. The Revenue Financing System Refunding Bonds, Series 2007B and the corresponding swap agreements extend to August 15, 2034. The Revenue Financing System Bonds, Series 2008B and the corresponding swap agreements extend to August 15, 2039. The Permanent University Fund Bonds, Series 2008A and the corresponding swap agreements extend to July 1, 2038. The Board of Regents is obligated to pay the purchase price of demand bonds tendered for purchase and not remarketed by using lawfully available funds. General information related to these demand bonds is summarized in the following table:

<u>Bond Series</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>
Permanent University Fund: Bonds Series 2008A	To refund \$400,000,000 of Permanent University Fund Flexible Notes, Series A and pay costs of issuance	October 30, 2008	\$ 400,905,000
Revenue Financing System: Bonds Series 2007B	To refund \$169,015,000 of Revenue Financing System Bonds, Series 2003B and \$149,860,000 of Revenue Financing System Bonds, Series 2004D, and pay costs of issuance	December 20, 2007	345,460,000
Bonds Series 2008B	To refund \$461,922,000 of Revenue Financing System Commercial Paper Notes, Series A and \$34,715,000 of Revenue Financing System Bonds, Series 1998B, provide \$182,590,000 of new money to finance the costs of campus improvements, and pay costs of issuance	March 18, 2008	685,485,000

PLEDGED FUTURE REVENUES

The following table provides the pledged future revenue information for the System's bonds:

	<u>2014</u>	<u>2013</u>
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 10,454,866,354.72	9,993,685,276.49
Term of Commitment Year Ending 8/31	2046	2046
Percentage of Revenue Pledged	85.8%	83.0%
Current Year Pledged Revenue	\$ 8,966,585,801.27	8,291,640,243.61
Current Year Principal and Interest Paid	\$ 568,974,262.92	565,176,716.48

BUILD AMERICA BONDS

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive from the federal government a subsidy equal to 35% of the interest payments on Direct Payment BABs. The System did not issue any BABs during 2014 or 2013. The System had \$1,669,740,000.00 and \$1,682,515,000.00 outstanding at August 31, 2014 and 2013, respectively.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2014

Permanent University Fund Bonds, Series 2014A were issued on February 10, 2014 to current refund \$252,500,000.00 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$252,812,894.12, which represents the principal amount of the 2014A Bonds of \$240,340,000.00, plus an original issue premium of \$13,447,023.00, and less an underwriting discount of \$974,128.88. The net proceeds were used to pay costs of issuance of \$235,879.68 and to deposit \$252,577,014.44 with the issuing and paying agent for the refunded notes sufficient to provide for all future debt service payments on the refunded notes.
- The refunded debt is considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$77,014.44 resulted from the transaction as the reacquisition price of \$252,577,014.44 exceeded the net carrying amount of \$252,500,000.00 par value.

Permanent University Fund Bonds, Series 2014B were issued on April 2, 2014 to current refund \$17,240,000.00 principal amount of Permanent University Fund Bonds, Series 2004A and \$223,535,000.00 principal amount of Permanent University Fund Bonds, Series 2004B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$243,416,322.46, which represents the principal amount of the 2014B Bonds of \$221,580,000.00, plus an original issue premium of \$22,643,861.30, and less an underwriting discount of \$807,538.84. The net proceeds along with \$3,052,920.14 of System funds were used to pay costs of issuance of \$209,307.67, purchase \$246,259,914.00 of eligible defeasance securities, and deposit \$20.93 with the refunded bonds escrow agent. These escrow funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds.
- The refunded debt is considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$5,154,153.67 resulted from the transaction as the reacquisition price of \$246,259,914.00 exceeded the net carrying amount of \$240,775,000.00 par value, \$1,087,110.30 of unamortized premiums, and \$756,349.97 of unamortized loss from Permanent University Fund Bonds, Series 2004A.
- An economic gain from the transaction resulted in a net present value savings of \$25,852,034.31 between the old and new debt service payments.

Revenue Financing System Bonds, Series 2014A were issued on May 1, 2014 to current refund \$179,411,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to finance the cost of campus improvements, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$282,874,867.92, which represents the principal amount of the 2014A Bonds of \$259,135,000.00, plus an original issue premium of \$24,700,814.45, and less an underwriting discount of \$960,946.53. The net proceeds were used to pay costs of issuance of \$288,931.53, to deposit \$103,148,328.00 in a construction fund to finance various projects, and to deposit \$179,437,608.39 with the issuing and paying agent for the refunded notes sufficient to provide for all future debt service payments on the refunded notes.
- The refunded debt is considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$26,608.39 resulted from the transaction as the reacquisition price of \$179,437,608.39 exceeded the net carrying amount of \$179,411,000.00 par value.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2013

The System did not have any early extinguishments of bonds in fiscal year 2013.

CASH FLOW HEDGES – INTEREST RATE SWAPS

The following table outlines the terms of the System's interest rate swap agreements in effect at August 31, 2014:

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 8/31/14
Pay Fixed; receive variable	PUF Bonds 2008A	\$190,572,500.00	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Baa2/A-	18.20 yrs
	PUF Bonds 2008A	190,572,500.00	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/AA-	18.20 yrs
	RFS Bonds 2007B	165,715,000.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa3/A+	13.90 yrs
	RFS Bonds 2007B	165,715,000.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	A2/A	13.90 yrs
	RFS Bonds 2008B	133,420,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa3/A+	13.81 yrs
	RFS Bonds 2008B	133,420,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Baa2/A-	13.81 yrs
	RFS Bonds 2008B	297,185,000.00	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa3/A+	12.17 yrs
Pay variable; receive variable	PUF Bonds 2006B	284,065,000.00	1/1/2009	7/1/2035	Pay SIFMA; receive 82.04% of 1M LIBOR	No	No	A2/A	12.71 yrs
	PUF Bonds 2008A	190,572,500.00	11/1/2011	7/1/2038	Pay SIFMA; receive 93.4% of 3M LIBOR	No	No	A3/A	18.20 yrs
	PUF Bonds 2008A	190,572,500.00	1/1/2015	7/1/2038	Pay SIFMA; receive 95% of 3M LIBOR	Yes	Yes	A3/A	18.20 yrs
	RFS Bonds 2008B	90,270,000.00	8/1/2009	8/1/2039	Pay SIFMA; receive 102.5% of 3M LIBOR	No	No	Aa3/AA-	23.15 yrs
	RFS Bonds 2008B	92,045,000.00	8/1/2009	8/1/2030	Pay SIFMA; receive 96% of 3M LIBOR	No	No	Aa3/AA-	14.34 yrs
	RFS Bonds 2008B	117,190,000.00	8/1/2009	8/1/2035	Pay SIFMA; receive 103% of 3M LIBOR	No	No	Aa3/AA-	18.98 yrs
TOTAL		\$2,241,315,000.00							

*London Interbank Offer Rate (LIBOR)

*Securities Industry and Financial Markets Association (SIFMA)

The following table outlines the terms of the System's interest rate swap agreements in effect at August 31, 2013:

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 8/31/13	
Pay Fixed; receive variable	PUF Bonds 2008A	\$193,177,500.00	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	Baa1/A-	18.95 yrs	
	PUF Bonds 2008A	193,177,500.00	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa3/AA-	18.95 yrs	
	RFS Bonds 2007B	166,292,500.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa3/A+	14.85 yrs	
	RFS Bonds 2007B	166,292,500.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	A2/A	14.85 yrs	
	RFS Bonds 2008B	137,770,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa3/A+	14.37 yrs	
	RFS Bonds 2008B	137,770,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Baa1/A-	14.37 yrs	
	RFS Bonds 2008B	314,730,000.00	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa3/A+	12.49 yrs	
	Pay variable; receive variable	PUF Bonds 2006B	284,065,000.00	1/1/2009	7/1/2035	Pay SIFMA; receive 82.04% of 1M LIBOR	No	No	A3/A	13.71 yrs
		PUF Bonds 2006B	284,065,000.00	8/1/2014	7/1/2035	Receive SIFMA; pay 82.04% of 1M LIBOR	Yes	Yes	A2/A	N/A
		PUF Bonds 2008A	193,177,500.00	11/1/2011	7/1/2038	Pay SIFMA; receive 93.4% of 3M LIBOR	No	No	A2/A	18.95 yrs
	RFS Bonds 2008B	110,585,000.00	2/1/2014	8/1/2026	Pay SIFMA; receive 90.0% of 3M LIBOR	Yes	Yes	A2/A	N/A	
	RFS Bonds 2008B	90,270,000.00	8/1/2009	8/1/2039	Pay SIFMA; receive 102.5% of 3M LIBOR	No	No	Aa3/AA-	24.15 yrs	
	RFS Bonds 2008B	92,045,000.00	8/1/2009	8/1/2030	Pay SIFMA; receive 96% of 3M LIBOR	No	No	Aa3/AA-	15.34 yrs	
	RFS Bonds 2008B	117,190,000.00	8/1/2009	8/1/2035	Pay SIFMA; receive 103% of 3M LIBOR	No	No	Aa3/AA-	19.98 yrs	
TOTAL		\$2,480,607,500.00								

*London Interbank Offer Rate (LIBOR)

*Securities Industry and Financial Markets Association (SIFMA)

The following is the fair market value of the swap agreements in effect at August 31, 2014 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Interest Rate Swaps by type	Hedgeable Item	Current Notional	Accrued Interest (through 8/31/14)	Fair Value as of 8/31/14	Fair Value as of 8/31/13	Change in Fair Value 8/31/13 - 8/31/14	Change in Fair Value Recorded as
Hedging Derivative Liabilities	PUF Bonds 2008A	\$190,572,500.00	1,165,520.53	(31,915,020.00)	(18,184,880.12)	(13,730,139.88)	Def Outflow
	PUF Bonds 2008A	190,572,500.00	1,153,292.12	(30,418,400.00)	(16,782,482.00)	(13,635,918.00)	Def Outflow
	RFS Bonds 2007B	165,715,000.00	518,144.39	(29,314,820.79)	(19,880,155.49)	(9,434,665.30)	Def Outflow
	RFS Bonds 2007B	165,715,000.00	518,144.39	(28,916,528.60)	(19,711,586.20)	(9,204,942.40)	Def Outflow
	RFS Bonds 2008B	133,420,000.00	427,729.39	(23,527,616.53)	(16,852,790.39)	(6,674,826.14)	Def Outflow
	RFS Bonds 2008B	133,420,000.00	427,729.39	(23,413,172.00)	(16,841,759.32)	(6,571,412.68)	Def Outflow
	RFS Bonds 2008B	297,185,000.00	881,912.31	(40,392,920.27)	(28,714,441.50)	(11,678,478.77)	Def Outflow
		<u>1,276,600,000.00</u>	<u>5,092,472.52</u>	<u>(207,898,478.19)</u>	<u>(136,968,095.02)</u>	<u>(70,930,383.17)</u>	
Investment Derivatives-Asset Positions	RFS Bonds 2008B	90,270,000.00	(14,510.65)	5,958,830.00	7,213,167.00	(1,254,337.00)	Dec. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000.00	(13,600.23)	3,631,452.00	4,584,101.00	(952,649.00)	Dec. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000.00	(18,955.07)	7,842,776.00	9,705,442.00	(1,862,666.00)	Dec. in Fair Value of Inv
	PUF Bonds 2008A	190,572,500.00	(53,461.07)	3,727,278.97	4,653,297.92	(926,018.95)	Dec. in Fair Value of Inv
		<u>490,077,500.00</u>	<u>(100,527.02)</u>	<u>21,160,336.97</u>	<u>26,156,007.92</u>	<u>(4,995,670.95)</u>	
Investment Derivatives-Liability Positions	PUF Bonds 2006B	284,065,000.00	(18,391.30)	(4,195,284.80)	(4,385,211.30)	189,926.50	Incr. in Fair Value of Inv
	PUF Bonds 2006B	-	-	-	(2,128,710.65)	2,128,710.65	Incr. in Fair Value of Inv
	PUF Bonds 2008A	190,572,500.00	-	(354,858.04)	-	^(a) 370,141.96	Incr. in Fair Value of Inv
	RFS Bonds 2008B	-	-	-	(204,629.63)	204,629.63	Incr. in Fair Value of Inv
		<u>474,637,500.00</u>	<u>(18,391.30)</u>	<u>(4,550,142.84)</u>	<u>(6,718,551.58)</u>	<u>2,893,408.74</u>	
TOTAL		<u>\$2,241,315,000.00</u>	<u>4,973,554.20</u>	<u>(191,288,284.06)</u>	<u>(117,530,638.68)</u>	<u>(73,032,645.38)</u>	

(a) The positive \$370,141.96 included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position does not agree to the change in fair value of this interest rate swap from August 31, 2013 to August 31, 2014 due to the \$725,000.00 payment received upon executing this swaption.

The following is the fair market value of the swap agreements in effect at August 31, 2013 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Interest Rate Swaps by type	Hedgeable Item	Current Notional	Accrued Interest (through 8/31/13)	Fair Value as of 8/31/13	Fair Value as of 8/31/12	Change in Fair Value 8/31/12 - 8/31/13	Change in Fair Value Recorded as
Hedging Derivative Liabilities	PUF Bonds 2008A	\$193,177,500.00	1,180,870.24	(18,184,880.12)	(52,751,354.57)	34,566,474.45	Def Outflow
	PUF Bonds 2008A	193,177,500.00	1,168,499.56	(16,782,482.00)	(50,560,705.00)	33,778,223.00	Def Outflow
	RFS Bonds 2007B	166,292,500.00	519,450.10	(19,880,155.49)	(44,748,281.08)	24,868,125.59	Def Outflow
	RFS Bonds 2007B	166,292,500.00	519,450.10	(19,711,586.20)	(44,469,595.73)	24,758,009.53	Def Outflow
	RFS Bonds 2008B	137,770,000.00	441,260.78	(16,852,790.39)	(36,759,286.32)	19,906,495.93	Def Outflow
	RFS Bonds 2008B	137,770,000.00	441,260.78	(16,841,759.32)	(37,237,478.10)	20,395,718.78	Def Outflow
	RFS Bonds 2008B	314,730,000.00	933,031.77	(28,714,441.50)	(67,557,456.06)	38,843,014.56	Def Outflow
		<u>1,309,210,000.00</u>	<u>5,203,823.33</u>	<u>(136,968,095.02)</u>	<u>(334,084,156.86)</u>	<u>197,116,061.84</u>	
Investment Derivatives-Asset Positions	RFS Bonds 2008B	90,270,000.00	(16,506.65)	7,213,167.00	4,354,287.00	2,858,880.00	Incr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000.00	(15,488.82)	4,584,101.00	2,574,090.00	2,010,011.00	Incr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000.00	(21,560.67)	9,705,442.00	6,042,567.00	3,662,875.00	Incr. in Fair Value of Inv
	PUF Bonds 2008A	193,177,500.00	(65,811.18)	4,653,297.92	1,537,939.65	3,115,358.27	Incr. in Fair Value of Inv
			<u>492,682,500.00</u>	<u>(119,367.32)</u>	<u>26,156,007.92</u>	<u>14,508,883.65</u>	<u>11,647,124.27</u>
Investment Derivatives-Liability Positions	RFS Bonds 2001A	-	-	-	(160,451.36)	160,451.36	Incr. in Fair Value of Inv
	PUF Bonds 2006B	284,065,000.00	(23,139.32)	(4,385,211.30)	(5,729,441.29)	1,344,229.99	Incr. in Fair Value of Inv
	PUF Bonds 2006B	284,065,000.00	-	(2,128,710.65)	-	^(b) (1,218,710.65)	Dec. in Fair Value of Inv
	RFS Bonds 2008B	110,585,000.00	-	(204,629.63)	(664,101.85)	459,472.22	Incr. in Fair Value of Inv
		<u>678,715,000.00</u>	<u>(23,139.32)</u>	<u>(6,718,551.58)</u>	<u>(6,553,994.50)</u>	<u>745,442.92</u>	
TOTAL		<u>\$2,480,607,500.00</u>	<u>5,061,316.69</u>	<u>(117,530,638.68)</u>	<u>(326,129,267.71)</u>	<u>209,508,629.03</u>	

(b) The negative \$1,218,710.65 included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position does not agree to the change in fair value of this interest rate swap from August 31, 2012 to August 31, 2013 due to the \$910,000.00 payment received upon executing this swaption.

Derivative Instrument Objectives

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Objective	Effective at 8/31/14?	Evaluation for Effectiveness
Hedging Derivative Liabilities	PUF Bonds 2008A	\$190,572,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	190,572,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	165,715,000.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	165,715,000.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	133,420,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	133,420,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	297,185,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
Investment Derivatives	PUF Bonds 2006B	284,065,000.00	Hedge changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	190,572,500.00	Hedge changes in cash flows on Series 2008A bonds	N/A	N/A
	PUF Bonds 2008A	190,572,500.00	Hedge changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		<u>\$2,241,315,000.00</u>			

Derivative Instrument Objectives

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Objective	Effective at 8/31/13?	Evaluation for Effectiveness
Hedging Derivative Liabilities	PUF Bonds 2008A	\$193,177,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	193,177,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	166,292,500.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	166,292,500.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	137,770,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	137,770,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	314,730,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
Investment Derivatives	PUF Bonds 2006B	284,065,000.00	Hedge changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2006B	284,065,000.00	Hedge changes in cash flows on Series 2006B bonds	N/A	N/A
	PUF Bonds 2008A	193,177,500.00	Hedge changes in cash flows on Series 2008A bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	92,045,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	117,190,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
	RFS Bonds 2008B	110,585,000.00	Hedge changes in cash flows on Series 2008B bonds	N/A	N/A
TOTAL		<u>\$2,480,607,500.00</u>			

No derivative instruments were reclassified from a hedging derivative instrument to an investment derivative instrument in 2014 or 2013. The fair value of interest rate swaps reported as investment derivatives-asset positions of \$21,160,336.97 and \$26,156,007.92 as of August 31, 2014 and 2013, respectively, is included on the consolidated statement of net position as noncurrent unrestricted investments and in the summary of investments in Note 6. The fair value of interest rate swaps reported as investment derivatives-liability positions of \$4,550,142.84 and \$6,718,551.58 as of August 31, 2014 and 2013, respectively, are included on the consolidated statement of net position as investment derivatives-liability positions. The change in fair value of interest rate swaps reported as investment derivatives included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position, was a decrease in the amount of \$2,102,262.21 and an increase in the amount of \$12,392,567.19 for the years ending August 31, 2014 and 2013, respectively.

Hedging Derivative Instrument and Investment Derivative Risks

Credit Risk: The System is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. Contracts with a positive fair value expose the System to credit risk. The System faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the System provided by the counterparty. Contracts with a negative fair value do not expose the System to credit risk. All of the counterparties associated with swap contracts with the System are creditworthy financial institutions. Additionally, each of the System's swap counterparties has agreed to provide collateral to the System to the extent the positive fair value exceeds certain threshold amounts. Should a counterparty fail to meet its contractual agreements, or if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), the System could be required to pay or receive a substantial termination payment. As of August 31, 2014, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System does not have to post collateral due to changes in fair value of its swap agreements unless the System does not have a credit rating or the System commits a specified event of default and the event of default is continuing. As of August 31, 2014, the maximum loss due to credit risk was \$14,063,058.00. It is the System's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require collateralization of the aggregate fair value of derivative instruments in asset positions, net of the effect of applicable threshold amounts based on each counterparty's credit rating. Collateral posted is in the form of cash, U.S. Treasury or U.S. agency securities held directly by the System or by a third-party custodian approved by the System. The System has not entered into master netting arrangements.

Interest Rate Risk: Interest rate risk involves the risk that the value of the System's interest rate swaps will fluctuate because of changes in interest rates. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

Basis Risk: The System is exposed to basis risk when the variable rate received under an interest rate swap does not match the variable rate paid on hedged bonds. The interest rate on the System's variable rate bonds is a tax-exempt interest rate based on the System's credit ratings. The variable receipt on the System's interest rate swaps is based on either a tax-exempt index (SIFMA) or a taxable index (LIBOR). Tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

Termination Risk: Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. None of the System's interest rate swaps are subject to automatic early termination. The System is subject to termination risk if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), or if the System commits a specified event of default or other specified event of termination. As of August 31, 2014, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System has the right to optionally terminate any of its swaps at any time. At termination, if the fair value of the swap is negative, the System would be liable to pay a termination payment to the appropriate counterparty in the amount of the swap's fair value. If the fair value of the swap is positive at termination, the counterparty would owe a termination payment to the System in the amount of the swap's fair value.

Rollover Risk: Rollover risk is the risk caused by a mismatch between the amortization of a derivative contract and the underlying hedged bonds. The System is not exposed to rollover risk by exactly matching the notional amounts and amortization schedules of its swap contracts with the principal amounts and amortization schedules of the associated hedged bonds.

Market Access Risk: Each swap associated with underlying variable rate debt that is subject to tender at the option of the bondholder is subject to market access risk. In the event the System is unable to remarket its variable rate bonds, the System may choose to refund the variable rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. Should an early termination event occur, the System could be required to pay or to receive a substantial termination payment. As of August 31, 2014, the System had market risk associated with \$1,276,600,000.00 aggregate notional amount of pay-fixed, receive-variable interest rate swaps used to hedge interest rate risk on variable rate bonds subject to tender. As of August 31, 2014, the System's variable rate bonds carried the highest short term ratings from Moody's and S&P of VMIG1 and A-1+, respectively.

Swap Scheduled Payments

The following tables reflect the scheduled payments on the swap agreements which differ from the presentation in the projected bond debt service requirements table for the related demand bonds. The debt service requirements reflect the entire outstanding balance of the demand bonds in 2015 because the bonds are supported by internal liquidity.

As of August 31, 2014

Fiscal Year	Associated Variable Rate Bonds		Pay-Fixed Receive-Variable Interest Rate	Total
	Principal ¹	Interest ²	Swaps ³	
2015	\$ 33,830,000.00	399,553.00	47,133,386.19	81,362,939.19
2016	35,095,000.00	389,344.00	45,895,638.43	81,379,982.43
2017	26,175,000.00	378,753.00	44,611,158.20	71,164,911.20
2018	27,140,000.00	370,836.00	43,649,033.99	71,159,869.99
2019	28,155,000.00	362,627.00	42,651,060.10	71,168,687.10
2020-2024	199,515,000.00	1,667,132.50	195,793,418.34	396,975,550.84
2025-2029	287,690,000.00	1,275,196.50	150,412,233.86	439,377,430.36
2030-2034	297,240,000.00	788,599.50	94,560,469.79	392,589,069.29
2035-2039	341,760,000.00	293,677.50	35,624,073.66	377,677,751.16

¹Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2014 on its Series 2008A Bonds, Series 2007B Bonds, and Series 2008B Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2014 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2014

Fiscal Year	Associated Variable Rate Bonds		Pay-Variable Receive-Variable Interest Rate	Total
	Principal ¹	Interest ²	Swaps ³	
2015	\$ 2,697,500.00	147,023.25	(741,422.37)	2,103,100.88
2016	2,795,000.00	146,214.00	(738,823.12)	2,202,390.88
2017	2,897,500.00	145,375.50	(736,129.92)	2,306,745.58
2018	3,002,500.00	144,506.25	(733,337.95)	2,413,668.30
2019	3,110,000.00	143,605.50	(730,444.81)	2,523,160.69
2020-2024	17,337,500.00	703,332.00	(3,605,023.17)	14,435,808.83
2025-2029	91,712,500.00	652,944.00	(3,384,238.02)	88,981,205.98
2030-2034	138,007,500.00	469,830.75	(2,380,527.50)	136,096,803.25
2035-2039	228,517,500.00	194,294.25	(922,079.14)	227,789,715.11

¹Principal and interest requirements on Permanent University Fund Bonds, Series 2008A and a portion of the outstanding Revenue Financing System Bonds, Series 2008B are reflected in both tables above as the Series 2008A bonds and a portion of the Series 2008B bonds have associated pay-fixed, receive-variable and pay-variable, receive-variable interest rate swaps that modify the System's interest rate exposure on the related Series 2008A bonds and Series 2008B bonds, respectively.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2014 on its Series 2008A bonds and a portion of its Series 2008B Bonds.

³Reflects net payments on pay-variable, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2014 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2014

Fiscal Year	Associated Fixed Rate Bonds		Pay-Variable Receive-Variable Interest Rate	Total
	Principal ¹	Interest ¹	Swaps ²	
2015	\$ -	14,851,562.50	(223,152.03)	14,628,410.47
2016	-	14,851,562.50	(223,152.03)	14,628,410.47
2017	-	14,851,562.50	(223,152.03)	14,628,410.47
2018	-	14,851,562.50	(223,152.03)	14,628,410.47
2019	-	14,851,562.50	(223,152.03)	14,628,410.47
2020-2024	103,715,000.00	61,000,637.50	(913,688.81)	163,801,948.69
2025-2029	97,320,000.00	40,928,475.00	(612,420.02)	137,636,054.98
2030-2034	59,155,000.00	14,136,675.00	(211,529.57)	73,080,145.43
2035-2039	23,875,000.00	1,253,437.50	(18,755.41)	25,109,682.09

¹Reflects scheduled principal and interest payments of Permanent University Fund Bonds, Series 2006B.

²Reflects net payments on pay-variable, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2014 and applied on the respective notional amounts of the swaps through its respective termination dates.

As of August 31, 2013

Fiscal Year	Associated Variable Rate Bonds		Pay-Fixed Receive-Variable Interest Rate Swaps ³	Total
	Principal ¹	Interest ²		
2014	\$ 32,610,000.00	460,298.00	48,195,042.91	81,265,340.91
2015	33,830,000.00	450,400.00	47,005,726.19	81,286,126.19
2016	35,095,000.00	440,131.00	45,771,361.43	81,306,492.43
2017	26,175,000.00	428,919.50	44,490,390.70	71,094,310.20
2018	27,140,000.00	419,029.50	43,530,883.99	71,089,913.49
2019-2023	177,885,000.00	1,931,785.00	201,807,535.75	381,624,320.75
2024-2028	278,925,000.00	1,499,975.00	160,316,256.19	440,741,231.19
2029-2033	313,440,000.00	935,204.00	105,947,450.69	420,322,654.69
2034-2038	374,870,000.00	406,138.50	49,234,369.52	424,510,508.02
2039-2043	9,240,000.00	2,772.00	328,389.60	9,571,161.60

¹Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2013 on its Series 2008A Bonds, Series 2007B Bonds, and Series 2008B Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2013 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2013

Fiscal Year	Associated Variable Rate Bonds		Pay-Variable Receive-Variable Interest Rate Swaps ³	Total
	Principal ¹	Interest ²		
2014	\$ 2,605,000.00	165,195.49	(818,534.00)	1,951,661.49
2015	2,697,500.00	165,223.21	(815,667.35)	2,047,055.86
2016	2,795,000.00	165,337.37	(812,698.91)	2,147,638.46
2017	2,897,500.00	165,232.76	(809,623.18)	2,253,109.58
2018	3,002,500.00	163,969.95	(806,434.65)	2,360,035.30
2019-2023	16,727,500.00	798,112.89	(3,980,155.45)	13,545,457.44
2024-2028	70,135,000.00	742,342.41	(3,834,404.40)	67,042,938.01
2029-2033	133,920,000.00	528,550.75	(2,869,378.32)	131,579,172.43
2034-2038	248,662,500.00	268,893.00	(1,420,240.55)	247,511,152.45
2039-2043	9,240,000.00	2,772.00	(19,127.96)	9,223,644.04

¹Principal and interest requirements on Permanent University Fund Bonds, Series 2008A and a portion of the outstanding Revenue Financing System Bonds, Series 2008B are reflected in both tables above as the Series 2008A bonds and a portion of the Series 2008B bonds have associated pay-fixed, receive-variable and pay-variable, receive-variable interest rate swaps that modify the System's interest rate exposure on the related Series 2008A bonds and Series 2008B bonds, respectively.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2013 on its Series 2008A bonds and a portion of its Series 2008B Bonds.

³Reflects net payments on pay-variable, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2013 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2013

Fiscal Year	Associated Fixed Rate Bonds		Pay-Variable Receive-Variable Interest Rate	Total
	Principal ¹	Interest ¹	Swaps ²	
2014	\$ -	14,851,562.50	(253,846.23)	14,597,716.27
2015	-	14,851,562.50	(253,846.23)	14,597,716.27
2016	-	14,851,562.50	(253,846.23)	14,597,716.27
2017	-	14,851,562.50	(253,846.23)	14,597,716.27
2018	-	14,851,562.50	(253,846.23)	14,597,716.27
2019-2023	103,715,000.00	66,383,825.00	(1,132,047.05)	168,966,777.95
2024-2028	62,670,000.00	44,218,650.00	(752,660.59)	106,135,989.41
2029-2033	71,120,000.00	17,870,475.00	(304,179.40)	88,686,295.60
2034-2038	46,560,000.00	3,697,837.50	(62,942.14)	50,194,895.36

¹Reflects scheduled principal and interest payments of Permanent University Fund Bonds, Series 2006B.

²Reflects net payments on pay-variable, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2013 and applied on the respective notional amounts of the swaps through its respective termination dates.

13. Note Indebtedness

The System had RFS Commercial Paper Notes, Series A and PUF Taxable Commercial Paper Notes, Series B, outstanding at August 31, 2014 and 2013. The notes are issued to provide interim financing for capital improvements and to finance equipment purchases. While the interest is payable on these notes in periodic installments not to exceed 270 days, they are generally intended to be refinanced with long-term debt. Information pertaining to the balances and activity of these notes is reflected in Note 11.

General information related to notes and loans payable at August 31, 2014, which in substance are not bonds, is summarized as follows:

- Note or loan payable issue name: Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
 Purpose: To provide new money
 Issue Date: September 1, 2013 through August 31, 2014
 Authorized Amount: Aggregate principal amount not to exceed \$500 million
 Source of revenue for debt service: Available University Fund
 Terms: Interest payable in periodic installments not to exceed 270 days at a variable rate

- Note or loan payable issue name: Revenue Financing System (RFS) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
 Purpose: To provide new money
 Issue Date: September 1, 2013 through August 31, 2014
 Authorized Amount: Aggregate principal amount not to exceed \$1.25 billion
 Source of revenue for debt service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the U. T. System Board of Regents and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the U. T. System Board of Regents for payments on parity debt.
 Terms: Interest payable in periodic installments not to exceed 270 days at a variable rate

Other Notes Payable includes:

- Note or loan payable issue name: Charitable Remainder Trust
Purpose: Fine Arts Foundation (a blended component unit) purchase of the Suida Manning Art Collection
Component Unit: U. T. Austin's Blended Component Unit
Issue Date: January 4, 1999
Authorized Amount: \$12,000,000
Source of revenue for debt service: Gift
Terms: January 4, 1999 through April 17, 2016
- Note or loan payable issue name: Charitable Lead Trust
Purpose: Fine Arts Foundation (a blended component unit) purchase of the Suida Manning Art Collection
Component Unit: U. T. Austin's Blended Component Unit
Issue Date: January 4, 1999
Authorized Amount: \$10,713,200
Source of revenue for debt service: Gift
Terms: January 4, 1999 through April 17, 2016
- Note or loan payable issue name: City of Shavano Park Health Facilities Development Corporation
Purpose: Purchase EPIC Patient and Sales Tracking Software Package
Institution: U. T. Health Science Center - San Antonio
Issue Date: December 1, 2006
Authorized Amount: \$9,000,000
Source of revenue for debt service: Patient service from physician practice plan Designated Funds collected by U. T. Medicine San Antonio
Terms: February 1, 2007 through January 1, 2018. Interest is computed at 4.13% annually.
- Note or loan payable issue name: City of Shavano Park Health Facilities Development Corporation
Purpose: Purchase EPIC Patient and Sales Tracking Software Package
Institution: U. T. Health Science Center - San Antonio
Issue Date: January 1, 2007
Authorized Amount: \$3,000,000
Source of revenue for debt service: Patient service from physician practice plan Designated Funds collected by U. T. Medicine San Antonio
Terms: February 1, 2007 through January 1, 2018. Interest is computed at 4.15% annually.
- Note or Loan Payable issue name: JP Morgan Private Bank, Client Services
Purpose: To provide financing for the construction of the new Moncrief Cancer Center building
Component Unit: U. T. Southwestern Medical Center's Blended Component Unit
Issue Date: August 8, 2011, Renewed on August 31, 2014
Authorized Amount: \$19,000,000
Source of revenue for debt service: Assets of Luther King and Wilkinson O'Grady
Terms: LIBOR rate plus .65%. Interest is paid monthly. Renewal on August 31, 2015.
- Note or Loan Payable issue name: JP Morgan Private Bank, Client Services
Purpose: To purchase land for construction of the new Moncrief Cancer Center Building
Component Unit: U. T. Southwestern Medical Center's Blended Component Unit
Issue Date: April 30, 2012, Renewed on August 31, 2014
Authorized Amount: \$3,500,000
Source of revenue for debt service: Investment Asset Earnings
Terms: LIBOR rate plus .65%. Interest is paid monthly. Renewal on August 31, 2015
- Note or loan payable issue name: Premier Purchasing Partners, L.P.
Purpose: Negotiate and execute reduced cost purchase contracts
Institution: U. T. Medical Branch - Galveston
Issue Date: September 1, 2012
Authorized Amount: \$430,531
Source of revenue for debt service: Reduction from cash distribution
Terms: September 1, 2012 through September 1, 2017

- Note or loan payable issue name: GE Government Finance, Inc.
 Purpose: To provide financing for medical equipment
 Institution: U. T. Medical Branch - Galveston
 Issue Date: November 12, 2010
 Authorized Amount: \$409,554
 Source of revenue for debt service: Operating Funds
 Terms: November 12, 2010 through December 1, 2015

14. Stewardship, Compliance and Accountability

The System had no significant violations of bond or note covenants. Per State law, the System cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net position.

15. Risk Management and Related Insurance

The System has seven funded self-insurance plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, professional medical liability, property protection, directors and officers/employment practices liability, and construction contractor insurance.

EMPLOYEE AND RETIREE INSURANCE BENEFITS

The U. T. System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment (AD&D), long-term disability, short-term disability, long-term care and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its fifteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the System's cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The System's Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. OEB was established by Chapter 1601 of the *Texas Insurance Code* and complies with State laws and statutes pertinent to employee benefits for the System.

Effective January 1, 2006, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries under Medicare Part D. Medicare Part D provides sponsors of postemployment healthcare plans with a subsidy of up to 28 percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The System recognized \$10,062,288.18 and \$9,057,399.51 of Medicare Part D payments from the federal government in 2014 and 2013, respectively.

UNEMPLOYMENT COMPENSATION INSURANCE

The General Appropriations Act requires the System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to former employees that were paid from general revenue funds. The System reimburses the TWC 100% of the unemployment benefits paid to former employees that were paid from local funds.

WORKERS' COMPENSATION INSURANCE

The University of Texas System Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its fifteen institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the systemwide program, which provides income and medical benefits to all employees who have sustained job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code*.

PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

The coverage provided under the Professional Medical Liability Benefit Plan (Plan) is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System's employment or training. The Plan covers all of the System staff physicians, dentists, residents, fellows, and medical students who have been enrolled. The limits of liability of the Plan include an annual policy aggregate of \$30 million, an annual aggregate of \$1.5 million for each staff physician (\$500,000.00 per claim), an annual aggregate of \$300,000.00 for each resident or fellow (\$100,000.00 per claim) and a \$75,000.00 annual aggregate for each medical student (\$25,000.00 per claim). Other coverage is available for medical student externships outside of Texas and for approved international activities.

Liability is limited to \$2 million per incident, regardless of the number of claimants or physicians involved in an incident. As of September 1, 2003, the limits of liability are prescribed by law as \$100,000.00 per health care liability claim per physician. Also effective September 1, 2003, U. T. institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a U. T. institution is limited by law to \$250,000.00 per claimant and \$500,000.00 per occurrence for bodily injury or death.

COMPREHENSIVE PROPERTY PROTECTION PROGRAM

The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) coverage, as well as coverage for Named Windstorm and Flood (Wind and Flood). All coverage is subject to the terms, exclusions, limits and conditions of the Insurance Policies. The Fire and AOP program provides a \$1 billion per occurrence limit for most perils, with sub-limits that do apply. The System participates in a ten percent (10%) quota share of the primary \$25,000,000 layer of commercial insurance coverage. Deductibles for Fire and AOP are \$5 million per occurrence with a \$15 million annual aggregate limit. The commercial insurance coverage for Named Windstorm and resulting perils provides a \$150 million per occurrence limit with the System participating in a ten percent (10%) quota share of the primary \$25,000,000 layer. Deductibles for Wind and Flood are \$100 million per occurrence for U. T. Medical Branch - Galveston (locations in Galveston only) and \$50 million per occurrence for U. T. Health Science Center - Houston (locations in Texas Medical Center only) and M. D. Anderson (locations in Texas Medical Center Only). Named Windstorm coverage is provided for other locations with a lower deductible.

In addition, primary policies are purchased on certain flood and wind exposed properties. These policies provide underlying limits (up to \$4.4 million per building/contents for wind and \$1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) and the National Flood Insurance Program (NFIP) for facilities in Tier 1 seacoast territories and for properties located in various flood zones. U. T. Medical Branch - Galveston also purchased a four-year aggregate, campus-specific \$50 million Named Windstorm policy with reinstatement of limit protection to reduce the \$100 million Wind and Flood deductible for locations in Galveston only. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution's deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to the payment of insurance premiums.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY SELF-INSURANCE PLAN

The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Self-insurance Plan (the "Plan") provides coverage for claims arising from actual or alleged wrongful acts performed by the plan beneficiaries. The plan also provides coverage for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline. In 2003, the U. T. System Board of Regents allocated \$3.7 million from the Available University Fund to establish the D&O/EPL loss reserve fund. Institutions make annual premium contributions to this fund.

Coverage applies to individual board members, employees, faculty, etc., as well as to the System itself. The limit of liability is a \$10 million annual aggregate (Coverages A, B and C combined), except for \$5 million annual aggregate sublimit for Coverage C. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a U. T. institution that is required to indemnify a covered individual with deductibles of \$100,000 per individual and \$300,000 per occurrence. Coverage C applies to a U. T. institution and related entities with a \$300,000 deductible. An excess coverage commercial insurance policy provides \$10 million limit of liability in excess of a \$5 million aggregate retention which is satisfied by payment of losses under the Plan.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM

The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital projects. This program provides workers' compensation, employers' liability and general liability insurance coverage for all contractors enrolled on projects participating in the program. Each coverage carries a \$250,000.00 per occurrence deductible with a maximum \$375,000.00 per occurrence clash deductible, if more than one coverage is triggered by the same occurrence. Deductibles are paid through the program's self-insurance fund.

AUTOMOBILE, PROPERTY & LIABILITY PLAN

The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (liability only) vehicles, along with general liability coverage for certain scheduled exposures. All coverages are subject to a self-insured retention with an aggregate stop loss deductible.

INCURRED BUT NOT REPORTED SELF-INSURANCE CLAIMS

Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee's health and dental, workers' compensation, professional medical liability, directors and officers/employment practices liability, rolling owner controlled, and automobile, property and liability self-insurance plans. IBNR figures for the workers' compensation, professional medical liability, directors and officers/employment practices liability, rolling owner controlled, and automobile, property and liability self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but rather estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. No settlements exceeded insurance coverage in the past three fiscal years.

Since the responsibility for processing all claims for employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers' compensation, professional medical liability, directors and officers/employment practices liability, rolling owner controlled, and automobile, property and liability self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the claim-specific defense and settlement costs associated with the ultimate settlement of those claims. They do not include a provision for ULAE, which are general administrative expenses associated with claims settlement, but are not specifically attributable to individual claims.

Changes in the System's claims liabilities for the various self-insurance plans during fiscal years 2014 and 2013 were as follows:

<u>Fiscal Year 2014</u> Plan	IBNR Liability 09/01/13	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/14
Employee Health and Dental	\$ 78,600,000.00	934,699,752.61	(939,299,752.61)	74,000,000.00
Workers' Compensation	7,946,000.00	4,320,439.77	(4,050,439.77)	8,216,000.00
Professional Medical Liability	17,801,004.00	(394,645.64)	(1,621,761.36)	15,784,597.00
Property Protection – Fire & AOP	250,000.00	81,000.00	-	331,000.00
Directors and Officers/EPL	2,949,439.00	(434,461.00)	-	2,514,978.00
ROCIP I, II, III, IV and V	5,525,633.00	2,499,504.73	(3,028,776.73)	4,996,361.00
Automobile, Property & Liability	-	341,815.31	(213,133.31)	128,682.00
TOTAL	\$ 113,072,076.00	941,113,405.78	(948,213,863.78)	105,971,618.00

<u>Fiscal Year 2013</u> Plan	IBNR Liability 09/01/12	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/13
Employee Health and Dental	\$ 80,900,000.00	849,147,857.97	(851,447,857.97)	78,600,000.00
Workers' Compensation	8,014,000.00	4,984,534.83	(5,052,534.83)	7,946,000.00
Professional Medical Liability	18,639,671.00	3,208,994.66	(4,047,661.66)	17,801,004.00
Property Protection – Fire & AOP	245,330.00	350,049.81	(345,379.81)	250,000.00
Directors and Officers/EPL	3,311,463.00	(362,024.00)	-	2,949,439.00
ROCIP I, II, III, IV and V	8,562,188.00	(341,974.03)	(2,694,580.97)	5,525,633.00
TOTAL	\$ 119,672,652.00	856,987,439.24	(863,588,015.24)	113,072,076.00

16. Postemployment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. For the years ended August 31, 2014 and 2013, the contributions for the self-funded plan by the State per full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the State contributions.

<u>Level of Coverage</u>	<u>2014</u>	<u>2013</u>
Retiree Only	\$ 497.55	\$ 483.06
Retiree/Spouse	758.37	736.28
Retiree/Children	664.43	645.08
Retiree/Family	926.81	899.82

The number of systemwide retired employees who were eligible for these benefits, as well as the cost of providing the benefits for the years ended August 31, 2014 and 2013 are provided in the following table.

	<u>2014</u>	<u>2013</u>
Number of Retirees	23,276	21,954
Cost to the State	\$ 67,229,964.64	62,390,792.92
Cost to the System	84,263,916.65	75,767,377.45

PLAN DESCRIPTION AND FUNDING POLICY

OPEB are provided to the System's retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis.

The OPEB plan described herein is not administered through a trust.

2014 ANNUAL OPEB COST, EMPLOYER CONTRIBUTIONS AND NET OPEB OBLIGATION							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ARC	Interest on Net OPEB Obligation	Adjustment to the ARC	Annual OPEB Cost $\{(1) + (2) - (3)\}$	Employer Contributions	Increase (Decrease) in Net OPEB Obligation $\{(4) - (5)\}$	Net OPEB Obligation at Beginning of Year	Net OPEB Obligation at End of Year $\{(6) + (7)\}$
\$675,480,653	195,963,437	145,057,276	726,386,814	166,516,609	559,870,205	2,799,477,678	3,359,347,883

THREE-YEAR HISTORY OF ANNUAL OPEB COST AND NET OPEB OBLIGATION

(1)	(2)	(3)	(4)	(5)
Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed $\{(3)/(2)\}$	Net OPEB Obligation at End of Year
August 31, 2012	639,951,778	142,737,223	22.3%	2,263,866,591
August 31, 2013	682,064,563	146,453,476	21.5%	2,799,477,678
August 31, 2014	726,386,814	166,516,609	22.9%	3,359,347,883

The OPEB expense (cost) reflected on the Statement of Revenues, Expenses and Changes in Net Position is net of the employer contributions as these costs are reflected as a portion of payroll related costs.

SCHEDULE OF FUNDING PROGRESS OF THE PLAN AS OF DECEMBER 31, 2012

The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {{(3) - (2)}	Funded Ratio {{(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {{(4)/(6)}
December 31, 2009	\$-	5,676,867,734	5,676,867,734	0.0%	5,026,491,379	112.9%
December 31, 2010	-	5,956,797,788	5,956,797,788	0.0%	5,309,413,147	112.2%
December 31, 2012	-	6,939,197,076	6,939,197,076	0.0%	5,674,297,785	122.3%

The plan benefit obligations as of December 31, 2011 were determined based on an actuarial roll-forward of the December 31, 2010 valuation results, and the plan benefit obligations as of December 31, 2013 were determined based on an actuarial roll-forward of the December 31, 2012 valuation results.

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress shown above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes *does not* explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the figures include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

The information presented herein was determined as part of the actuarial valuation using the actuarial methods and assumptions summarized below.

Summary of Actuarial Methods and Assumptions	
Actuarial cost method	Entry Age Normal (Level percent of pay)
Asset valuation method	Market
Actuarial assumptions:	
Annual investment return assumption (discount rate) ¹	7.00%
Projected annual salary increases ¹	4.75% to 7.75%
Weighted-average at valuation date ¹	6.39%
Annual Healthcare Trend Rates ¹	8.00% in FYE 2014 Declining to 5.50% in FYE 2020
Amortization method	Level percent
Amortization period	30 year open period

¹Includes inflation assumption of 3.50%

SIGNIFICANT FACTORS AFFECTING THE COMPARABILITY OF AMOUNTS REPORTED

The following assumptions used in the most recent valuation (as of December 31, 2012) were changed from those used in the prior valuation (as of December 31, 2010):

- the period of coverage assumptions for dependent children and the tobacco usage assumption have been updated to reflect statutory changes and recent plan experience; and

- the Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect claims and expense experience in the 24 months following the date as of which the prior valuation's assumptions were determined (the Assumed Expenses include provision for the Patient-Centered Outcomes Research Institute (PCORI) fee and the Temporary Reinsurance Program fee); and
- the Health Benefit Cost Trend has been updated to reflect changes in short-term expectations of the annual rate of increase of the Assumed Per Capita Health Benefit Costs.

17. Pension Plans

TEACHER RETIREMENT SYSTEM (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the System participates is a cost-sharing multi-employer defined benefit pension plan administered by the Teacher Retirement System of Texas. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a position on a half time or greater basis for at least 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 6.8 percent of annual compensation for 2014, 6.4 percent of annual compensation for 2013 and 6.0 percent of annual compensation for 2012. The System's contributions to TRS for the years ended August 31, 2014, 2013 and 2012 were \$230,251,024.94, \$210,973,193.76 and \$162,296,369.39, respectively, which equaled the amounts of the required contributions for those years.

TRS does not separately account for each of its component government agencies since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the Retirement System's annual financial report, which may be found on the TRS website at www.trs.state.tx.us.

OPTIONAL RETIREMENT PROGRAM (ORP)

The State has also established an optional retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65 percent of annual compensation) and the System (6.6 percent state base rate for 2014 and 6.0 percent state base rate for 2013 and 2012) for the fiscal years ended August 31, 2014, 2013 and 2012, , respectively, are provided in the following table.

		2014	2013	2012
Participant Contributions	\$	137,902,022.34	133,016,555.00	128,987,249.00
System Contributions		177,123,849.97	170,719,638.00	165,170,074.00
Total	\$	<u>315,025,872.31</u>	<u>303,736,193.00</u>	<u>294,157,323.00</u>

EMPLOYEES RETIREMENT SYSTEM (ERS)

Certain employees at U. T. Medical Branch - Galveston participate in the Employees Retirement System of Texas. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit pension plan. ERS covers the eligible System employees who are not covered by the TRS or the ORP. Benefits vest after five years of credited service. Employees may retire at age 60 with five years of service or any combination of age plus years of service that equals 80.

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by State law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through State statute.

The funding policy requires monthly contributions by both the State and employees. For the year beginning September 1, 2013, the required contribution for the State and the employee is 7.50 and 6.60 percent of pay, respectively. For Law Enforcement and Custodial Officers Supplemental Retirement Fund eligible employees, the State and the employee contribution is an additional 0.50 percent of pay, respectively.

Additional information can be obtained from the separately issued ERS *Comprehensive Annual Financial Report* at <http://www.ers.state.tx.us/home.aspx>.

THE UNIVERSITY OF TEXAS SYSTEM GOVERNMENTAL RETIREMENT ARRANGEMENT (UTGRA)

The University of Texas System Governmental Retirement Arrangement (UTGRA) is a defined contribution pension plan established by the System to provide certain participants in the ORP that portion of their benefits that would otherwise be payable under the ORP except for the \$50,000.00 limit on contributions imposed by Section 415 of the Internal Revenue Code (IRC). At August 31, 2014 and 2013, there were 747 and 730 plan members, respectively. Persons employed by the System prior to September 1, 1996, whose compensation exceeds the limit set by IRC Section 401(a)(17) and whose ORP contribution is limited by the \$50,000.00 cap under IRC Section 415(c), defer 6.65 percent of their excess compensation while the System contributes between 6.58 percent and 8.5 percent depending upon the institution and the date of employment. The System contributed \$3,613,603.75 for the year ended August 31, 2014 and \$3,904,488.30 for the year ended August 31, 2013. The participants contributed \$2,827,113.53 for the year ended August 31, 2014 and \$3,054,687.91 for the year ended August 31, 2013. Plan provisions are established and may be amended at any time by the U. T. System Board of Regents.

Plan assets are valued at fair value and are invested in contracts and accounts in a similar manner to the ORP. Participants are immediately vested in the plan, both for the employee deferrals and the employer contributions. However, deferrals, contributions, purchased investments and earnings attributable to the plan are the property of the System and subject only to the claims of the System's general creditors. Participant's rights under the plan are equal to those of the general creditors of the System in an amount equal to the fair value of the participant's account balance. The System has no liability under the UTGRA that would exceed the aggregate value of the investments, and it is unlikely that any of UTGRA's assets will be used to satisfy the claims of general creditors in the future.

PHYSICIANS REFERRAL SERVICE SUPPLEMENTAL RETIREMENT PLAN (SRP)/RETIREMENT BENEFIT PLAN (RBP)

M. D. Anderson has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service Supplemental Retirement Plan (SRP)/Retirement Benefit Plan (RBP) of the Anderson Hospital (collectively "the SRP/RBP"). The SRP/RBP is a non-qualified plan described by Section 457(f) of the Internal Revenue Code of 1986, as amended. The SRP/RBP is reported on the accrual basis of accounting. Assets of the SRP/RBP remain subject to the claims of the general creditors of M. D. Anderson.

In general, only physicians hired before July 1, 1986, participate in the SRP. The remainder of eligible employees participates in the RBP. Retirement benefits are available to persons who have reached the normal retirement age (55 for the RBP, 65 for the SRP) with five years of service. Early retirement benefits are available under the SRP. Additional information can be obtained from the separately issued financial statements of the SRP/RBP.

18. Deferred Compensation

DEFERRED COMPENSATION-457(b)

The System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec. 609.001. The System offers its own deferred compensation plan, created in accordance with Internal Revenue Code Section 457(b). All System employees are eligible to participate in the System's plan, and cannot participate in the plan offered by the state of Texas. All investments, amounts, property, and rights held under the Deferred Compensation Trust Fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant in the accounts established by the participants with the System's retirement providers. The System has no liability under the plan.

TAX-SHELTERED ANNUITY-403(b)

The System also administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the System or the State. Therefore, neither the System nor the State has a liability related to this plan.

19. Commitments and Contingent Liabilities

On August 31, 2014, various lawsuits and claims involving the System were pending. After conferring with legal counsel concerning pending litigation and claims, the System's management believes that the outcome of pending litigation should not have a material adverse effect on the financial statements of the System.

The System continues to implement its \$6.5 billion capital improvement program, planned for fiscal years 2015 through 2020, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

The System receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The System believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

The System has invested in certain hedge funds. These agreements commit the System to future funding amounting to \$211,315,684.00 as of August 31, 2014 and \$217,890,087.00 as of August 31, 2013.

The System has invested in certain private investment funds. These agreements commit the System to future capital contributions amounting to \$4,772,443,769.13 as of August 31, 2014 and \$3,781,271,248.71 as of August 31, 2013.

The System has invested in certain public market fund private placements. These agreements commit the System to future fundings amounting to \$54,744,444.44 as of August 31, 2014 and \$13,800,000.00 as of August 31, 2013.

Based on the credit support annex agreements with all counterparties, the System does not have to post any collateral for any hedging derivative instruments.

Laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The System's intent is to be in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the System.

In August 2013 U. T. Health Science Center – San Antonio received a letter from the Office of the Director of the National Institute of Health (NIH) indicating that, as a result of a review and determination of scientific and budgetary overlap in the federally funded research efforts of one of the university's investigators, the NIH planned to recommend to the sponsoring institute that it recover \$981,245.00 in previously paid grant funding from the university. A liability for this amount was recorded in August 2013. While the university has presented its arguments to NIH for reducing or

eliminating the entire recovery effort, the effort was unsuccessful. The amount was demanded and paid in full to NIH in fiscal year 2014.

The U.S. Department of Health and Human Services Office of Inspector General has been auditing physician supplemental payments for the period May 1, 2004 through September 30, 2007 to determine if the Texas Health and Human Services Commission calculated supplemental payments to the System health institutions in accordance with Federal regulations and the State plan. The audit is underway but a draft report has not yet been issued. As such, no estimate of potential repayments can be made and there has been no accrual recorded.

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20. Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2014, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses	Instruction	Research	Public Service	Hospitals and Clinics	Academic Support
Cost of Goods Sold	\$ 796,421.14	45,082.18	2,381,249.40	83,672,719.56	444,966.33
Salaries and Wages	2,291,179,940.64	1,094,886,333.60	138,210,343.14	1,994,568,795.23	366,824,445.28
Payroll Related Costs	540,630,218.18	295,392,331.50	35,718,260.71	531,910,433.89	102,761,551.11
Professional Fees and Services	21,848,410.34	100,631,021.32	14,712,124.81	167,378,920.29	6,610,818.70
Other Contracted Services	88,225,652.80	150,142,438.73	30,323,225.73	222,560,513.15	40,565,285.73
Scholarships and Fellowships	14,013,062.01	38,894,335.75	4,141,993.87	10,300.00	3,980,494.17
Travel	30,975,422.39	39,446,392.05	5,451,644.34	11,973,973.47	10,680,254.80
Materials and Supplies	80,851,011.61	183,768,710.51	17,167,016.81	1,001,785,159.01	42,856,329.26
Utilities	(2,294,510.39)	1,349,406.84	222,373.42	8,299,389.74	23,209.49
Communications	22,388,035.84	7,829,352.20	2,036,507.73	11,778,626.47	29,233,702.90
Repairs and Maintenance	(373,049.38)	14,969,806.08	1,061,634.61	89,073,531.35	7,796,833.53
Rentals and Leases	12,822,513.25	5,544,274.59	4,775,265.19	53,199,826.15	6,835,790.59
Printing and Reproduction	5,810,663.26	4,953,776.70	3,804,988.40	4,257,798.70	3,428,005.12
Depreciation and Amortization	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-
Claims and Losses	-	-	-	-	-
Increase in Net OPEB Obligation	-	-	-	-	-
Other Operating Expenses	49,932,632.39	84,365,424.03	25,421,344.75	80,493,694.83	34,037,539.98
Federal Sponsored Pass-through to State Agencies	933,331.94	6,980,249.78	952,318.44	-	-
State Sponsored Pass-through to State Agencies	5,811.04	447,135.18	53,161.68	-	9,230,625.00
Total Operating Expenses	\$ 3,157,745,567.06	2,029,646,771.04	286,433,453.03	4,260,963,681.84	665,309,851.99

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operations and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation and Amortization</u>	<u>Total Expenses</u>
210,597.80	1,468,368.99	80,583.97	24,909.42	22,321,451.36	-	111,446,350.15
113,498,026.48	516,389,832.21	207,037,820.67	15,384,747.78	202,218,230.81	-	6,940,199,015.84
30,514,562.50	147,656,923.96	63,995,935.22	1,286,710.52	49,498,187.15	-	1,799,365,614.74
3,736,840.88	50,065,354.27	21,908,605.66	493,635.41	7,533,055.56	-	394,918,787.24
34,866,722.36	61,532,426.83	41,052,459.34	843,520.43	75,771,668.94	-	745,883,914.04
4,769,399.17	1,848,698.99	3,500.00	341,585,346.48	10,502,014.36	-	419,748,844.80
3,428,797.54	8,744,504.94	953,803.01	704,810.51	23,526,883.70	-	135,886,486.75
14,556,151.82	45,678,326.67	74,130,057.70	1,277,684.42	36,504,842.36	-	1,498,575,290.17
43,671.49	6,535,648.29	232,719,359.79	110,645.35	29,651,544.57	-	276,660,738.59
1,983,332.11	33,063,722.32	4,196,315.60	65,460.32	8,357,342.08	-	120,932,397.57
2,324,616.35	43,765,874.66	82,448,118.86	411,558.18	19,570,164.85	-	261,049,089.09
4,613,134.81	17,276,766.31	28,989,857.56	407,024.25	10,808,687.54	-	145,273,140.24
2,369,887.09	5,868,723.08	235,943.43	37,425.73	4,092,259.44	-	34,859,470.95
-	-	-	-	-	1,117,334,639.56	1,117,334,639.56
1,414,403.76	8,112.00	-	-	-	-	1,422,515.76
-	26,160,788.09	-	-	-	-	26,160,788.09
-	559,870,205.00	-	-	-	-	559,870,205.00
15,193,879.84	5,644,847.76	7,398,406.98	2,118,780.83	29,750,602.23	-	334,357,153.62
-	-	-	-	-	-	8,865,900.16
-	927,064.72	-	-	-	-	10,663,797.62
<u>233,524,024.00</u>	<u>1,532,506,189.09</u>	<u>765,150,767.79</u>	<u>364,752,259.63</u>	<u>530,106,934.95</u>	<u>1,117,334,639.56</u>	<u>14,943,474,139.98</u>

For the year ended August 31, 2013, the following table represents operating expenses for both natural and functional classifications for the System:

<u>Operating Expenses</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Hospitals and Clinics</u>	<u>Academic Support</u>
Cost of Goods Sold	\$ 1,055,215.58	19,751.19	2,506,595.41	80,945,659.13	556,609.58
Salaries and Wages	2,115,324,046.48	1,117,353,547.90	137,319,365.32	1,972,038,529.05	340,777,385.70
Payroll Related Costs	487,945,791.61	289,491,816.72	32,927,252.58	519,497,231.06	92,226,420.03
Professional Fees and Services	33,980,713.96	79,476,472.61	18,607,399.95	131,518,734.16	38,767,195.36
Other Contracted Services	61,412,209.20	148,901,635.48	29,363,054.26	177,205,766.53	33,644,665.34
Scholarships and Fellowships	12,451,236.23	29,053,334.17	3,722,724.74	142.52	4,580,834.01
Travel	30,721,981.40	42,489,117.84	6,387,526.09	13,704,125.58	11,473,541.90
Materials and Supplies	81,204,860.73	194,904,210.44	19,848,279.32	927,190,981.62	38,682,277.02
Utilities	1,174,462.57	1,114,120.06	386,922.10	6,813,996.83	187,251.38
Communications	23,902,608.29	7,646,831.91	1,812,548.04	12,399,020.54	29,379,583.84
Repairs and Maintenance	6,912,914.65	17,439,359.85	555,168.23	76,276,420.15	6,730,330.70
Rentals and Leases	12,015,768.05	8,063,574.54	4,632,801.71	43,685,441.98	7,014,024.10
Printing and Reproduction	5,895,333.14	4,710,711.51	4,032,565.77	4,199,431.12	2,957,882.97
Depreciation and Amortization	-	-	-	-	-
Bad Debt Expense	4.00	-	-	-	-
Claims and Losses	80.00	-	-	-	117.73
Increase in Net OPEB Obligation	-	-	-	-	-
Other Operating Expenses	101,074,336.25	81,063,415.37	22,841,185.87	38,492,306.48	37,063,266.85
Federal Sponsored Pass-through to State Agencies	2,826,020.02	4,837,852.18	1,068,045.03	-	1,841.18
State Sponsored Pass-through to State Agencies	37,209.31	407,595.42	45,583.48	-	-
Total Operating Expenses	\$ 2,977,934,791.47	2,026,973,347.19	286,057,017.90	4,003,967,786.75	644,043,227.69

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operations and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation and Amortization</u>	<u>Total Expenses</u>
322,193.93	1,562,009.99	17,527.05	(20,038.43)	20,647,808.68	-	107,613,332.11
108,704,724.15	473,564,794.13	209,157,847.16	39,206,199.54	195,813,945.24	-	6,709,260,384.67
28,095,090.12	123,240,660.64	58,552,508.37	6,806,217.12	45,590,167.17	-	1,684,373,155.42
2,643,099.70	62,310,204.48	28,616,188.23	433,929.08	9,167,556.86	-	405,521,494.39
30,465,282.21	63,829,616.35	32,584,890.82	913,261.43	74,792,689.81	-	653,113,071.43
9,597,522.30	1,305,023.22	6,000.00	381,120,376.67	10,199,843.67	-	452,037,037.53
3,617,248.88	8,523,871.76	1,213,135.67	679,809.57	23,108,506.68	-	141,918,865.37
14,977,659.46	40,851,064.87	78,566,169.65	985,740.73	35,427,018.91	-	1,432,638,262.75
39,423.93	8,622,894.45	227,778,186.79	2,014.40	27,390,905.22	-	273,510,177.73
1,754,888.97	33,011,362.14	4,733,533.39	13,113.05	6,858,646.54	-	121,512,136.71
3,192,006.51	37,558,128.59	84,015,723.35	76,622.18	17,982,206.88	-	250,738,881.09
2,019,349.24	18,768,149.22	22,411,869.55	482,533.15	10,210,823.59	-	129,304,335.13
2,683,817.63	5,744,398.28	104,203.20	65,832.31	4,481,010.18	-	34,875,186.11
-	-	-	-	-	1,105,011,809.75	1,105,011,809.75
3,052,688.41	83.82	-	-	7,120.76	-	3,059,896.99
-	11,203,767.55	-	-	-	-	11,203,965.28
-	535,611,087.00	-	-	-	-	535,611,087.00
11,518,956.65	1,487,036.68	5,483,899.73	1,755,198.68	29,127,098.49	-	329,906,701.05
-	73,119.56	-	-	-	-	8,806,877.97
-	782,453.55	-	-	-	-	1,272,841.76
<u>222,683,952.09</u>	<u>1,428,049,726.28</u>	<u>753,241,682.96</u>	<u>432,520,809.48</u>	<u>510,805,348.68</u>	<u>1,105,011,809.75</u>	<u>14,391,289,500.24</u>

21. Net Position

The System's net position at August 31, 2014 and 2013 were comprised of the following:

	2014	2013
Net investment in capital assets	\$ 6,109,145,658.36	5,552,397,747.72
Restricted		
Nonexpendable	22,555,208,626.52	17,340,735,883.81
Expendable	12,564,507,110.39	10,500,424,260.24
Total restricted	35,119,715,736.91	27,841,160,144.05
Unrestricted net position:		
Unrestricted		
Reserved		
Encumbrances	1,229,353,905.31	932,466,429.85
Accounts receivable (less unearned revenue portion)	1,031,204,932.47	1,079,030,904.20
Inventories	98,078,440.39	91,167,620.43
Self-insurance plans	447,498,440.94	407,109,317.15
Higher Education Assistance Fund (HEAF)	11,345,849.32	10,371,705.40
Other specific purposes:		
Advanced Research/Advanced Technology Programs	565,744.93	1,205,808.34
Deposits	2,507,816.64	5,653,072.23
Prepaid expenses	122,426,946.30	107,063,270.16
Deferred charges	136,426.35	276,851.55
Imprest funds	1,260,716.82	1,287,784.89
Travel advances	227,980.51	278,391.73
Unreserved		
Allocated		
Funds functioning as endowment-unrestricted	247,981,486.53	728,516,528.82
Provision for operating budgets	20,752,538.00	15,558,090.00
Capital projects	1,343,055,873.67	1,254,554,839.29
Debt service	162,631,612.85	158,317,187.95
Start-up/matching	66,891,954.83	36,230,747.70
Utilities reserve	30,489,963.73	32,230,203.18
Research enhancement and support	241,217,519.76	225,338,133.59
Market adjustments	88,140,887.10	55,925,781.03
Student fees	145,930,255.81	174,261,158.35
Texas Tomorrow Fund shortfall	7,526,561.35	8,768,952.75
Instructional program support	540,358,431.59	347,519,570.71
Dean, chair and faculty recruitment packages	11,033,243.64	14,817,475.09
Self-supporting enterprises	169,519,268.83	113,363,053.66
Patient care support	410,023,181.20	342,340,791.34
Practice plan minimum operating reserve of 90 days	363,799,755.43	281,329,875.04
Unallocated	(2,952,169,647.94)	(2,838,445,623.72)
Total unrestricted	3,841,790,086.36	3,586,537,920.71
Total net position	\$ 45,070,651,481.63	36,980,095,812.48

As of August 31, 2014 and 2013, restricted nonexpendable net position includes \$17,564,806,331.89 and \$13,040,144,150.93, respectively, of the Permanent University Fund corpus, and \$820,000,000.00 for both years of the Permanent Health Fund corpus. As of August 31, 2014 and 2013, restricted expendable net position includes \$7,133,689,251.42 and \$5,869,121,279.14, respectively, of the Permanent University Fund appreciation, and \$293,609,279.02 and \$195,250,289.52, respectively, of the Permanent Health Fund appreciation.

Unrestricted net position, detailed in the table above, is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by actions of the Texas Legislature, internal management, and the U. T. System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs.

22. Termination Benefits

In 2011, U. T. System Administration contracted with NextJob to provide outplacement services to employees of the System who implemented a reduction in force as a result of the budget cuts implemented by the State. U. T. System Administration incurred expenses of \$225,300.00 for 430 terminated employees of the System as of August 31, 2014, and \$181,205.00 for 472 terminated employees of the System as of August 31, 2013. While U. T. System Administration contracted with NextJob, the U. T. institutions may incur travel expenses for NextJob if they request NextJob to come to their campus or if the institution requests services that fall outside of the standard service in the contract.

In 2013, U. T. Austin offered early retirement incentives at several points throughout the year. In 2013, 16 terminated employees were provided packages consisting of one-time early incentives ranging from \$150,000.00 to \$250,000.00. U. T. Austin incurred expenses of \$2,730,706.00 in early exit incentives in 2013.

In 2013, U. T. Brownsville implemented reduction in force as a direct result of the end of the partnership between U. T. Brownsville and Texas Southmost College and incurred early exit incentive expenses of \$721,500.00 for 256 terminated employees in 2013.

In 2013, U. T. San Antonio implemented a reduction in force that affected 14 employees. The benefits package provided to the 14 involuntarily terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2014 and 2013, U. T. Medical Branch - Galveston implemented reductions in force throughout the year. The benefits package provided to the 45 terminated employees in 2014 and 46 terminated employees in 2013 consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2014, U. T. Health Science Center – San Antonio implemented a reduction in force that affected 42 employees due to the closing of the Ambulatory Surgical Center at the Medical Arts and Research Center. The benefits package provided to the 42 involuntarily terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered. In 2013, U. T. Health Science Center – San Antonio implemented a reduction in force that affected 57 staff members which consisted of normal benefits and salaries with no special benefits or severance packages offered.

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group benefits for 18 to 36 months, depending upon the circumstances leading to loss of coverage. COBRA benefits for the self-insured plans offered by the System for the years ended August 31, 2014 and 2013 are provided below:

	2014	2013
Total Number of Participants ¹	2,104	2,002
Premium Revenue	\$ 4,527,769.08	4,058,110.68
2% Administrative Fee Revenue ²	(88,790.82)	(86,711.46)
Net COBRA Premium	4,438,978.26	3,971,399.22
Less Claims Paid	(14,679,984.04)	(12,250,823.98)
Cost to State	\$ (10,241,005.78)	(8,279,424.76)

¹The participants above are for the self-insured program.

²The 2 percent administrative fee is retained by the vendor administering the COBRA benefit and is paid by the participant.

23. Deferred Outflows of Resources and Deferred Inflows of Resources

As of August 31, 2014 and 2013, the System reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments and unamortized (losses)/gains on refunding debt as presented in the table below:

	2014		2013	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Derivatives	\$ 207,898,478.19	-	136,968,095.02	-
Unamortized (Loss)/Gain on Refunding Debt	41,314,651.80	7,139,418.07	47,175,851.93	8,172,526.29
Total	\$ 249,213,129.99	7,139,418.07	184,143,946.95	8,172,526.29

Deferred outflows of resources of \$207,898,478.19 and \$136,968,095.02 as of August 31, 2014 and 2013, respectively, were related to hedging derivatives in a liability position. The hedging derivative liability is disclosed in Note 7.

Deferred outflows of resources of \$41,314,651.80 and \$47,175,851.93 as of August 31, 2014 and 2013, respectively, were related to the unamortized losses on refunding debt. Deferred inflows of resources of \$7,139,418.07 and \$8,172,526.29 as of August 31, 2014 and 2013, respectively, were related to the unamortized gains on refunding debt. For debt refundings the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows.

24. Subsequent Events

On November 24, 2014, the UT System Board of Regents issued \$250,700,000.00 in RFS Refunding Bonds, Series 2014B to refund \$200,225,000.00 of RFS Bonds, Series 2006B, \$4,435,000.00 of RFS Refunding Bonds, Series 2006D, and \$57,180,000.00 of RFS Bonds, Series 2006F for savings and to pay costs of issuance. The refunded debt is considered fully defeased. An economic gain from the transaction resulted in a net present value savings of \$31,794,676.00 between the old and new debt service payments.

25. Upcoming Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective 2015, establishes new accounting and financial reporting requirements for institutions that provide their employees with pensions. The System is evaluating the effect that Statement 68 will have on its financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective 2015, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Statement 69 will govern the accounting and financial reporting of the merger of U. T. Brownsville and U. T. Pan American which will create The University of Texas Rio Grande Valley.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective 2015, amends GASB Statement 68 to require that, at transition, a beginning deferred outflow of resources is recognized for its pension contributions made subsequent to its measurement date of the beginning net pension liability. The System is evaluating the effect that Statement 71 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYEMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
August 31, 2014**

The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {(3) - (2)}	Funded Ratio {(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {(4)/(6)}
December 31, 2009	\$-	5,676,867,734	5,676,867,734	0.0%	5,026,491,379	112.9%
December 31, 2010	-	5,956,797,788	5,956,797,788	0.0%	5,309,413,147	112.2%
December 31, 2012	-	6,939,197,076	6,939,197,076	0.0%	5,674,297,785	122.3%

The Schedule of Funding Progress shown above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The plan benefit obligations as of December 31, 2011 were determined based on an actuarial roll-forward of the December 31, 2010 valuation results, and the plan benefit obligations as of December 31, 2013 were determined based on an actuarial roll-forward of the December 31, 2012 valuation results.

The University of Texas System Administration
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 740,505,947.76	650,179,729.99
Restricted Cash & Cash Equivalents	47,475,939.01	35,074,505.47
Balance in State Appropriations	41,428.39	
Securities Lending Collateral	997,969,911.26	633,473,260.60
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	2,906,552.36	3,310,885.75
Interest and Dividend Receivables	42,774,331.31	35,699,158.00
Contributions (allow. \$183.77 in 2014 & \$4,144.14 in 2013)	18,430.30	14,531.90
Investment Trades Receivables	64,710,494.59	65,280,600.65
Other (allow. \$0.00 in 2014 & \$0.00 in 2013)	209,726,623.93	155,400,182.35
Due From Other Funds	207,914,541.28	312,818,712.03
Due From Other Institutions	90,866,384.55	84,533,196.38
Due From Other Agencies	127,130.71	114,938.33
Other Current Assets	21,698,520.25	19,218,011.80
Total Current Assets	2,426,736,235.70	1,995,117,713.25
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	891,248.51	17,581,039.64
Restricted Investments	34,769,022,272.39	27,843,429,101.22
Deposit with Brokers for Derivative Contracts	16,648,305.01	126,386,370.46
Contributions Rec. (allow. \$316.23 in 2014 & \$12,355.86 in 2013)	31,716.56	43,326.57
Unrestricted Investments	6,883,202,799.98	5,623,041,733.96
Other Noncurrent Assets	1,315,711.17	1,128,070.05
Gross Capital/Intangible Assets	8,371,145,462.07	7,909,307,881.53
Accumulated Depreciation/Amortization	(84,962,158.48)	(85,853,833.11)
Total Noncurrent Assets	49,957,295,357.21	41,435,063,690.32
Total Assets	52,384,031,592.91	43,430,181,403.57
Deferred Outflows of Resources:		
Deferred Outflows-FMV of Derivatives	207,898,478.19	136,968,095.02
Deferred Outflows-Unamortized Loss Refunding Debt	41,314,651.80	47,175,851.93
Total Deferred Outflows of Resources	249,213,129.99	184,143,946.95
Total Assets and Deferred Outflows	52,633,244,722.90	43,614,325,350.52
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	100,926,832.61	90,969,102.53
Salaries Payable	6,275,490.52	3,262,448.25
Investment Trades Payables	328,991,841.81	182,891,617.69
Incurred But Not Reported Self Insurance Claims	86,468,574.15	90,671,164.79
Securities Lending Obligations	997,969,911.26	633,473,260.60
Due To Other Funds	207,914,541.28	312,818,712.03
Due To Other Institutions	629,747,141.32	528,560,829.28
Due To Other State Agencies	13,927,617.95	11,423,016.66
Statewide Interfund Payable	29,005,000.00	23,160,000.00
Unearned Revenue	15,749,060.69	10,169,721.41
Employees' Compensable Leave - Current Portion	2,806,960.69	2,996,957.41
Notes, Loans, and Leases Payable	1,121,230,000.00	929,255,000.00
Payable From Restricted Assets	52,334,120.84	45,533,554.32
Revenue Bonds Payable	1,549,169,615.24	1,563,111,372.77
Other Current Liabilities	4,000.00	4,000.00
Total Current Liabilities	5,142,520,708.36	4,428,300,757.74
Noncurrent Liabilities:		
Incurred But Not Reported Self Insurance Claims	19,503,043.85	22,400,911.21
Employees' Compensable Leave	3,739,232.58	2,301,553.94
Assets Held for Others	7,128,040,265.72	6,122,866,906.27
Liability to Beneficiaries	13,171,974.99	13,280,563.88
Net Other Postemployment Benefits Obligation	3,359,347,883.00	2,799,477,678.00
Notes, Loans, and Leases Payable		
Revenue Bonds Payable	5,558,189,139.05	5,294,074,854.33
Statewide Interfund Payable	821,412,528.29	709,159,493.83
Hedging Derivative Liability (Noncurrent)	207,898,478.19	136,968,095.02
Payable to Brokers for Collateral Held	22,455,000.00	47,957,577.94
Investment Derivatives - Liability Positions	61,506,189.08	42,606,318.44
Other Noncurrent Liabilities	1,260,234.00	896,002.00
Total Noncurrent Liabilities	17,196,523,968.75	15,191,889,954.86
Total Liabilities	22,339,044,677.11	19,620,290,712.60
Deferred Inflows of Resources:		
Deferred Inflows-Unamortized Gain Refunding Debt	7,139,418.07	8,172,526.29
Total Deferred Inflows of Resources	7,139,418.07	8,172,526.29
Total Liabilities and Deferred Inflows	22,346,184,095.18	19,628,463,238.89
NET POSITION		
Net Investment in Capital Assets	96,419,169.16	75,898,206.79
Restricted for:		
Nonexpendable		
Permanent University Fund Endowment	17,564,806,331.89	13,040,144,150.93
Permanent Health, True Endowments, and Annuities Held for Institutions	4,058,450,385.59	3,862,727,090.79
Permanent Health, True Endowments, and Annuities	387,315,484.68	387,212,413.12
Expendable		
Capital Projects	17,486,001.90	12,020,925.61
Debt Service	3,126,472.19	3,827,646.45
Funds Functioning as Endowment (Restricted)	7,954,568.91	7,274,414.23
Funds Functioning as Endowments (Restricted Held for Institutions)	433,520,808.61	355,537,089.95
Other Expendable	9,906,846,583.12	8,061,990,895.30
Unrestricted	(2,188,865,178.33)	(1,820,770,721.54)
Total Net Position	\$ 30,287,060,627.72	23,985,862,111.63

The University of Texas System Administration
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Federal Sponsored Programs	10,062,288.18	9,057,399.51
State Sponsored Programs Pass-Through from State Agencies	11,331,794.00	
Sales and Services of Educational Activities	29,613,110.14	30,078,793.75
Other Operating Revenues	30,829,042.97	48,031,740.85
Total Operating Revenues	81,836,235.29	87,167,934.11
Operating Expenses:		
Public Service	1,574,652.50	
Academic Support	10,030,625.00	
Institutional Support	692,326,204.67	658,316,987.24
Operations and Maintenance of Plant	714,650.28	307,674.93
Scholarships and Fellowships	1,602,500.00	1,384,350.00
Depreciation and Amortization	10,343,920.51	7,156,512.80
Total Operating Expenses	716,592,552.96	667,165,524.97
Operating Income (Loss)	(634,756,317.67)	(579,997,590.86)
Nonoperating Revenues (Expenses):		
State Appropriations	17,141,717.74	8,147,991.91
Federal Nonexchange Sponsored Programs	27,509,482.07	28,426,629.41
Gift Contributions for Operations	1,344,956.45	1,160,499.57
Investment Income	2,439,916,626.18	1,542,531,182.05
Net Increase (Decrease) in Fair Value of Investments	5,060,104,655.77	2,016,084,994.93
Interest Expense on Capital Asset Financings	(256,910,864.75)	(269,112,890.70)
Gain (Loss) on Sale of Capital Assets	(3,927,138.70)	(6,161.14)
Other Nonoperating (Expenses)	(6,625,596.65)	(2,543,685.52)
Net Nonoperating Revenues (Expenses)	7,278,553,838.11	3,324,688,560.51
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	6,643,797,520.44	2,744,690,969.65
Gifts and Sponsored Programs for Capital Acquisitions	733,000.00	
Additions to Permanent Endowments / Annuities	182,334,113.03	102,413,101.71
Reclass from/(to) Other Institutions	658,447,982.62	359,878,648.77
Change in Proceeds of Bonds Payable	442,208,292.80	56,522,166.56
Transfers Between Institutions & System, Debt Service - Mandatory	538,769,509.13	514,735,565.58
Transfers Between Institutions & System Admin. - Non mandatory	(1,761,745,064.55)	(958,315,774.67)
Transfers From Other State Agencies	17,999,609.00	25,348,456.32
Transfers to Other State Agencies	(421,343,554.64)	(227,403,589.44)
Legislative Appropriations Lapsed	(2,891.74)	(3,930.59)
Change in Net Position	6,301,198,516.09	2,617,865,613.89
Beginning Net Position	23,985,862,111.63	21,367,996,497.74
Ending Net Position	\$ 30,287,060,627.72	23,985,862,111.63

The University of Texas System Administration
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Sponsored Programs	21,781,889.80	8,445,526.24
Proceeds from Other Revenues	52,645,538.25	73,333,735.48
Payments to Suppliers	(92,297,477.02)	(72,882,264.54)
Payments to Employees	(48,587,778.74)	(45,310,076.91)
Net Cash Provided (Used) by Operating Activities	<u>(66,457,827.71)</u>	<u>(36,413,079.73)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	17,097,397.61	8,144,954.41
Proceeds from Operating Gifts	1,352,668.06	1,165,504.62
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	119,471,126.39	65,045,112.60
Receipts for Transfers from System or Other Agencies	134,550,220.48	126,574,819.38
Payments for Transfers to System or Other Agencies	(704,659,723.91)	(291,449,444.53)
Payments for Other Uses	(50,034.68)	55,879.92
Proceeds from Nonexchange Sponsored Programs	27,513,815.46	28,429,718.84
Net Cash Provided by Noncapital Financing Activities	<u>(404,724,530.59)</u>	<u>(62,033,454.76)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	1,554,996,784.75	435,441,000.00
Nonmandatory Capital Related Transfers	(825,841,954.53)	(819,732,087.47)
Payments of Other Costs on Debt Issuance	(4,894,738.50)	(1,455,526.66)
Proceeds from Sale of Capital Assets	-	39,312.00
Payments for Additions to Capital Assets	(23,602,452.91)	(17,037,486.48)
Payments of Principal on Capital Related Debt	(1,083,800,000.00)	(358,195,000.00)
Mandatory Transfers to System for Capital Related Debt	538,769,509.13	514,735,565.58
Payments of Interest on Capital Related Debt	(279,566,691.95)	(269,332,488.79)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(123,939,544.01)</u>	<u>(515,536,711.82)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	16,038,724,149.69	10,195,570,981.43
Proceeds from Interest and Investment Income	1,439,510,971.72	1,099,716,271.31
Payments to Acquire Investments	(16,797,075,358.92)	(10,654,343,413.04)
Net Cash Provided (Used) by Investing Activities	<u>681,159,762.49</u>	<u>640,943,839.70</u>
Net Increase (Decrease) in Cash	86,037,860.18	26,960,593.39
Cash and Cash Equivalents (Beginning of the Year)	702,835,275.10	675,874,681.71
Cash and Cash Equivalents (End of the Year)	<u>\$ 788,873,135.28</u>	<u>\$ 702,835,275.10</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(634,756,317.67)	(579,997,590.86)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	10,343,920.51	7,156,512.80
Changes in Assets and Liabilities:		
Accounts Receivable	(7,582,046.15)	1,079,192.51
Other Current and Noncurrent Assets	(2,595,167.93)	(160,039.68)
Accounts Payable	7,767,745.50	6,121,128.56
Due to System	(6,333,188.17)	(6,725,908.00)
Unearned Revenue	5,579,339.28	134,198.75
Assets Held for Others	-	(109,019.80)
Employees' Compensable Leave	1,247,681.92	477,358.99
Other Postemployment Benefits Obligation	559,870,205.00	535,611,087.00
Total Adjustments	<u>568,298,489.96</u>	<u>543,584,511.13</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (66,457,827.71)</u>	<u>\$ (36,413,079.73)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	5,060,104,655.77	2,016,084,994.93
Donated Capital Assets	733,000.00	-
Miscellaneous Noncash Transactions	13,227,481.96	(3,570,601.20)

The University of Texas at Arlington
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 98,175,985.17	85,566,904.02
Restricted Cash & Cash Equivalents	(29,364,635.43)	(22,333,739.39)
Balance in State Appropriations	14,297,719.55	5,319,061.63
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$467,731.01 in 2013)	33,424,793.34	33,218,868.55
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	2,824,383.91	816,884.91
Student (allow. \$1,446,820.43 in 2014 & \$2,021,475.12 in 2013)	34,652,956.28	41,867,509.39
Interest and Dividend Receivables	319,282.05	294,341.42
Contributions (allow. \$5,524.10 in 2014 & \$29,472.16 in 2013)	65,196.83	839,518.80
Other (allow. \$487,753.85 in 2014 & \$16,944.58 in 2013)	5,568,476.48	805,214.44
Due From System Administration	12,048,836.86	13,660,934.23
Due From Other Institutions	8,534.58	
Due From Other Agencies	2,339,027.14	2,286,798.32
Inventories	149,574.53	138,468.93
Loans & Contracts (allow. \$2,189,159.19 in 2014 & \$1,622,750.20 in 2013)	8,704,950.08	6,475,787.20
Other Current Assets	3,498,445.02	474,590.94
Total Current Assets	186,713,526.39	169,431,143.39
Noncurrent Assets:		
Restricted Investments	23,659,816.31	12,796,165.91
Loans & Contracts (allow. \$672,654.67 in 2014 & \$652,595.06 in 2013)	2,293,407.54	2,243,400.71
Funds Held by System Administration (Restricted)	120,004,570.17	101,895,401.81
Contributions Rec. (allow. \$212,036.97 in 2014 & \$208,679.59 in 2013)	6,855,862.22	6,747,306.74
Unrestricted Investments	232,426,803.57	204,463,462.55
Gross Capital/Intangible Assets	1,053,288,482.65	1,034,515,082.66
Accumulated Depreciation/Amortization	(413,557,961.53)	(369,979,872.54)
Total Noncurrent Assets	1,024,970,980.93	992,680,947.84
Total Assets	1,211,684,507.32	1,162,112,091.23
Total Assets and Deferred Outflows	1,211,684,507.32	1,162,112,091.23
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	20,548,469.45	16,812,681.83
Salaries Payable	18,234,930.06	19,175,585.38
Due To System Administration	2,987,844.74	3,183,913.58
Due To Other Institutions	38,793.17	62,279.81
Due To Other State Agencies	240,902.98	207,379.25
Statewide Interfund Payable	1,077,910.31	1,216,729.76
Unearned Revenue	114,763,857.63	105,749,474.02
Employees' Compensable Leave - Current Portion	5,555,196.66	5,559,791.56
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	2,752,551.98	644,009.36
Other Current Liabilities	261,953.15	294,064.18
Total Current Liabilities	166,462,410.13	152,905,908.73
Noncurrent Liabilities:		
Employees' Compensable Leave	3,912,311.03	2,972,038.59
Assets Held for Others	3,138,657.70	399,073.52
Liability to Beneficiaries	37,776.18	36,698.38
Notes, Loans, and Leases Payable		
Statewide Interfund Payable	6,268,585.95	7,186,998.43
Other Noncurrent Liabilities	587,396.75	591,605.49
Total Noncurrent Liabilities	13,944,727.61	11,186,414.41
Total Liabilities	180,407,137.74	164,092,323.14
Total Liabilities and Deferred Inflows	180,407,137.74	164,092,323.14
NET POSITION		
Net Investment in Capital Assets	639,730,521.12	664,535,210.12
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	69,321,054.60	60,651,322.98
Expendable		
Capital Projects	14,957,446.56	16,838,036.76
Funds Functioning as Endowment (Restricted)	4,582,498.08	5,157,315.94
Other Expendable	68,448,827.25	55,681,621.73
Unrestricted	234,237,021.97	195,156,260.56
Total Net Position	\$ 1,031,277,369.58	998,019,768.09

The University of Texas at Arlington
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 310,167,648.29	297,382,496.24
Discounts and Allowances	(88,120,495.66)	(104,167,432.16)
Federal Sponsored Programs	32,220,800.46	40,821,278.93
Federal Sponsored Programs Pass-Through from State Agencies	4,735,158.47	8,351,897.00
State Sponsored Programs Pass-Through from State Agencies	20,933,450.86	21,410,383.21
Local Sponsored Programs	1,434,770.75	827,611.85
Private Sponsored Programs	6,679,228.81	3,467,427.11
Sales and Services of Educational Activities	24,915,691.90	18,304,560.98
Auxiliary Enterprises	35,716,608.87	35,140,985.43
Other Operating Revenues	7,899,483.67	7,033,748.88
Total Operating Revenues	<u>356,582,346.42</u>	<u>328,572,957.47</u>
Operating Expenses:		
Instruction	151,693,174.21	148,947,314.52
Research	58,492,564.31	59,686,933.68
Public Service	13,420,086.80	13,475,703.07
Academic Support	34,724,969.30	32,139,431.76
Student Services	64,785,271.82	56,778,215.00
Institutional Support	36,305,730.91	36,285,652.38
Operations and Maintenance of Plant	33,577,368.58	32,680,742.73
Scholarships and Fellowships	27,677,211.10	27,728,419.88
Auxiliary Enterprises	41,698,061.98	43,225,938.46
Depreciation and Amortization	44,210,266.77	41,253,309.61
Total Operating Expenses	<u>506,584,705.78</u>	<u>492,201,661.09</u>
Operating Income (Loss)	<u>(150,002,359.36)</u>	<u>(163,628,703.62)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	115,811,344.55	110,541,444.33
Federal Nonexchange Sponsored Programs	44,740,941.79	64,665,505.06
State Nonexchange Pass-Through	217,500.00	1,214,817.13
Gift Contributions for Operations	9,274,436.66	11,775,102.94
Investment Income	14,260,386.36	12,493,027.35
Net Increase (Decrease) in Fair Value of Investments	25,571,928.99	9,875,150.79
Interest Expense on Capital Asset Financings	(159,499.83)	(181,342.09)
Gain (Loss) on Sale of Capital Assets	(406,913.30)	(904,312.61)
Other Nonoperating Revenues	16,147.97	
Other Nonoperating (Expenses)	(172,726.09)	(3,544.53)
Net Nonoperating Revenues (Expenses)	<u>209,153,547.10</u>	<u>209,475,848.37</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	59,151,187.74	45,847,144.75
Gifts and Sponsored Programs for Capital Acquisitions	576,527.16	4,273,818.00
Additions to Permanent Endowments / Annuities	3,757,030.13	3,900,444.18
Reclass from/(to) Other Institutions	(6,296,066.80)	(3,012,504.51)
Transfers Between Institutions & System, Debt Service - Mandatory	(29,424,799.41)	(29,800,584.40)
Transfers Between Institutions & System Admin. - Non mandatory	9,391,517.67	9,817,026.61
Transfers From Other State Agencies		157,427.45
Transfers to Other State Agencies	(3,897,795.00)	(4,310,974.00)
Change in Net Position	<u>33,257,601.49</u>	<u>26,871,798.08</u>
Beginning Net Position	<u>998,019,768.09</u>	<u>971,147,970.01</u>
Ending Net Position	<u>\$ 1,031,277,369.58</u>	<u>998,019,768.09</u>

The University of Texas at Arlington
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	238,935,478.67	178,608,337.77
Proceeds from Sponsored Programs	60,599,517.56	65,312,826.39
Proceeds from Auxiliaries	35,548,578.64	35,137,227.73
Proceeds from Other Revenues	32,059,583.24	25,559,295.98
Payments to Suppliers	(169,491,515.31)	(172,480,811.39)
Payments to Employees	(287,232,073.64)	(276,252,459.45)
Payments for Loans Provided	(15,521,919.96)	(9,228,791.56)
Proceeds from Loan Programs	12,624,478.44	10,689,125.09
Net Cash Provided (Used) by Operating Activities	<u>(92,477,872.36)</u>	<u>(142,655,249.44)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	106,832,686.63	111,937,385.60
Proceeds from Operating Gifts	9,059,812.31	7,480,119.88
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	3,757,030.13	3,900,444.18
Proceeds from Other Nonoperating Revenues	16,147.97	-
Receipts for Transfers from System or Other Agencies	380,781.48	10,344.57
Payments for Transfers to System or Other Agencies	(7,637,670.99)	(5,712,732.22)
Payments for Other Uses	(14,929.00)	-
Proceeds from Nonexchange Sponsored Programs	44,958,441.79	65,880,322.19
Net Cash Provided by Noncapital Financing Activities	<u>157,352,300.32</u>	<u>183,495,884.20</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	5,432,974.08	14,121,087.87
Proceeds from Capital Appropriations, Grants, and Gifts	984,150.00	3,943,950.07
Payments for Additions to Capital Assets	(20,654,352.31)	(34,702,461.84)
Mandatory Transfers to System for Capital Related Debt	(29,424,799.41)	(29,800,584.40)
Payments of Interest on Capital Related Debt	(159,499.83)	(181,342.09)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(43,821,527.47)</u>	<u>(46,619,350.39)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	1,231,436.94	1,178,861.92
Proceeds from Interest and Investment Income Invested by System	14,658,078.47	10,760,891.52
Payments to Acquire Investments Invested by System	(31,364,230.79)	(106,245.32)
Net Cash Provided (Used) by Investing Activities	<u>(15,474,715.38)</u>	<u>11,833,508.12</u>
Net Increase (Decrease) in Cash	5,578,185.11	6,054,792.49
Cash and Cash Equivalents (Beginning of the Year)	63,233,164.63	57,178,372.14
Cash and Cash Equivalents (End of the Year)	<u>\$ 68,811,349.74</u>	<u>\$ 63,233,164.63</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(150,002,359.36)	(163,628,703.62)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	44,210,266.77	41,253,309.61
Bad Debt Expense	618,271.81	1,244,875.03
Changes in Assets and Liabilities:		
Accounts Receivable	177,103.88	(27,281,659.09)
Inventories	(11,105.60)	33,609.35
Loans and Contracts	(2,897,441.52)	1,460,333.53
Other Current and Noncurrent Assets	(3,023,854.08)	(21,750.38)
Accounts Payable	6,077,193.08	297,443.24
Due to System	(196,068.84)	208,494.92
Unearned Revenue	9,014,383.61	3,032,179.10
Assets Held for Others	2,656,380.12	359,954.19
Employees' Compensable Leave	935,677.54	510,666.12
Other Current and Noncurrent Liabilities	(36,319.77)	(124,001.44)
Total Adjustments	<u>57,524,487.00</u>	<u>20,973,454.18</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (92,477,872.36)</u>	<u>\$ (142,655,249.44)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	25,571,928.99	9,875,150.79
Donated Capital Assets	472,768.00	1,212,820.85
Miscellaneous Noncash Transactions	(558,061.47)	(746,885.16)

The University of Texas at Austin
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 451,807,534.47	244,867,752.94
Restricted Cash & Cash Equivalents	148,352,647.24	84,760,073.01
Balance in State Appropriations	5,382,544.01	1,421,586.11
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	61,819,443.24	66,779,074.29
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	5,540,165.25	6,505,847.88
Student (allow. \$719,018.21 in 2014 & \$1,035,641.53 in 2013)	95,817,325.96	83,483,202.41
Interest and Dividend Receivables	6,658,330.76	6,414,516.03
Contributions (allow. \$2,309,117.43 in 2014 & \$1,915,689.98 in 2013)	54,879,348.46	45,037,920.98
Other (allow. \$307,383.54 in 2014 & \$398,177.86 in 2013)	22,293,721.71	21,238,984.82
Due From Other Funds	22,952,039.88	31,538,143.45
Due From System Administration	314,640,510.33	223,233,642.68
Due From Other Institutions	1,302,903.09	61,680.07
Due From Other Agencies	9,713,397.69	9,956,165.87
Inventories	7,029,765.43	7,388,009.23
Loans & Contracts (allow. \$0.00 in 2014 & \$0.00 in 2013)	8,933,063.57	9,030,444.87
Other Current Assets	59,222,988.15	57,630,515.46
Total Current Assets	1,276,345,729.24	899,347,560.10
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	28,126.23	
Restricted Investments	277,763,276.38	291,014,939.56
Loans & Contracts (allow. \$16,614,503.59 in 2014 & \$15,929,041.55 in 2013)	44,574,495.80	42,931,980.56
Funds Held by System Administration (Restricted)	3,383,327,313.83	3,019,393,884.49
Contributions Rec. (allow. \$6,882.77 in 2014 & \$776.84 in 2013)	119,990,738.49	78,039,566.33
Unrestricted Investments	809,982,910.68	782,266,971.19
Other Noncurrent Assets	1,386,397.96	1,386,397.96
Gross Capital/Intangible Assets	5,827,618,406.69	5,416,159,243.25
Accumulated Depreciation/Amortization	(2,744,313,628.82)	(2,591,005,925.54)
Total Noncurrent Assets	7,720,358,037.24	7,040,187,057.80
Total Assets	8,996,703,766.48	7,939,534,617.90
Total Assets and Deferred Outflows	8,996,703,766.48	7,939,534,617.90
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	110,772,135.58	80,379,919.66
Salaries Payable	62,710,190.63	61,721,787.75
Due To Other Funds	22,952,039.88	31,538,143.45
Due To System Administration	16,603,496.06	16,730,238.63
Due To Other Institutions	739,985.59	333,464.53
Due To Other State Agencies	629,784.40	441,793.08
Unearned Revenue	481,451,255.77	474,974,578.31
Employees' Compensable Leave - Current Portion	31,479,321.80	31,481,987.84
Notes, Loans, and Leases Payable	3,080,958.72	2,396,681.85
Payable From Restricted Assets	22,665,086.97	14,634,761.53
Other Current Liabilities	(7,594.70)	(125,928.70)
Total Current Liabilities	753,076,660.70	714,507,427.93
Noncurrent Liabilities:		
Employees' Compensable Leave	21,920,146.54	19,212,305.80
Assets Held for Others	10,787,593.26	8,490,655.71
Liability to Beneficiaries	6,527,379.41	6,495,164.72
Notes, Loans, and Leases Payable	18,207,486.59	19,079,789.72
Other Noncurrent Liabilities	39,418.74	61,534.03
Total Noncurrent Liabilities	57,482,024.54	53,339,449.98
Total Liabilities	810,558,685.24	767,846,877.91
Total Liabilities and Deferred Inflows	810,558,685.24	767,846,877.91
NET POSITION		
Net Investment in Capital Assets	3,062,016,332.56	2,803,676,846.14
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	1,727,759,888.76	1,653,621,509.83
Expendable		
Capital Projects	89,662,837.64	(1,922,294.03)
Funds Functioning as Endowment (Restricted)	217,832,113.19	164,286,330.36
Other Expendable	1,971,554,972.34	1,645,022,822.51
Unrestricted	1,117,318,936.75	907,002,525.18
Total Net Position	\$ 8,186,145,081.24	7,171,687,739.99

The University of Texas at Austin
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 634,828,141.58	633,906,955.71
Discounts and Allowances	(155,082,132.96)	(138,758,221.69)
Federal Sponsored Programs	354,001,956.18	388,674,926.55
Federal Sponsored Programs Pass-Through from State Agencies	26,832,257.11	26,798,328.99
State Sponsored Programs Pass-Through from State Agencies	65,511,252.77	66,117,574.81
Local Sponsored Programs	6,837,081.96	7,765,066.70
Private Sponsored Programs	116,935,780.69	107,480,801.82
Sales and Services of Educational Activities	283,749,709.95	228,736,262.52
Discounts and Allowances Sales and Services of Educational Activities	(35,123.83)	(61,800.19)
Auxiliary Enterprises	265,477,628.09	267,467,365.48
Discounts and Allowances Auxiliary Enterprises	(13,454,762.82)	(13,385,737.79)
Other Operating Revenues	7,086,233.38	8,193,916.66
Total Operating Revenues	1,592,688,022.10	1,582,935,439.57
Operating Expenses:		
Instruction	625,884,746.17	608,985,065.61
Research	428,094,548.44	444,752,672.50
Public Service	116,171,798.67	101,594,557.96
Academic Support	208,203,341.76	185,676,359.63
Student Services	56,269,129.11	56,669,277.11
Institutional Support	153,283,476.99	149,046,421.62
Operations and Maintenance of Plant	150,830,005.34	157,995,746.22
Scholarships and Fellowships	119,585,493.16	156,763,251.56
Auxiliary Enterprises	266,841,653.31	257,643,364.57
Depreciation and Amortization	239,228,711.70	292,207,747.00
Total Operating Expenses	2,364,392,904.65	2,411,334,463.78
Operating Income (Loss)	(771,704,882.55)	(828,399,024.21)
Nonoperating Revenues (Expenses):		
State Appropriations	313,996,088.64	292,300,281.14
Federal Nonexchange Sponsored Programs	44,769,860.39	68,856,397.69
Gift Contributions for Operations	130,624,008.62	117,557,136.51
Investment Income	288,236,810.72	208,856,375.02
Net Increase (Decrease) in Fair Value of Investments	265,398,771.23	107,517,876.84
Interest Expense on Capital Asset Financings	(1,248,011.00)	(1,277,137.00)
Gain (Loss) on Sale of Capital Assets	(23,578,686.56)	(5,118,575.31)
Other Nonoperating Revenues	12,433,283.89	14,300,049.08
Other Nonoperating (Expenses)	(11,004,656.00)	(43,626,958.15)
Net Nonoperating Revenues (Expenses)	1,019,627,469.93	759,365,445.82
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	247,922,587.38	(69,033,578.39)
Gifts and Sponsored Programs for Capital Acquisitions	341,549,116.55	110,088,853.00
Additions to Permanent Endowments / Annuities	76,444,823.64	42,765,130.89
Reclass from/(to) Other Institutions	(617,454,285.91)	14,041,706.19
Transfers Between Institutions & System, Debt Service - Mandatory	(98,245,986.95)	(96,568,343.65)
Transfers Between Institutions & System Admin. - Non mandatory	1,069,967,831.66	236,230,288.51
Transfers From Other State Agencies	2,020,613.34	4,074,625.48
Transfers to Other State Agencies	(7,747,358.46)	(8,751,720.25)
Change in Net Position	1,014,457,341.25	232,846,961.78
Beginning Net Position	7,171,687,739.99	6,938,840,778.21
Ending Net Position	\$ 8,186,145,081.24	7,171,687,739.99

The University of Texas at Austin
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	464,534,671.81	493,387,551.77
Proceeds from Sponsored Programs	552,956,987.28	604,195,887.31
Proceeds from Auxiliaries	258,377,145.38	250,362,917.41
Proceeds from Other Revenues	288,492,886.66	234,615,600.69
Payments to Suppliers	(761,321,689.64)	(748,194,360.57)
Payments to Employees	(1,337,117,140.52)	(1,349,572,711.65)
Payments for Loans Provided	(34,888,976.72)	(33,440,050.27)
Proceeds from Loan Programs	32,567,216.68	33,955,037.48
Net Cash Provided (Used) by Operating Activities	<u>(536,398,899.07)</u>	<u>(514,690,127.83)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	310,035,130.74	293,854,213.39
Proceeds from Operating Gifts	78,831,408.98	91,285,356.55
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	76,444,823.64	42,765,130.89
Proceeds from Other Nonoperating Revenues	104,512.65	163,397.96
Receipts for Transfers from System or Other Agencies	226,125,085.63	235,807,082.07
Payments for Transfers to System or Other Agencies	(7,763,811.93)	(9,366,243.07)
Payments for Other Uses	(1,178,559.63)	(181,246.85)
Proceeds from Nonexchange Sponsored Programs	68,856,397.69	46,640,297.70
Net Cash Provided by Noncapital Financing Activities	<u>751,454,987.77</u>	<u>700,967,988.64</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	139,557,248.42	70,907,709.37
Proceeds from Capital Appropriations, Grants, and Gifts	95,220,831.88	42,243,434.74
Proceeds from Sale of Capital Assets	224,261.18	81,784.94
Payments for Additions to Capital Assets	(254,067,048.70)	(248,174,916.27)
Payments of Principal on Capital Related Debt	(1,699,354.65)	(1,708,568.06)
Mandatory Transfers to System for Capital Related Debt	(98,245,986.95)	(96,568,343.65)
Payments of Interest on Capital Related Debt	(1,248,011.00)	(1,277,137.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(120,258,059.82)</u>	<u>(234,496,035.93)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	257,346,281.89	180,486,358.17
Proceeds from Interest and Investment Income Invested by System	31,415,105.64	26,081,230.82
Payments to Acquire Investments Invested by System	(112,998,934.42)	(238,749,054.75)
Net Cash Provided (Used) by Investing Activities	<u>175,762,453.11</u>	<u>(32,181,465.76)</u>
Net Increase (Decrease) in Cash	270,560,481.99	(80,399,640.88)
Cash and Cash Equivalents (Beginning of the Year)	329,627,825.95	410,027,466.83
Cash and Cash Equivalents (End of the Year)	<u>\$ 600,188,307.94</u>	<u>\$ 329,627,825.95</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(771,704,882.55)	(828,399,024.21)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	239,228,711.70	292,207,747.00
Bad Debt Expense	776,626.10	617,176.36
Changes in Assets and Liabilities:		
Accounts Receivable	(32,548,538.90)	5,355,265.40
Inventories	358,243.80	776,443.39
Loans and Contracts	(2,321,760.04)	514,987.21
Other Current and Noncurrent Assets	(1,592,472.69)	17,909,035.60
Accounts Payable	24,741,055.06	(1,113,906.74)
Due to System	(126,742.57)	1,082,051.15
Unearned Revenue	6,476,677.46	(3,621,193.47)
Assets Held for Others	(2,487,209.85)	-
Employees' Compensable Leave	2,705,174.70	1,703,586.20
-Other Current and Noncurrent Liabilities	96,218.71	(1,722,295.72)
Total Adjustments	<u>235,305,983.48</u>	<u>313,708,896.38</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (536,398,899.07)</u>	<u>\$ (514,690,127.83)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	265,398,771.23	107,517,876.84
Donated Capital Assets	246,328,284.67	67,845,418.26
Capital Assets Acquired Under Capital Lease Purchases	1,542,401.45	1,520,381.77
Miscellaneous Noncash Transactions	(19,566,630.28)	(31,055,925.28)

The University of Texas at Brownsville
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 18,968,529.96	15,490,363.90
Restricted Cash & Cash Equivalents	1,327,927.86	6,758,564.06
Balance in State Appropriations	13,845,547.11	13,282,214.32
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	8,548,775.18	6,776,582.95
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	394,560.67	
Student (allow. \$668,250.84 in 2014 & \$772,974.00 in 2013)	4,634,198.92	5,953,102.04
Interest and Dividend Receivables	70,558.60	86,112.75
Other (allow. \$130,700.07 in 2014 & \$108,739.92 in 2013)	8,987,510.44	5,080,146.91
Due From Other Funds	19,382,682.18	19,499,505.63
Due From System Administration	125,055.59	1,954,656.19
Due From Other Institutions	73,409.92	196,620.91
Due From Other Agencies	279,643.65	226,970.65
Loans & Contracts (allow. \$583,710.58 in 2014 & \$594,162.80 in 2013)	381.23	571.84
Other Current Assets	11,437,295.64	11,913,331.22
Total Current Assets	<u>88,076,076.95</u>	<u>87,218,743.37</u>
Noncurrent Assets:		
Restricted Investments	1,279,151.35	888,313.40
Funds Held by System Administration (Restricted)	10,291,884.41	9,196,614.34
Unrestricted Investments	25,803,476.23	31,870,939.56
Gross Capital/Intangible Assets	170,556,676.18	171,869,040.41
Accumulated Depreciation/Amortization	<u>(54,130,239.67)</u>	<u>(63,463,369.50)</u>
Total Noncurrent Assets	<u>153,800,948.50</u>	<u>150,361,538.21</u>
Total Assets	<u>241,877,025.45</u>	<u>237,580,281.58</u>
Total Assets and Deferred Outflows	<u>241,877,025.45</u>	<u>237,580,281.58</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	6,389,208.66	5,611,595.87
Salaries Payable	4,093,835.35	4,385,231.69
Due To Other Funds	19,382,682.18	19,499,505.63
Due To System Administration	1,481,906.99	926,659.98
Due To Other Institutions	24,204.49	
Due To Other State Agencies	88,319.40	65,770.76
Unearned Revenue	19,559,381.75	19,568,881.52
Employees' Compensable Leave - Current Portion	1,063,108.41	1,308,737.67
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	566,576.05	751,175.59
Assets Held for Others	8,499,498.65	11,061,628.35
Other Current Liabilities	527,014.75	
Total Current Liabilities	<u>61,675,736.68</u>	<u>63,179,187.06</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	1,128,894.99	950,324.34
Notes, Loans, and Leases Payable		
Total Noncurrent Liabilities	<u>1,128,894.99</u>	<u>950,324.34</u>
Total Liabilities	<u>62,804,631.67</u>	<u>64,129,511.40</u>
Total Liabilities and Deferred Inflows	<u>62,804,631.67</u>	<u>64,129,511.40</u>
NET POSITION		
Net Investment in Capital Assets	116,426,436.51	108,405,670.91
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	7,898,501.22	7,597,486.76
Expendable		
Capital Projects	112,332.54	1,998,243.85
Funds Functioning as Endowment (Restricted)	32,658.52	29,903.64
Other Expendable	6,242,793.44	5,333,401.44
Unrestricted	48,359,671.55	50,086,063.58
Total Net Position	<u>\$ 179,072,393.78</u>	<u>173,450,770.18</u>

The University of Texas at Brownsville
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 40,743,180.86	42,861,128.60
Discounts and Allowances	(10,534,646.35)	(10,767,983.92)
Federal Sponsored Programs	10,339,077.30	13,556,329.78
Federal Sponsored Programs Pass-Through from State Agencies	592,810.09	1,135,219.33
State Sponsored Programs	5,300.68	
State Sponsored Programs Pass-Through from State Agencies	7,615,372.57	6,234,206.00
Local Sponsored Programs	281,351.42	33,898,856.07
Private Sponsored Programs	284,866.54	358,739.99
Sales and Services of Educational Activities	2,826,764.43	2,699,029.84
Discounts and Allowances Sales and Services of Educational Activities	(163.83)	
Auxiliary Enterprises	2,093,449.43	2,219,254.49
Discounts and Allowances Auxiliary Enterprises	(462,148.23)	(416,411.58)
Other Operating Revenues	315,400.99	45,830.86
Total Operating Revenues	54,100,615.90	91,824,199.46
Operating Expenses:		
Instruction	32,112,203.26	42,011,133.30
Research	6,448,724.50	5,677,429.63
Public Service	2,989,899.04	3,994,172.71
Academic Support	13,490,535.09	16,484,000.35
Student Services	6,272,052.47	8,802,393.14
Institutional Support	9,549,787.45	12,514,780.98
Operations and Maintenance of Plant	12,409,876.47	11,763,346.47
Scholarships and Fellowships	22,249,201.95	45,046,988.30
Auxiliary Enterprises	7,237,107.72	8,520,993.21
Depreciation and Amortization	8,687,278.29	8,224,338.20
Total Operating Expenses	121,446,666.24	163,039,576.29
Operating Income (Loss)	(67,346,050.34)	(71,215,376.83)
Nonoperating Revenues (Expenses):		
State Appropriations	30,371,846.28	33,714,857.75
Federal Nonexchange Sponsored Programs	20,464,914.53	38,315,675.74
Gift Contributions for Operations	289,954.74	641,109.76
Investment Income	2,620,977.94	1,483,101.71
Net Increase (Decrease) in Fair Value of Investments	2,073,846.44	902,488.25
Gain (Loss) on Sale of Capital Assets	4,042,203.33	
Other Nonoperating Revenues	6,450.00	
Other Nonoperating (Expenses)	(173,000.00)	
Net Nonoperating Revenues (Expenses)	59,697,193.26	75,057,233.21
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	(7,648,857.08)	3,841,856.38
Capital Appropriations (HEAF)	5,057,420.00	5,057,420.00
Additions to Permanent Endowments / Annuities	178,022.44	254,236.70
Transfers Between Institutions & System, Debt Service - Mandatory	(6,836,095.75)	(6,469,000.20)
Transfers Between Institutions & System Admin. - Non mandatory	27,429,364.21	160,390.89
Transfers From Other State Agencies	6,083,291.00	
Transfers to Other State Agencies	(18,641,521.22)	(453,344.90)
Change in Net Position	5,621,623.60	2,391,558.87
Beginning Net Position	173,450,770.18	171,059,211.31
Ending Net Position	\$ 179,072,393.78	173,450,770.18

The University of Texas at Brownsville
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	31,152,141.35	29,920,374.35
Proceeds from Sponsored Programs	18,075,082.04	54,584,130.07
Proceeds from Auxiliaries	1,618,005.75	1,691,138.27
Proceeds from Other Revenues	(2,821,563.36)	(6,542,162.32)
Payments to Suppliers	(49,092,792.87)	(68,809,023.92)
Payments to Employees	(62,631,470.03)	(84,818,119.63)
Payments for Loans Provided	-	(3,100.78)
Proceeds from Loan Programs	-	4,543.74
Net Cash Provided (Used) by Operating Activities	<u>(63,700,597.12)</u>	<u>(73,972,220.22)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	31,825,748.15	33,395,139.14
Proceeds from Operating Gifts	289,954.74	641,109.76
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	178,022.44	254,236.70
Receipts for Transfers from System or Other Agencies	11,894,489.12	5,772,603.71
Payments for Transfers to System or Other Agencies	(6,268,750.97)	(6,105,667.05)
Payments for Other Uses	(173,000.00)	-
Proceeds from Nonexchange Sponsored Programs	20,090,234.19	37,656,689.74
Net Cash Provided by Noncapital Financing Activities	<u>57,836,697.67</u>	<u>71,614,112.00</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	29,074,609.00	242,061.82
Proceeds from Capital Appropriations, Grants, and Gifts	3,040,185.34	4,240,111.01
Proceeds from Sale of Capital Assets	16,315,809.00	-
Payments for Additions to Capital Assets	(46,974,808.56)	(6,743,356.48)
Mandatory Transfers to System for Capital Related Debt	(6,836,095.75)	(6,469,000.20)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,380,300.97)</u>	<u>(8,730,183.85)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	6,655,201.75	-
Proceeds from Interest and Investment Income	1,049,859.04	55,343.66
Proceeds from Interest and Investment Income Invested by System	1,586,669.49	1,420,884.83
Payments to Acquire Investments Invested by System	-	(1,188,559.71)
Net Cash Provided (Used) by Investing Activities	<u>9,291,730.28</u>	<u>287,668.78</u>
Net Increase (Decrease) in Cash	(1,952,470.14)	(10,800,623.29)
Cash and Cash Equivalents (Beginning of the Year)	22,248,927.96	33,049,551.25
Cash and Cash Equivalents (End of the Year)	<u>\$ 20,296,457.82</u>	<u>\$ 22,248,927.96</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities		
Operating Income (Loss)	(67,346,050.34)	(71,215,376.83)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	8,687,278.29	8,224,338.20
Bad Debt Expense	190.61	63.54
Changes in Assets and Liabilities:		
Accounts Receivable	(4,309,994.98)	(3,577,259.11)
Loans and Contracts	-	1,442.96
Other Current and Noncurrent Assets	476,035.58	10,073,845.27
Accounts Payable	348,370.04	(8,309,892.89)
Due to System	555,247.01	(62,822.34)
Unearned Revenue	(9,499.77)	(713,155.39)
Assets Held for Others	(2,562,129.70)	(7,946,347.63)
Employees' Compensable Leave	(67,058.61)	(447,056.00)
Other Current and Noncurrent Liabilities	527,014.75	-
Total Adjustments	<u>3,645,453.22</u>	<u>(2,756,843.39)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (63,700,597.12)</u>	<u>\$ (73,972,220.22)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	2,073,846.44	902,488.25
Miscellaneous Noncash Transactions	(13,950,955.67)	-

The University of Texas at Dallas
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 94,405,966.86	67,219,385.83
Restricted Cash & Cash Equivalents	10,651,330.27	28,091,313.55
Balance in State Appropriations	6,744,719.30	1,214,254.79
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	6,966,822.65	7,602,715.93
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	1,070,927.55	1,086,473.58
Student (allow. \$1,580,240.94 in 2014 & \$2,353,769.24 in 2013)	34,245,098.77	30,439,670.00
Interest and Dividend Receivables	486,707.03	429,800.66
Contributions (allow. \$82,923.75 in 2014 & \$27,875.41 in 2013)	1,575,551.28	529,632.75
Other (allow. \$581,574.89 in 2014 & \$596,754.10 in 2013)	8,453,721.60	8,516,835.86
Due From System Administration	36,615,818.61	31,471,738.74
Due From Other Institutions	314,790.49	
Due From Other Agencies	94,919.77	564,203.20
Inventories	272,608.20	275,098.55
Loans & Contracts (allow. \$691,449.99 in 2014 & \$722,980.45 in 2013)	8,163,090.09	6,940,181.82
Other Current Assets	12,732,652.40	5,831,517.62
Total Current Assets	222,794,724.87	190,212,822.88
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	(1,410,441.83)	(2,770,424.00)
Restricted Investments	31,001,070.97	2,891,399.25
Loans & Contracts (allow. \$314,512.92 in 2014 & \$304,592.96 in 2013)	876,570.59	978,805.66
Funds Held by System Administration (Restricted)	387,469,268.40	317,750,699.90
Contributions Rec. (allow. \$190,457.89 in 2014 & \$17,520.58 in 2013)	3,618,699.90	332,890.95
Unrestricted Investments	162,679,622.58	163,154,538.43
Gross Capital/Intangible Assets	1,201,142,283.80	1,052,324,941.56
Accumulated Depreciation/Amortization	(377,467,799.23)	(329,207,545.52)
Total Noncurrent Assets	1,407,909,275.18	1,205,455,306.23
Total Assets	1,630,704,000.05	1,395,668,129.11
Total Assets and Deferred Outflows	1,630,704,000.05	1,395,668,129.11
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	47,407,242.77	36,977,682.52
Salaries Payable	8,245,807.63	8,721,243.64
Due To System Administration	2,855,639.25	2,559,914.35
Due To Other Institutions	156,963.20	
Due To Other State Agencies	13,818.40	26,437.81
Unearned Revenue	122,552,084.64	103,400,448.70
Employees' Compensable Leave - Current Portion	4,432,338.64	4,017,220.78
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	3,476,235.02	2,908,143.95
Assets Held for Others	799,535.53	821,581.98
Other Current Liabilities	90,591.06	159,154.20
Total Current Liabilities	190,030,256.14	159,591,827.93
Noncurrent Liabilities:		
Employees' Compensable Leave	3,924,580.57	3,646,098.07
Liability to Beneficiaries	11,988.13	14,488.37
Notes, Loans, and Leases Payable		
Total Noncurrent Liabilities	3,936,568.70	3,660,586.44
Total Liabilities	193,966,824.84	163,252,414.37
Total Liabilities and Deferred Inflows	193,966,824.84	163,252,414.37
NET POSITION		
Net Investment in Capital Assets	823,674,484.57	723,117,396.04
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	227,959,702.79	191,364,941.14
Expendable		
Capital Projects	16,856,735.30	13,238,773.20
Funds Functioning as Endowment (Restricted)	20,333,810.68	18,048,508.67
Other Expendable	192,944,811.19	150,910,399.20
Unrestricted	154,967,630.68	135,735,696.49
Total Net Position	\$ 1,436,737,175.21	1,232,415,714.74

The University of Texas at Dallas
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 302,926,321.49	266,203,988.02
Discounts and Allowances	(81,588,203.07)	(63,493,748.35)
Federal Sponsored Programs	33,154,362.74	34,713,957.66
Federal Sponsored Programs Pass-Through from State Agencies	2,377,584.94	2,026,817.56
State Sponsored Programs Pass-Through from State Agencies	8,948,642.76	7,837,232.63
Local Sponsored Programs	26,308.59	232,225.01
Private Sponsored Programs	11,239,224.50	10,000,485.78
Sales and Services of Educational Activities	18,237,864.05	14,026,306.01
Discounts and Allowances Sales and Services of Educational Activities	(157,323.34)	
Auxiliary Enterprises	20,468,184.01	16,311,863.27
Other Operating Revenues	2,589,851.49	6,244,515.86
Total Operating Revenues	318,222,818.16	294,103,643.45
Operating Expenses:		
Instruction	155,773,680.84	139,205,630.14
Research	81,491,465.98	79,629,705.87
Public Service	8,964,972.73	6,977,912.59
Academic Support	45,297,574.37	41,976,213.51
Student Services	16,268,468.92	14,185,893.08
Institutional Support	45,217,425.71	41,589,334.30
Operations and Maintenance of Plant	34,022,002.10	31,015,057.80
Scholarships and Fellowships	21,837,516.88	18,247,033.21
Auxiliary Enterprises	26,952,955.36	22,730,294.79
Depreciation and Amortization	55,546,531.42	45,838,709.46
Total Operating Expenses	491,372,594.31	441,395,784.75
Operating Income (Loss)	(173,149,776.15)	(147,292,141.30)
Nonoperating Revenues (Expenses):		
State Appropriations	101,914,381.14	89,265,879.23
Federal Nonexchange Sponsored Programs	27,469,307.00	16,146,432.80
State Nonexchange Pass-Through	2,549,950.00	21,254,983.50
Gift Contributions for Operations	15,624,130.83	9,528,734.41
Investment Income	35,657,359.74	21,119,630.94
Net Increase (Decrease) in Fair Value of Investments	28,565,875.73	4,454,089.08
Gain (Loss) on Sale of Capital Assets	(2,282,345.22)	(2,294,181.79)
Other Nonoperating Revenues		765,529.32
Other Nonoperating (Expenses)	(1,548.25)	(590.96)
Net Nonoperating Revenues (Expenses)	209,497,110.97	160,240,506.53
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	36,347,334.82	12,948,365.23
Gifts and Sponsored Programs for Capital Acquisitions	13,321,064.74	12,523,139.50
Additions to Permanent Endowments / Annuities	32,615,432.35	6,771,016.00
Reclass from/(to) Other Institutions	10,448,974.92	(50,886,280.91)
Transfers Between Institutions & System, Debt Service - Mandatory	(33,759,009.76)	(30,559,289.68)
Transfers Between Institutions & System Admin. - Non mandatory	146,330,694.42	196,522,601.80
Transfers From Other State Agencies	2,183,421.39	
Transfers to Other State Agencies	(3,166,452.41)	(2,630,359.53)
Change in Net Position	204,321,460.47	144,689,192.41
Beginning Net Position	1,232,415,714.74	1,087,726,522.33
Ending Net Position	\$ 1,436,737,175.21	1,232,415,714.74

The University of Texas at Dallas
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	233,195,523.97	210,512,559.84
Proceeds from Sponsored Programs	57,343,836.52	57,156,819.42
Proceeds from Auxiliaries	23,129,976.96	16,203,808.11
Proceeds from Other Revenues	20,835,808.53	17,614,661.47
Payments to Suppliers	(138,289,808.15)	(117,327,718.55)
Payments to Employees	(295,024,580.72)	(265,630,981.77)
Payments for Loans Provided	(24,723,353.80)	(22,773,462.16)
Proceeds from Loan Programs	23,596,786.43	21,808,543.47
Net Cash Provided (Used) by Operating Activities	<u>(99,935,810.26)</u>	<u>(82,435,770.17)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	96,383,916.63	92,738,130.64
Proceeds from Operating Gifts	11,292,403.35	13,974,995.44
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	32,615,432.35	6,771,016.00
Proceeds from Other Nonoperating Revenues	-	765,529.32
Receipts for Transfers from System or Other Agencies	10,117,713.80	10,045,918.58
Payments for Transfers to System or Other Agencies	(8,327,380.13)	(6,220,980.16)
Payments for Other Uses	(21,451.94)	21,451.94
Proceeds from Nonexchange Sponsored Programs	30,019,257.00	37,401,416.30
Net Cash Provided by Noncapital Financing Activities	<u>172,079,891.06</u>	<u>155,497,478.06</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	148,293,538.72	149,956,015.33
Proceeds from Capital Appropriations, Grants, and Gifts	13,321,064.74	12,523,139.50
Payments for Additions to Capital Assets	(154,228,444.52)	(160,682,006.65)
Payments of Principal on Capital Related Debt	-	(80,991.93)
Mandatory Transfers to System for Capital Related Debt	(33,759,009.76)	(30,559,289.68)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(26,372,850.82)</u>	<u>(28,843,133.43)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	59,250.06	47,527.41
Proceeds from Interest and Investment Income Invested by System	34,063,548.52	30,695,487.55
Payments to Acquire Investments Invested by System	(68,787,448.64)	(60,555,365.11)
Net Cash Provided (Used) by Investing Activities	<u>(34,664,650.06)</u>	<u>(29,812,350.15)</u>
Net Increase (Decrease) in Cash	11,106,579.92	14,406,224.31
Cash and Cash Equivalents (Beginning of the Year)	92,540,275.38	78,134,051.07
Cash and Cash Equivalents (End of the Year)	<u>\$ 103,646,855.30</u>	<u>\$ 92,540,275.38</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(173,149,776.15)	(147,292,141.30)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	55,546,531.42	45,838,709.46
Bad Debt Expense	14,006.17	223,581.66
Changes in Assets and Liabilities:		
Accounts Receivable	(2,944,494.26)	284,294.43
Inventories	2,490.35	36,923.25
Loans and Contracts	(1,126,567.37)	(964,918.69)
Other Current and Noncurrent Assets	(6,901,134.78)	447,913.60
Accounts Payable	8,572,782.75	10,756,967.24
Due to System	295,724.90	300,677.45
Unearned Revenue	19,151,635.94	9,699,483.94
Assets Held for Others	(22,046.45)	(2,395,777.82)
Employees' Compensable Leave	693,600.36	729,403.70
Other Current and Noncurrent Liabilities	(68,563.14)	(100,887.09)
Total Adjustments	<u>73,213,965.89</u>	<u>64,856,371.13</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (99,935,810.26)</u>	<u>\$ (82,435,770.17)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	28,565,875.73	4,454,089.08
Miscellaneous Noncash Transactions	(240,052.86)	(7,998,501.79)

The University of Texas at El Paso
Exhibit A Statement of Net Position
As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 39,322,081.97	38,930,437.25
Restricted Cash & Cash Equivalents	5,741,851.22	7,627,498.35
Balance in State Appropriations	4,817,871.08	2,160,273.33
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	25,034,853.63	18,125,363.67
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	13,352,317.96	1,817,249.62
Student (allow. \$1,584,729.60 in 2014 & \$872,716.29 in 2013)	18,490,346.21	17,915,016.67
Interest and Dividend Receivables	466,729.69	450,276.73
Contributions (allow. \$758,044.12 in 2014 & \$736,394.02 in 2013)	4,295,629.88	4,698,792.59
Other (allow. \$1,032,739.48 in 2014 & \$692,763.63 in 2013)	21,982,966.14	11,434,376.05
Due From System Administration	9,591,206.87	9,482,732.27
Due From Other Institutions	59,457.08	5,042.95
Due From Other Agencies	312,961.64	499,188.20
Inventories	362,592.67	360,981.86
Loans & Contracts (allow. \$0.00 in 2014 & \$0.00 in 2013)	4,269,778.03	4,647,185.77
Other Current Assets	15,457,542.92	14,152,825.93
Total Current Assets	<u>163,558,186.99</u>	<u>132,307,241.24</u>
Noncurrent Assets:		
Restricted Investments	9,191,615.87	13,036,782.33
Loans & Contracts (allow. \$1,072,419.41 in 2014 & \$1,072,419.41 in 2013)	77,213.59	77,212.95
Funds Held by System Administration (Restricted)	226,368,653.36	201,549,728.58
Contributions Rec. (allow. \$227,357.25 in 2014 & \$276,399.23 in 2013)	1,288,357.72	2,032,620.21
Unrestricted Investments	85,671,232.11	85,624,139.73
Other Noncurrent Assets		40,106.24
Gross Capital/Intangible Assets	804,656,028.60	774,543,646.04
Accumulated Depreciation/Amortization	(292,742,426.58)	(265,621,460.82)
Total Noncurrent Assets	<u>834,510,674.67</u>	<u>811,282,775.26</u>
Total Assets	<u>998,068,861.66</u>	<u>943,590,016.50</u>
Total Assets and Deferred Outflows	<u>998,068,861.66</u>	<u>943,590,016.50</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	26,346,915.83	14,796,109.56
Salaries Payable	13,486,155.82	12,735,763.49
Due To System Administration	4,265,785.84	2,353,751.49
Due To Other Institutions	128,360.88	74,983.30
Due To Other State Agencies	320,394.37	134,526.33
Unearned Revenue	71,957,530.93	68,539,092.96
Employees' Compensable Leave - Current Portion	3,732,439.11	3,740,608.38
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	3,044,936.11	1,060,598.58
Assets Held for Others	2,316,748.79	2,051,452.62
Other Current Liabilities	2,038,492.53	972,782.22
Total Current Liabilities	<u>127,637,760.21</u>	<u>106,459,668.93</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	3,300,103.54	2,954,085.45
Liability to Beneficiaries	3,403,812.95	3,273,554.83
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	5,383.74	436,894.53
Total Noncurrent Liabilities	<u>6,709,300.23</u>	<u>6,664,534.81</u>
Total Liabilities	<u>134,347,060.44</u>	<u>113,124,203.74</u>
Total Liabilities and Deferred Inflows	<u>134,347,060.44</u>	<u>113,124,203.74</u>
NET POSITION		
Net Investment in Capital Assets	511,913,602.02	508,922,185.22
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	112,854,784.36	109,150,714.15
Expendable		
Capital Projects	7,033,605.62	3,091,452.61
Funds Functioning as Endowment (Restricted)	18,591,676.39	17,648,975.80
Other Expendable	137,459,532.94	119,857,707.03
Unrestricted	75,868,599.89	71,794,777.95
Total Net Position	<u>\$ 863,721,801.22</u>	<u>830,465,812.76</u>

The University of Texas at El Paso
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 138,905,250.74	134,198,969.55
Discounts and Allowances	(35,540,945.00)	(48,411,576.00)
Federal Sponsored Programs	43,217,645.53	49,273,320.44
Federal Sponsored Programs Pass-Through from State Agencies	945,281.14	1,321,369.75
State Sponsored Programs Pass-Through from State Agencies	20,453,338.94	18,527,073.73
Local Sponsored Programs	685,060.37	1,021,461.33
Private Sponsored Programs	5,639,446.47	7,081,388.82
Sales and Services of Educational Activities	7,778,114.64	6,623,431.92
Auxiliary Enterprises	24,659,064.07	25,952,631.81
Other Operating Revenues	5,931,532.32	129,647.68
Total Operating Revenues	212,673,789.22	195,717,719.03
Operating Expenses:		
Instruction	98,254,766.01	98,757,849.40
Research	61,314,711.51	64,960,825.47
Public Service	9,817,179.01	9,593,674.60
Academic Support	20,298,629.00	19,670,722.98
Student Services	17,061,395.33	17,056,358.22
Institutional Support	31,245,046.46	24,962,546.43
Operations and Maintenance of Plant	26,446,052.85	25,425,417.67
Scholarships and Fellowships	52,333,088.91	54,350,903.80
Auxiliary Enterprises	40,131,943.22	38,668,174.55
Depreciation and Amortization	27,887,173.33	27,241,690.12
Total Operating Expenses	384,789,985.63	380,688,163.24
Operating Income (Loss)	(172,116,196.41)	(184,970,444.21)
Nonoperating Revenues (Expenses):		
State Appropriations	90,599,469.01	91,154,284.38
Federal Nonexchange Sponsored Programs	53,067,594.99	70,485,318.39
State Nonexchange Pass-Through	123,125.00	5,137,948.91
Gift Contributions for Operations	7,097,648.06	9,524,225.54
Investment Income	10,214,435.00	11,289,038.49
Net Increase (Decrease) in Fair Value of Investments	32,068,238.91	11,045,884.79
Gain (Loss) on Sale of Capital Assets	(70,772.98)	(75,952.84)
Other Nonoperating Revenues	563,165.24	206,369.00
Other Nonoperating (Expenses)	(429,218.38)	(724,316.60)
Net Nonoperating Revenues (Expenses)	193,233,684.85	198,042,800.06
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	21,117,488.44	13,072,355.85
Gifts and Sponsored Programs for Capital Acquisitions	8,372,988.56	1,136,141.03
Additions to Permanent Endowments / Annuities	3,637,294.96	10,015,540.24
Reclass from/(to) Other Institutions	13,951,121.26	(32,348,707.65)
Transfers Between Institutions & System, Debt Service - Mandatory	(21,419,042.55)	(18,956,649.17)
Transfers Between Institutions & System Admin. - Non mandatory	9,689,332.83	70,935,971.88
Transfers From Other State Agencies	16,500.67	4,366.11
Transfers to Other State Agencies	(2,109,695.30)	(2,036,008.17)
Legislative Appropriations Lapsed	(0.41)	
Change in Net Position	33,255,988.46	41,823,010.12
Beginning Net Position	830,465,812.76	788,642,802.64
Ending Net Position	\$ 863,721,801.22	830,465,812.76

The University of Texas at El Paso
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	110,100,808.04	90,119,379.32
Proceeds from Sponsored Programs	52,897,221.79	73,508,617.15
Proceeds from Auxiliaries	19,817,196.28	24,377,018.27
Proceeds from Other Revenues	24,659,036.18	5,536,979.16
Payments to Suppliers	(148,629,753.65)	(155,034,756.46)
Payments to Employees	(205,459,914.40)	(200,131,715.06)
Payments for Loans Provided	(4,010,879.20)	(7,444,416.92)
Proceeds from Loan Programs	4,388,286.30	7,421,413.42
Net Cash Provided (Used) by Operating Activities	<u>(146,237,998.66)</u>	<u>(161,647,481.12)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	87,941,870.85	92,131,666.64
Proceeds from Operating Gifts	8,245,073.26	9,506,490.82
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	3,637,294.96	10,015,540.24
Proceeds from Other Nonoperating Revenues	(1,224.00)	206,369.00
Receipts for Transfers from System or Other Agencies	293,584.93	73,633.71
Payments for Transfers to System or Other Agencies	(2,619,038.07)	(2,315,366.25)
Payments for Other Uses	-	(101,340.97)
Proceeds from Nonexchange Sponsored Programs	53,190,719.99	75,623,267.30
Net Cash Provided by Noncapital Financing Activities	<u>150,688,281.92</u>	<u>185,140,260.49</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	23,649,925.73	40,551,729.65
Proceeds from Capital Appropriations, Grants, and Gifts	528,183.56	358,648.68
Payments for Additions to Capital Assets	(29,747,574.00)	(44,724,401.11)
Mandatory Transfers to System for Capital Related Debt	(21,419,042.55)	(18,956,649.17)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(26,988,507.26)</u>	<u>(22,770,671.95)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	11,047,388.21	-
Proceeds from Interest and Investment Income	36,624.01	41,702.25
Proceeds from Interest and Investment Income Invested by System	9,960,209.37	11,230,006.20
Payments to Acquire Investments Invested by System	-	(10,297,425.38)
Net Cash Provided (Used) by Investing Activities	<u>21,044,221.59</u>	<u>974,283.07</u>
Net Increase (Decrease) in Cash	(1,494,002.41)	1,696,390.49
Cash and Cash Equivalents (Beginning of the Year)	46,557,935.60	44,861,545.11
Cash and Cash Equivalents (End of the Year)	<u>\$ 45,063,933.19</u>	<u>\$ 46,557,935.60</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(172,116,196.41)	(184,970,444.21)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	27,887,173.33	27,241,690.12
Bad Debt Expense	-	99,146.03
Changes in Assets and Liabilities:		
Accounts Receivable	(21,436,665.50)	(3,482,197.14)
Inventories	(1,610.81)	38,745.26
Loans and Contracts	377,407.10	(23,003.50)
Other Current and Noncurrent Assets	(1,264,610.75)	4,201,762.37
Accounts Payable	13,614,501.69	(6,538,254.38)
Due to System	1,912,034.35	104,657.48
Unearned Revenue	3,418,437.97	2,423,557.98
Assets Held for Others	265,296.17	(153,464.66)
Employees' Compensable Leave	337,848.82	393,476.56
Other Current and Noncurrent Liabilities	768,385.38	(983,153.03)
Total Adjustments	<u>25,878,197.75</u>	<u>23,322,963.09</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (146,237,998.66)</u>	<u>\$ (161,647,481.12)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	32,068,238.91	11,045,884.79
Donated Capital Assets	51,174.00	571,123.35
Miscellaneous Noncash Transactions	510,116.93	(71,586.73)

The University of Texas-Pan American
Exhibit A Statement of Net Position
As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 38,831,637.74	31,855,442.95
Restricted Cash & Cash Equivalents	(17,707,140.28)	(14,462,584.20)
Balance in State Appropriations	6,076,450.54	9,725,313.12
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	43,579,108.39	32,765,735.41
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	4,754,299.47	5,047,147.53
Student (allow. \$2,031,230.43 in 2014 & \$2,075,068.36 in 2013)	13,839,201.61	13,297,844.24
Interest and Dividend Receivables	216,763.17	227,149.67
Contributions (allow. \$2,855.78 in 2014 & \$3,776.51 in 2013)	281,721.84	373,873.59
Other (allow. \$0.00 in 2014 & \$0.00 in 2013)	4,285,333.40	4,771,194.42
Due From System Administration	19,027,453.54	30,564,428.75
Due From Other Institutions	139,146.78	191,597.56
Due From Other Agencies	310,400.06	215,944.05
Inventories	177,028.62	222,093.59
Loans & Contracts (allow. \$3,070,541.90 in 2014 & \$3,466,152.34 in 2013)	3,379,893.56	3,513,184.79
Other Current Assets	719,201.46	235,433.95
Total Current Assets	117,910,499.90	118,543,799.42
Noncurrent Assets:		
Restricted Investments	2,033,811.56	1,882,511.42
Loans & Contracts (allow. \$861,440.94 in 2014 & \$883,558.62 in 2013)	339,211.02	43,909.56
Funds Held by System Administration (Restricted)	37,817,895.44	33,848,617.85
Contributions Rec. (allow. \$485.03 in 2014 & \$2,095.80 in 2013)	48,017.91	207,483.23
Unrestricted Investments	85,195,134.42	88,064,447.64
Other Noncurrent Assets	56,609.36	26,480.83
Gross Capital/Intangible Assets	469,677,019.89	423,000,849.76
Accumulated Depreciation/Amortization	(235,195,718.00)	(220,188,455.26)
Total Noncurrent Assets	359,971,981.60	326,885,845.03
Total Assets	477,882,481.50	445,429,644.45
Total Assets and Deferred Outflows	477,882,481.50	445,429,644.45
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	17,236,690.18	12,799,216.61
Salaries Payable	10,508,501.66	9,632,614.06
Federal Payables	19,042,319.98	10,497,475.18
Due To System Administration	1,574,371.86	1,481,484.79
Due To Other Institutions	71,391.71	56,429.03
Due To Other State Agencies	31,823.88	450,072.31
Unearned Revenue	38,399,400.27	35,711,534.15
Employees' Compensable Leave - Current Portion	1,353,852.79	1,261,248.13
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	2,092,201.08	3,642,434.56
Other Current Liabilities	961,038.58	895,948.61
Total Current Liabilities	91,271,591.99	76,428,457.43
Noncurrent Liabilities:		
Employees' Compensable Leave	3,346,005.89	2,838,378.50
Assets Held for Others	436,137.71	731,488.55
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	56,609.36	26,480.83
Total Noncurrent Liabilities	3,838,752.96	3,596,347.88
Total Liabilities	95,110,344.95	80,024,805.31
Total Liabilities and Deferred Inflows	95,110,344.95	80,024,805.31
NET POSITION		
Net Investment in Capital Assets	234,481,301.89	202,812,394.50
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	12,142,765.62	11,552,172.55
Expendable		
Capital Projects	11,772,321.62	26,409,094.75
Funds Functioning as Endowment (Restricted)	1,269,632.38	1,242,582.42
Other Expendable	20,342,619.42	18,141,617.45
Unrestricted	102,763,495.62	105,246,977.47
Total Net Position	\$ 382,772,136.55	365,404,839.14

The University of Texas-Pan American
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 121,667,264.25	114,343,430.31
Discounts and Allowances	(52,548,652.55)	(72,709,438.61)
Federal Sponsored Programs	16,726,133.09	13,791,937.51
Federal Sponsored Programs Pass-Through from State Agencies	1,382,100.65	1,469,743.37
State Sponsored Programs Pass-Through from State Agencies	30,128,868.70	25,647,140.67
Local Sponsored Programs	49,790.75	68,562.69
Private Sponsored Programs	1,870,157.23	2,172,335.58
Sales and Services of Educational Activities	4,938,646.06	5,151,121.13
Auxiliary Enterprises	7,201,208.47	6,823,262.54
Other Operating Revenues	2,397,218.47	3,066,500.90
Total Operating Revenues	<u>133,812,735.12</u>	<u>99,824,596.09</u>
Operating Expenses:		
Instruction	85,825,807.36	81,725,783.09
Research	8,098,694.21	6,830,160.01
Public Service	6,645,785.59	7,115,571.78
Academic Support	19,026,020.66	19,978,418.43
Student Services	17,020,268.08	15,635,414.15
Institutional Support	23,319,099.86	21,617,014.42
Operations and Maintenance of Plant	16,482,616.37	17,845,089.82
Scholarships and Fellowships	52,893,467.01	44,851,224.81
Auxiliary Enterprises	17,478,911.85	16,067,309.28
Depreciation and Amortization	16,282,380.42	15,318,051.30
Total Operating Expenses	<u>263,073,051.41</u>	<u>246,984,037.09</u>
Operating Income (Loss)	<u>(129,260,316.29)</u>	<u>(147,159,441.00)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	73,247,906.48	68,518,055.12
Federal Nonexchange Sponsored Programs	52,634,468.21	70,271,908.33
Gift Contributions for Operations	3,237,130.56	3,443,629.12
Investment Income	6,252,210.66	5,585,330.11
Net Increase (Decrease) in Fair Value of Investments	8,042,939.16	1,944,441.97
Gain (Loss) on Sale of Capital Assets	(390,812.70)	(414,697.88)
Other Nonoperating Revenues	857,500.00	68,017.69
Other Nonoperating (Expenses)	(156,465.32)	(39,750.00)
Net Nonoperating Revenues (Expenses)	<u>143,724,877.05</u>	<u>149,376,934.46</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	14,464,560.76	2,217,493.46
Capital Appropriations (HEAF)	12,311,123.00	12,311,123.00
Gifts and Sponsored Programs for Capital Acquisitions	76,952.54	197,230.80
Additions to Permanent Endowments / Annuities	825,890.34	747,661.70
Reclass from/(to) Other Institutions	(1,569,282.34)	
Transfers Between Institutions & System, Debt Service - Mandatory	(11,922,216.47)	(12,003,377.00)
Transfers Between Institutions & System Admin. - Non mandatory	4,885,047.28	1,313,770.28
Transfers to Other State Agencies	(1,704,777.70)	(1,800,232.96)
Change in Net Position	<u>17,367,297.41</u>	<u>2,983,669.28</u>
Beginning Net Position	<u>365,404,839.14</u>	<u>362,421,169.86</u>
Ending Net Position	<u>\$ 382,772,136.55</u>	<u>365,404,839.14</u>

The University of Texas-Pan American
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	71,885,993.24	40,358,834.91
Proceeds from Sponsored Programs	39,558,789.64	44,818,816.45
Proceeds from Auxiliaries	7,663,811.44	6,067,813.89
Proceeds from Other Revenues	7,289,552.48	6,884,339.06
Payments to Suppliers	(89,524,577.09)	(87,981,618.08)
Payments to Employees	(149,265,672.11)	(140,902,427.63)
Payments for Loans Provided	(11,222,008.54)	(11,081,614.27)
Proceeds from Loan Programs	11,477,726.43	11,486,473.27
Net Cash Provided (Used) by Operating Activities	<u>(112,136,384.51)</u>	<u>(130,349,382.40)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	76,896,769.06	72,430,296.72
Proceeds from Operating Gifts	3,488,747.63	3,452,967.67
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	825,890.34	747,661.70
Proceeds from Other Nonoperating Revenues	857,500.00	38,503.69
Receipts for Transfers from System or Other Agencies	1,785,618.15	447,314.09
Payments for Transfers to System or Other Agencies	(1,709,777.70)	(2,357,036.28)
Payments for Other Uses	(186,965.32)	(9,250.00)
Proceeds from Nonexchange Sponsored Programs	51,480,204.78	66,583,810.28
Net Cash Provided by Noncapital Financing Activities	<u>133,437,986.94</u>	<u>141,334,267.87</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	13,072,055.93	7,757,058.47
Proceeds from Capital Appropriations, Grants, and Gifts	12,311,123.00	12,311,123.00
Proceeds from Sale of Capital Assets	7,864.69	29,760.00
Payments for Additions to Capital Assets	(44,093,128.75)	(31,125,587.08)
Mandatory Transfers to System for Capital Related Debt	(11,922,216.47)	(12,003,377.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,624,301.60)</u>	<u>(23,031,022.61)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	6,791,674.65	-
Proceeds from Interest and Investment Income	153,092.51	267,998.80
Proceeds from Interest and Investment Income Invested by System	6,109,570.72	5,308,501.57
Payments to Acquire Investments Invested by System	-	(2,891,616.98)
Net Cash Provided (Used) by Investing Activities	<u>13,054,337.88</u>	<u>2,684,883.39</u>
Net Increase (Decrease) in Cash	3,731,638.71	(9,361,253.75)
Cash and Cash Equivalents (Beginning of the Year)	17,392,858.75	26,754,112.50
Cash and Cash Equivalents (End of the Year)	<u>\$ 21,124,497.46</u>	<u>\$ 17,392,858.75</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(129,260,316.29)	(147,159,441.00)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	16,282,380.42	15,318,051.30
Bad Debt Expense	(417,728.12)	(102,168.29)
Changes in Assets and Liabilities:		
Accounts Receivable	(9,463,763.07)	(150,800.35)
Inventories	45,064.97	66,183.06
Loans and Contracts	255,717.89	404,859.00
Other Current and Noncurrent Assets	(513,896.04)	(193,919.16)
Accounts Payable	7,755,302.83	2,008,946.08
Due to System	92,887.07	105,378.46
Unearned Revenue	2,687,866.12	288,845.46
Assets Held for Others	(295,350.84)	(1,328,443.82)
Employees' Compensable Leave	600,232.05	295,200.62
Other Current and Noncurrent Liabilities	95,218.50	97,926.24
Total Adjustments	<u>17,123,931.78</u>	<u>16,810,058.60</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (112,136,384.51)</u>	<u>\$ (130,349,382.40)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	8,042,939.16	1,944,441.97
Donated Capital Assets	76,952.54	197,230.80
Miscellaneous Noncash Transactions	(390,812.70)	(572,683.88)

The University of Texas of the Permian Basin
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 8,950,538.50	14,039,918.23
Restricted Cash & Cash Equivalents	2,217,594.85	2,878,882.42
Balance in State Appropriations	1,548,101.37	666,681.48
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	3,253,397.66	3,758,726.38
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	699,821.13	322,226.57
Student (allow. \$0.00 in 2014 & \$0.00 in 2013)	9,141,220.19	2,966,913.25
Contributions (allow. \$33,235.25 in 2014 & \$101,323.74 in 2013)	299,117.20	911,913.64
Other (allow. \$361,676.25 in 2014 & \$244,189.89 in 2013)	6,176,911.84	2,872,221.27
Due From System Administration	10,875,778.32	2,541,410.36
Due From Other Agencies	433,176.06	
Inventories	285,563.45	184,459.72
Loans & Contracts (allow. \$21,935.49 in 2014 & \$15,570.72 in 2013)	450,519.79	453,339.91
Other Current Assets	766,655.75	238,344.50
Total Current Assets	<u>45,098,396.11</u>	<u>31,835,037.73</u>
Noncurrent Assets:		
Restricted Investments	2,451,829.90	1,052,483.82
Funds Held by System Administration (Restricted)	42,054,413.96	35,995,622.58
Contributions Rec. (allow. \$27,951.33 in 2014 & \$114,084.28 in 2013)	251,561.92	1,026,758.49
Unrestricted Investments	5,791,796.80	2,256,558.93
Gross Capital/Intangible Assets	296,705,679.54	283,500,770.96
Accumulated Depreciation/Amortization	(96,344,569.15)	(84,556,233.81)
Total Noncurrent Assets	<u>250,910,712.97</u>	<u>239,275,960.97</u>
Total Assets	<u>296,009,109.08</u>	<u>271,110,998.70</u>
Total Assets and Deferred Outflows	<u>296,009,109.08</u>	<u>271,110,998.70</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	6,988,591.18	5,469,183.23
Salaries Payable	1,585,497.19	1,955,976.64
Due To System Administration	372,088.69	766,766.35
Due To Other State Agencies	164,167.95	
Unearned Revenue	9,302,591.81	9,681,430.01
Employees' Compensable Leave - Current Portion	551,955.28	589,806.00
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	454,981.50	57,361.35
Assets Held for Others		320,101.66
Other Current Liabilities	491,165.35	423,755.65
Total Current Liabilities	<u>19,911,038.95</u>	<u>19,264,380.89</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	357,124.66	110,288.53
Assets Held for Others	(1,424,389.15)	
Notes, Loans, and Leases Payable		
Total Noncurrent Liabilities	<u>(1,067,264.49)</u>	<u>110,288.53</u>
Total Liabilities	<u>18,843,774.46</u>	<u>19,374,669.42</u>
Total Liabilities and Deferred Inflows	<u>18,843,774.46</u>	<u>19,374,669.42</u>
NET POSITION		
Net Investment in Capital Assets	200,361,110.39	198,944,537.15
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	31,440,830.12	28,539,996.54
Expendable		
Capital Projects	9,519,849.61	(4,348,783.58)
Funds Functioning as Endowment (Restricted)	60,686.01	55,502.03
Other Expendable	21,041,152.62	16,703,863.18
Unrestricted	14,741,705.87	11,841,213.96
Total Net Position	<u>\$ 277,165,334.62</u>	<u>251,736,329.28</u>

The University of Texas of the Permian Basin
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 30,238,845.19	20,153,695.20
Discounts and Allowances	(5,970,856.71)	(4,521,732.31)
Federal Sponsored Programs	1,629,519.06	1,295,287.04
Federal Sponsored Programs Pass-Through from State Agencies	1,015,452.54	501,513.05
State Sponsored Programs Pass-Through from State Agencies	1,327,710.99	1,126,508.22
Local Sponsored Programs	24,851.15	10,962.97
Private Sponsored Programs	78,112.11	47,703.05
Sales and Services of Educational Activities	1,644,711.47	1,211,090.51
Auxiliary Enterprises	3,905,161.36	4,796,174.77
Discounts and Allowances Auxiliary Enterprises	(590,623.32)	(1,073,677.93)
Other Operating Revenues	156,324.30	519,841.66
Total Operating Revenues	33,459,208.14	24,067,366.23
Operating Expenses:		
Instruction	19,018,930.92	16,173,516.87
Research	1,412,482.93	1,074,404.49
Public Service	2,584,015.37	1,972,245.73
Academic Support	5,482,546.34	5,242,211.51
Student Services	2,313,106.38	2,594,042.80
Institutional Support	6,019,396.65	4,121,816.55
Operations and Maintenance of Plant	6,842,160.27	7,126,986.66
Scholarships and Fellowships	5,643,188.41	7,734,224.97
Auxiliary Enterprises	6,101,480.33	5,900,289.83
Depreciation and Amortization	12,216,765.99	12,543,104.63
Total Operating Expenses	67,634,073.59	64,482,844.04
Operating Income (Loss)	(34,174,865.45)	(40,415,477.81)
Nonoperating Revenues (Expenses):		
State Appropriations	29,433,558.71	27,323,212.47
Federal Nonexchange Sponsored Programs	5,486,461.36	7,628,658.56
Gift Contributions for Operations	1,995,147.27	2,655,130.89
Investment Income	2,248,393.83	2,508,277.44
Net Increase (Decrease) in Fair Value of Investments	3,244,872.16	824,038.63
Gain (Loss) on Sale of Capital Assets	(48,977.68)	(385,144.77)
Other Nonoperating Revenues	136,468.93	517,630.55
Other Nonoperating (Expenses)		(370,062.34)
Net Nonoperating Revenues (Expenses)	42,495,924.58	40,701,741.43
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	8,321,059.13	286,263.62
Additions to Permanent Endowments / Annuities	2,611,675.11	1,785,325.14
Reclass from/(to) Other Institutions	(11,775,709.52)	(21,242,312.30)
Transfers Between Institutions & System, Debt Service - Mandatory	(11,740,990.04)	(11,106,032.69)
Transfers Between Institutions & System Admin. - Non mandatory	38,215,331.11	22,301,241.48
Transfers to Other State Agencies	(202,360.45)	(271,176.29)
Change in Net Position	25,429,005.34	(8,246,691.04)
Beginning Net Position	251,736,329.28	259,983,020.32
Ending Net Position	\$ 277,165,334.62	251,736,329.28

The University of Texas of the Permian Basin
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	17,694,034.62	14,187,357.73
Proceeds from Sponsored Programs	563,513.81	4,216,642.29
Proceeds from Auxiliaries	2,747,126.51	3,871,051.97
Proceeds from Other Revenues	833,217.67	2,402,113.94
Payments to Suppliers	(20,310,797.59)	(24,922,065.24)
Payments to Employees	(32,518,008.62)	(28,139,763.02)
Payments for Loans Provided	(72,624.96)	(37,065.22)
Proceeds from Loan Programs	75,445.08	80,030.75
Net Cash Provided (Used) by Operating Activities	<u>(30,988,093.48)</u>	<u>(28,341,696.80)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	28,552,138.82	28,842,685.21
Proceeds from Operating Gifts	3,383,140.28	1,434,474.35
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	2,611,675.11	1,785,325.14
Receipts for Transfers from System or Other Agencies	6,800,824.14	(9,632.07)
Payments for Transfers to System or Other Agencies	(6,950,739.42)	(271,176.29)
Proceeds from Nonexchange Sponsored Programs	5,486,461.36	7,628,658.56
Net Cash Provided by Noncapital Financing Activities	<u>39,883,500.29</u>	<u>39,410,334.90</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	18,073,899.35	9,155,009.64
Payments for Additions to Capital Assets	(15,457,783.19)	(15,639,702.11)
Mandatory Transfers to System for Capital Related Debt	(11,740,990.04)	(11,106,032.69)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,124,873.88)</u>	<u>(17,590,725.16)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	5,919,700.99
Proceeds from Interest and Investment Income	41,532.71	47,017.05
Proceeds from Interest and Investment Income Invested by System	2,185,770.23	2,460,255.83
Payments to Acquire Investments	-	(29,420.00)
Payments to Acquire Investments Invested by System	(7,748,503.17)	-
Net Cash Provided (Used) by Investing Activities	<u>(5,521,200.23)</u>	<u>8,397,553.87</u>
Net Increase (Decrease) in Cash	(5,750,667.30)	1,875,466.81
Cash and Cash Equivalents (Beginning of the Year)	16,918,800.65	15,043,333.84
Cash and Cash Equivalents (End of the Year)	<u>\$ 11,168,133.35</u>	<u>\$ 16,918,800.65</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(34,174,865.45)	(40,415,477.81)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	12,216,765.99	12,543,104.63
Bad Debt Expense	-	(42,844.48)
Changes in Assets and Liabilities:		
Accounts Receivable	(9,784,439.41)	(2,305,452.33)
Inventories	(101,103.73)	916.57
Loans and Contracts	2,820.12	42,965.53
Other Current and Noncurrent Assets	(528,311.25)	(189,206.04)
Accounts Payable	3,622,651.81	(1,273,483.57)
Due to System	(394,677.66)	352,073.62
Unearned Revenue	(378,838.20)	1,507,948.17
Assets Held for Others	(1,744,490.81)	1,448,123.34
Employees' Compensable Leave	208,985.41	30,455.05
Other Current and Noncurrent Liabilities	67,409.70	(40,819.48)
Total Adjustments	<u>3,186,771.97</u>	<u>12,073,781.01</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (30,988,093.48)</u>	<u>\$ (28,341,696.80)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	3,244,872.16	824,038.63
Miscellaneous Noncash Transactions	87,491.25	(237,576.56)

The University of Texas at San Antonio
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 58,942,267.30	39,623,893.53
Restricted Cash & Cash Equivalents	499,081.83	16,886,165.72
Balance in State Appropriations	2,020,908.36	3,504,041.84
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	38,789,406.98	10,713,979.47
Other Intergov. (allow. \$33,213.00 in 2014 & \$33,213.00 in 2013)	1,450,867.19	1,067,673.89
Student (allow. \$753,377.55 in 2014 & \$767,700.00 in 2013)	37,104,713.98	38,115,643.65
Interest and Dividend Receivables	792,364.45	862,302.69
Contributions (allow. \$5,912.69 in 2014 & \$16,452.56 in 2013)	1,211,521.54	3,290,874.57
Other (allow. \$0.00 in 2014 & \$0.00 in 2013)	4,863,549.62	3,397,870.09
Due From Other Funds		10,283,299.00
Due From System Administration	421,622.01	3,312,125.68
Due From Other Institutions	207,764.49	104,563.67
Due From Other Agencies	217,025.67	68,485.36
Inventories	804,133.84	901,377.73
Loans & Contracts (allow. \$739,203.57 in 2014 & \$571,057.90 in 2013)	7,765,264.47	6,595,936.57
Other Current Assets	2,847,573.87	3,733,963.77
Total Current Assets	<u>157,938,065.60</u>	<u>142,462,197.23</u>
Noncurrent Assets:		
Restricted Investments	2,000,000.00	2,000,000.00
Loans & Contracts (allow. \$296,385.63 in 2014 & \$436,706.27 in 2013)	3,113,680.68	3,362,948.18
Funds Held by System Administration (Restricted)	113,909,431.48	100,825,150.38
Contributions Rec. (allow. \$35,701.40 in 2014 & \$32,601.02 in 2013)	6,944,357.80	6,520,924.87
Unrestricted Investments	281,885,763.25	276,963,284.54
Gross Capital/Intangible Assets	1,179,698,806.47	1,135,907,927.47
Accumulated Depreciation/Amortization	(440,907,609.92)	(396,535,995.68)
Total Noncurrent Assets	<u>1,146,644,429.76</u>	<u>1,129,044,239.76</u>
Total Assets	<u>1,304,582,495.36</u>	<u>1,271,506,436.99</u>
Total Assets and Deferred Outflows	<u>1,304,582,495.36</u>	<u>1,271,506,436.99</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	12,206,709.63	23,567,832.82
Salaries Payable	21,242,474.31	17,958,375.57
Due To Other Funds		10,283,299.00
Due To System Administration	2,865,068.44	3,029,570.27
Due To Other Institutions	965,714.68	89,584.07
Due To Other State Agencies	215,325.89	217,924.05
Unearned Revenue	117,559,440.91	117,168,148.14
Employees' Compensable Leave - Current Portion	6,900,251.93	6,894,820.09
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	1,705,214.00	465,315.39
Assets Held for Others	2,848,206.94	1,938,187.19
Other Current Liabilities	2,024,188.53	1,252,393.42
Total Current Liabilities	<u>168,532,595.26</u>	<u>182,865,450.01</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	2,669,541.30	1,438,724.83
Notes, Loans, and Leases Payable		
Total Noncurrent Liabilities	<u>2,669,541.30</u>	<u>1,438,724.83</u>
Total Liabilities	<u>171,202,136.56</u>	<u>184,304,174.84</u>
Total Liabilities and Deferred Inflows	<u>171,202,136.56</u>	<u>184,304,174.84</u>
NET POSITION		
Net Investment in Capital Assets	738,791,196.55	739,371,931.79
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	79,192,581.04	74,449,626.83
Expendable		
Capital Projects	69,015.39	(4,041,816.20)
Funds Functioning as Endowment (Restricted)	1,445,902.04	1,265,110.13
Other Expendable	72,498,074.37	56,451,068.42
Unrestricted	241,383,589.41	219,706,341.18
Total Net Position	<u>\$ 1,133,380,358.80</u>	<u>1,087,202,262.15</u>

The University of Texas at San Antonio
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 254,228,439.25	265,968,745.86
Discounts and Allowances	(68,997,626.72)	(84,531,921.97)
Federal Sponsored Programs	41,726,139.52	42,404,163.18
Federal Sponsored Programs Pass-Through from State Agencies	1,740,856.09	1,825,921.20
State Sponsored Programs	47,552.96	
State Sponsored Programs Pass-Through from State Agencies	22,807,959.04	19,172,369.58
Local Sponsored Programs	538,639.89	2,144,120.93
Private Sponsored Programs	736,535.75	3,283,514.02
Sales and Services of Educational Activities	10,981,340.02	9,939,235.83
Discounts and Allowances Sales and Services of Educational Activities	(283,763.25)	(251,123.72)
Auxiliary Enterprises	38,705,676.34	33,021,383.48
Other Operating Revenues	3,639,980.25	6,008,676.15
Total Operating Revenues	305,871,729.14	298,985,084.54
Operating Expenses:		
Instruction	127,968,839.01	124,182,570.39
Research	37,961,037.65	43,377,742.31
Public Service	17,966,913.56	18,428,311.96
Academic Support	54,449,400.86	53,181,763.05
Student Services	25,274,963.58	25,232,666.18
Institutional Support	37,767,882.64	35,911,231.53
Operations and Maintenance of Plant	38,070,393.88	44,165,635.84
Scholarships and Fellowships	30,577,626.44	44,518,379.79
Auxiliary Enterprises	46,479,376.53	43,253,999.64
Depreciation and Amortization	47,368,501.28	42,776,967.01
Total Operating Expenses	463,884,935.43	475,029,267.70
Operating Income (Loss)	(158,013,206.29)	(176,044,183.16)
Nonoperating Revenues (Expenses):		
State Appropriations	122,239,762.04	111,820,008.85
Federal Nonexchange Sponsored Programs	45,533,171.00	68,091,796.00
State Nonexchange Pass-Through	100,000.00	3,705,475.00
Gift Contributions for Operations	9,925,549.94	8,068,152.37
Investment Income	17,665,995.81	13,646,589.27
Net Increase (Decrease) in Fair Value of Investments	25,542,266.55	7,712,994.08
Gain (Loss) on Sale of Capital Assets	(187,713.06)	(152,702.60)
Other Nonoperating Revenues	36,852.28	39,587.47
Other Nonoperating (Expenses)	(156,583.39)	(421.37)
Net Nonoperating Revenues (Expenses)	220,699,301.17	212,931,479.07
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	62,686,094.88	36,887,295.91
Gifts and Sponsored Programs for Capital Acquisitions	3,072,848.21	20,443,043.37
Additions to Permanent Endowments / Annuities	2,656,522.02	3,742,757.93
Reclass from/(to) Other Institutions	9,252,461.08	13,638,874.77
Transfers Between Institutions & System, Debt Service - Mandatory	(35,355,153.14)	(32,055,458.51)
Transfers Between Institutions & System Admin. - Non mandatory	6,868,414.55	8,193,865.80
Transfers to Other State Agencies	(2,997,414.00)	(3,150,070.58)
Legislative Appropriations Lapsed	(5,676.95)	
Change in Net Position	46,178,096.65	47,700,308.69
Beginning Net Position	1,087,202,262.15	1,039,501,953.46
Ending Net Position	\$ 1,133,380,358.80	1,087,202,262.15

The University of Texas at San Antonio
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	196,271,371.78	170,919,185.30
Proceeds from Sponsored Programs	42,626,987.07	89,923,212.44
Proceeds from Auxiliaries	37,306,786.24	35,807,491.39
Proceeds from Other Revenues	5,168,250.54	15,200,197.57
Payments to Suppliers	(135,117,710.05)	(156,522,477.06)
Payments to Employees	(278,634,613.37)	(280,237,268.36)
Payments for Loans Provided	(19,499,476.30)	(15,629,316.35)
Proceeds from Loan Programs	18,219,674.23	14,306,137.79
Net Cash Provided (Used) by Operating Activities	<u>(133,658,729.86)</u>	<u>(126,232,837.28)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	123,717,218.57	111,628,260.33
Proceeds from Operating Gifts	11,581,470.04	7,533,776.24
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	2,656,522.02	3,742,757.93
Proceeds from Other Nonoperating Revenues	9,633.75	(2,867.78)
Receipts for Transfers from System or Other Agencies	197,971.85	891,600.47
Payments for Transfers to System or Other Agencies	(3,278,405.81)	(3,221,481.18)
Payments for Other Uses	(9,910.65)	(421.37)
Proceeds from Nonexchange Sponsored Programs	43,626,211.60	72,215,474.40
Net Cash Provided by Noncapital Financing Activities	<u>178,500,711.37</u>	<u>192,787,099.04</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	19,060,520.83	43,212,416.60
Proceeds from Capital Appropriations, Grants, and Gifts	2,662,418.31	19,431,513.01
Proceeds from Sale of Capital Assets	41,950.71	86,220.97
Payments for Additions to Capital Assets	(53,625,747.56)	(79,151,228.64)
Mandatory Transfers to System for Capital Related Debt	(35,355,153.14)	(32,055,458.51)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(67,216,010.85)</u>	<u>(48,476,536.57)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	7,535,506.74	-
Proceeds from Interest and Investment Income	216,183.38	82,359.34
Proceeds from Interest and Investment Income Invested by System	17,553,629.10	13,694,610.12
Payments to Acquire Investments Invested by System	-	(16,108,347.88)
Net Cash Provided (Used) by Investing Activities	<u>25,305,319.22</u>	<u>(2,331,378.42)</u>
Net Increase (Decrease) in Cash	2,931,289.88	15,746,346.77
Cash and Cash Equivalents (Beginning of the Year)	56,510,059.25	40,763,712.48
Cash and Cash Equivalents (End of the Year)	<u>\$ 59,441,349.13</u>	<u>\$ 56,510,059.25</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(158,013,206.29)	(176,044,183.16)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	47,368,501.28	42,776,967.01
Bad Debt Expense	29,103.45	410,741.60
Changes in Assets and Liabilities:		
Accounts Receivable	(27,596,643.60)	16,453,743.24
Inventories	97,243.89	(171,043.43)
Loans and Contracts	(949,163.85)	(1,323,178.56)
Other Current and Noncurrent Assets	886,389.90	(1,700,294.50)
Accounts Payable	1,374,191.25	(3,779,189.30)
Due to System	(164,501.83)	173,050.01
Unearned Revenue	391,292.77	(2,304,293.14)
Assets Held for Others	910,019.75	(764,072.73)
Employees' Compensable Leave	1,236,248.31	(27,796.64)
Other Current and Noncurrent Liabilities	771,795.11	66,712.32
Total Adjustments	<u>24,354,476.43</u>	<u>49,811,345.88</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (133,658,729.86)</u>	<u>\$ (126,232,837.28)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	25,542,266.55	7,712,994.08
Donated Capital Assets	848,920.56	752,116.25
Miscellaneous Noncash Transactions	(297,533.52)	(115,542.71)

The University of Texas at Tyler
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 22,786,391.38	13,345,259.99
Restricted Cash & Cash Equivalents	(5,607,540.08)	(11,662,609.54)
Balance in State Appropriations	4,517,123.54	2,409,610.18
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	12,138,693.63	16,175,718.83
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	499,427.09	813,425.40
Student (allow. \$1,711,170.11 in 2014 & \$1,329,155.09 in 2013)	2,316,159.33	2,390,712.55
Interest and Dividend Receivables	116,431.78	122,226.07
Contributions (allow. \$111,700.00 in 2014 & \$18,600.00 in 2013)	2,122,005.58	354,745.55
Other (allow. \$0.00 in 2014 & \$0.00 in 2013)	2,412,075.92	3,044,566.40
Due From System Administration	9,669,553.08	3,036,645.81
Due From Other Institutions	27,944.91	139,184.87
Due From Other Agencies	571,392.50	579,755.10
Loans & Contracts (allow. \$1,310,478.50 in 2014 & \$1,125,338.73 in 2013)	2,623,163.83	2,498,621.85
Other Current Assets	365,200.58	673,649.44
Total Current Assets	<u>54,558,023.07</u>	<u>33,921,512.50</u>
Noncurrent Assets:		
Funds Held by System Administration (Restricted)	78,886,485.97	71,690,775.65
Contributions Rec. (allow. \$341,400.00 in 2014 & \$72,200.00 in 2013)	6,487,540.13	1,370,789.08
Unrestricted Investments	45,884,482.42	47,936,233.02
Gross Capital/Intangible Assets	277,501,083.39	248,242,696.58
Accumulated Depreciation/Amortization	(123,693,825.40)	(112,544,268.49)
Total Noncurrent Assets	<u>285,065,766.51</u>	<u>256,696,225.84</u>
Total Assets	<u>339,623,789.58</u>	<u>290,617,738.34</u>
Total Assets and Deferred Outflows	<u>339,623,789.58</u>	<u>290,617,738.34</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	6,993,827.20	1,698,564.47
Salaries Payable	4,950,644.14	4,552,094.64
Due To System Administration	780,359.61	752,809.53
Due To Other Institutions	1,350.49	1,128.61
Unearned Revenue	18,833,700.27	19,395,030.42
Employees' Compensable Leave - Current Portion	960,994.68	941,405.73
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	667,141.75	12,475.12
Assets Held for Others		1,471,339.34
Other Current Liabilities	184,514.39	259,783.21
Total Current Liabilities	<u>33,372,532.53</u>	<u>29,084,631.07</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	871,520.75	473,710.83
Assets Held for Others	1,622,058.83	
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	378,595.62	381,783.02
Total Noncurrent Liabilities	<u>2,872,175.20</u>	<u>855,493.85</u>
Total Liabilities	<u>36,244,707.73</u>	<u>29,940,124.92</u>
Total Liabilities and Deferred Inflows	<u>36,244,707.73</u>	<u>29,940,124.92</u>
NET POSITION		
Net Investment in Capital Assets	153,807,257.99	135,698,428.09
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	38,362,837.84	37,760,243.40
Expendable		
Capital Projects	10,399,282.21	3,664,801.46
Funds Functioning as Endowment (Restricted)	474,814.06	420,253.32
Other Expendable	50,930,879.46	38,839,574.47
Unrestricted	49,404,010.29	44,294,312.68
Total Net Position	<u>\$ 303,379,081.85</u>	<u>260,677,613.42</u>

The University of Texas at Tyler
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 52,657,820.54	46,187,966.83
Discounts and Allowances	(17,794,177.92)	(16,818,601.61)
Federal Sponsored Programs	1,287,704.21	2,292,536.73
Federal Sponsored Programs Pass-Through from State Agencies	5,398,938.75	4,120,029.95
State Sponsored Programs Pass-Through from State Agencies	6,436,808.92	4,730,707.40
Local Sponsored Programs	62,243.63	
Private Sponsored Programs	1,277,232.35	2,238,290.41
Sales and Services of Educational Activities	3,058,707.46	3,216,840.59
Auxiliary Enterprises	5,760,661.95	4,582,797.66
Other Operating Revenues	176,783.92	891,418.63
Total Operating Revenues	<u>58,322,723.81</u>	<u>51,441,986.59</u>
Operating Expenses:		
Instruction	40,857,797.98	37,473,646.21
Research	1,280,197.42	2,622,431.71
Public Service	1,007,882.09	2,430,560.80
Academic Support	12,962,800.03	9,727,670.45
Student Services	9,393,674.31	7,634,696.08
Institutional Support	12,762,637.14	12,074,559.02
Operations and Maintenance of Plant	8,234,337.60	7,558,329.63
Scholarships and Fellowships	5,073,850.52	8,695,549.64
Auxiliary Enterprises	7,462,727.49	6,434,524.81
Depreciation and Amortization	11,640,404.60	11,346,871.37
Total Operating Expenses	<u>110,676,309.18</u>	<u>105,998,839.72</u>
Operating Income (Loss)	<u>(52,353,585.37)</u>	<u>(54,556,853.13)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	36,753,979.74	31,830,674.62
Federal Nonexchange Sponsored Programs	9,371,088.00	12,335,977.95
Gift Contributions for Operations	5,884,290.71	1,256,705.77
Investment Income	5,069,486.18	5,073,105.32
Net Increase (Decrease) in Fair Value of Investments	9,887,205.28	3,372,239.04
Other Nonoperating Revenues		8,938.51
Other Nonoperating (Expenses)	(36,982.52)	
Net Nonoperating Revenues (Expenses)	<u>66,929,067.39</u>	<u>53,877,641.21</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	14,575,482.02	(679,211.92)
Gifts and Sponsored Programs for Capital Acquisitions	5,399,126.90	1,410,760.79
Additions to Permanent Endowments / Annuities	538,776.92	914,021.04
Reclass from/(to) Other Institutions	(13,954,666.84)	(3,573,942.60)
Transfers Between Institutions & System, Debt Service - Mandatory	(8,251,357.32)	(7,532,248.18)
Transfers Between Institutions & System Admin. - Non mandatory	45,031,695.55	4,993,438.52
Transfers to Other State Agencies	(529,661.40)	(508,581.99)
Legislative Appropriations Lapsed	(107,927.40)	
Change in Net Position	<u>42,701,468.43</u>	<u>(4,975,764.34)</u>
Beginning Net Position	<u>260,677,613.42</u>	<u>265,653,377.76</u>
Ending Net Position	<u>\$ 303,379,081.85</u>	<u>260,677,613.42</u>

The University of Texas at Tyler
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	34,142,599.46	36,221,070.33
Proceeds from Sponsored Programs	18,018,966.05	526,466.02
Proceeds from Auxiliaries	5,476,595.64	4,509,410.81
Proceeds from Other Revenues	18,303,163.94	2,811,017.80
Payments to Suppliers	(40,058,537.80)	(33,400,617.55)
Payments to Employees	(66,189,941.15)	(61,159,218.61)
Payments for Loans Provided	(1,469,346.30)	(2,504,842.81)
Proceeds from Loan Programs	941,971.49	1,848,319.18
Net Cash Provided (Used) by Operating Activities	<u>(30,834,528.67)</u>	<u>(51,148,394.83)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	34,538,538.98	29,784,595.24
Proceeds from Operating Gifts	1,717,403.67	1,261,039.52
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	538,776.92	914,021.04
Proceeds from Other Nonoperating Revenues	969.00	8,938.51
Receipts for Transfers from System or Other Agencies	1,165,345.93	5,232,759.53
Payments for Transfers to System or Other Agencies	(1,708,562.89)	(5,755,603.04)
Payments for Other Uses	-	(8,938.51)
Proceeds from Nonexchange Sponsored Programs	9,371,088.00	12,335,977.95
Net Cash Provided by Noncapital Financing Activities	<u>45,623,559.61</u>	<u>43,772,790.24</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	24,995,168.62	5,853,339.40
Proceeds from Capital Appropriations, Grants, and Gifts	2,682,002.86	300,000.00
Payments for Additions to Capital Assets	(27,999,678.66)	(8,767,376.57)
Mandatory Transfers to System for Capital Related Debt	(8,251,357.32)	(7,532,248.18)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,573,864.50)</u>	<u>(10,146,285.35)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	4,743,245.56	-
Proceeds from Interest and Investment Income	1,333,738.83	1,444,897.45
Proceeds from Interest and Investment Income Invested by System	3,204,050.02	3,533,525.62
Payments to Acquire Investments Invested by System	-	(1,768,908.95)
Net Cash Provided (Used) by Investing Activities	<u>9,281,034.41</u>	<u>3,209,514.12</u>
Net Increase (Decrease) in Cash	15,496,200.85	(14,312,375.82)
Cash and Cash Equivalents (Beginning of the Year)	1,682,650.45	15,995,026.27
Cash and Cash Equivalents (End of the Year)	<u>\$ 17,178,851.30</u>	<u>\$ 1,682,650.45</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(52,353,585.37)	(54,556,853.13)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	11,640,404.60	11,346,871.37
Bad Debt Expense	402,927.18	283,505.65
Changes in Assets and Liabilities:		
Accounts Receivable	5,177,575.42	(13,726,001.50)
Loans and Contracts	(527,374.81)	(656,523.63)
Other Current and Noncurrent Assets	308,448.86	(213,216.82)
Accounts Payable	4,561,193.38	(72,628.09)
Due to System	27,550.08	85,625.81
Unearned Revenue	(561,330.15)	6,147,852.86
Assets Held for Others	150,719.49	31,948.24
Employees' Compensable Leave	417,398.87	9,974.25
Other Current and Noncurrent Liabilities	(78,456.22)	171,050.16
Total Adjustments	<u>21,519,056.70</u>	<u>3,408,458.30</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (30,834,528.67)</u>	<u>\$ (51,148,394.83)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	9,887,205.28	3,372,239.04
Miscellaneous Noncash Transactions	(36,982.52)	8,938.51

The University of Texas Southwestern Medical Center
Exhibit A Statement of Net Position
As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 121,433,725.24	201,989,739.74
Restricted Cash & Cash Equivalents	6,895,470.04	8,987,311.04
Balance in State Appropriations	11,631,544.61	6,312,876.73
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	34,905,252.75	29,287,503.99
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	28,987,987.85	20,203,743.25
Patient & Healthcare (allow. \$412,741,915.28 in 2014 & \$468,981,524.94 in 2013)	218,901,070.89	218,819,123.87
Interest and Dividend Receivables	3,320,376.42	2,604,230.00
Contributions (allow. \$52,298.93 in 2014 & \$176,393.65 in 2013)	5,367,576.28	147,809,019.27
Other (allow. \$349,813.63 in 2014 & \$122,528.53 in 2013)	31,849,018.83	31,780,683.20
Due From System Administration	24,173,802.99	111,812,463.04
Due From Other Institutions	565,028.47	8,187.42
Due From Other Agencies	309,909.66	779,310.10
Inventories	24,872,020.88	20,770,455.94
Loans & Contracts (allow. \$43,407.08 in 2014 & \$44,310.95 in 2013)	1,194,942.59	1,268,581.99
Other Current Assets	11,822,825.19	5,769,495.66
Total Current Assets	526,230,552.69	808,202,725.24
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	1,416,896.18	3,727,964.18
Restricted Investments	732,719,167.44	581,975,212.71
Loans & Contracts (allow. \$240,341.08 in 2014 & \$223,124.97 in 2013)	6,616,289.43	6,387,863.55
Funds Held by System Administration (Restricted)	988,251,188.50	878,855,484.60
Contributions Rec. (allow. \$363,513.50 in 2014 & \$239,418.78 in 2013)	35,907,227.01	4,947,668.25
Unrestricted Investments	690,502,802.27	501,858,724.70
Gross Capital/Intangible Assets	2,914,236,388.48	2,633,202,707.68
Accumulated Depreciation/Amortization	(1,027,021,297.88)	(907,526,476.43)
Total Noncurrent Assets	4,342,628,661.43	3,703,429,149.24
Total Assets	4,868,859,214.12	4,511,631,874.48
Total Assets and Deferred Outflows	4,868,859,214.12	4,511,631,874.48
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	156,580,932.69	155,386,287.57
Salaries Payable	50,860,286.04	47,022,983.61
Due To System Administration	12,236,536.11	10,925,438.70
Due To Other Institutions	268,931.27	153,844.72
Due To Other State Agencies	18,527.78	47,297.19
Unearned Revenue	35,334,822.96	28,348,379.56
Employees' Compensable Leave - Current Portion	54,042,944.98	46,895,305.41
Notes, Loans, and Leases Payable	19,000,000.00	19,000,000.00
Payable From Restricted Assets	54,100,120.70	43,012,323.14
Assets Held for Others	(524,585.38)	(320,769.59)
Other Current Liabilities	79,104.17	57,094.17
Total Current Liabilities	381,997,621.32	350,528,184.48
Noncurrent Liabilities:		
Employees' Compensable Leave	37,138,689.03	33,100,641.35
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	1,929,467.48	1,063,663.84
Total Noncurrent Liabilities	39,068,156.51	34,164,305.19
Total Liabilities	421,065,777.83	384,692,489.67
Total Liabilities and Deferred Inflows	421,065,777.83	384,692,489.67
NET POSITION		
Net Investment in Capital Assets	1,887,215,090.60	1,725,676,231.25
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	557,327,512.26	533,268,265.26
Expendable		
Capital Projects	20,180,720.83	35,201,481.43
Funds Functioning as Endowment (Restricted)	26,909,317.25	23,977,217.31
Other Expendable	910,536,316.54	870,203,739.77
Unrestricted	1,045,624,478.81	938,612,449.79
Total Net Position	\$ 4,447,793,436.29	4,126,939,384.81

The University of Texas Southwestern Medical Center
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 23,307,310.65	23,533,766.53
Discounts and Allowances	(1,057,233.67)	(4,646,933.03)
Federal Sponsored Programs	185,499,931.17	199,008,904.60
Federal Sponsored Programs Pass-Through from State Agencies	3,364,395.67	4,316,826.53
State Sponsored Programs Pass-Through from State Agencies	28,330,563.16	30,878,711.42
Local Sponsored Programs	215,750,924.99	189,781,886.48
Private Sponsored Programs	60,838,628.26	48,011,631.89
Sales and Services of Educational Activities	17,192,811.08	25,773,797.92
Sales and Services of Hospitals	2,340,598,891.87	1,812,708,754.18
Discounts and Allowances Sales and Services of Hospitals	(1,520,416,630.44)	(1,069,088,746.58)
Professional Fees (Patient Charges)	1,469,268,618.54	1,396,659,299.23
Discounts and Allowances Professional Fees (Patient Charges)	(1,007,349,946.93)	(973,254,007.97)
Auxiliary Enterprises	21,187,437.94	18,162,621.84
Other Operating Revenues	52,449,637.62	51,440,083.20
Total Operating Revenues	1,888,965,339.91	1,753,286,596.24
Operating Expenses:		
Instruction	649,912,371.51	591,248,337.13
Research	315,669,101.99	322,297,510.82
Public Service	28,201,199.91	27,292,493.59
Hospitals / Clinics	760,933,617.72	677,791,509.12
Academic Support	19,582,753.58	20,157,211.07
Student Services	3,396,589.30	3,419,868.44
Institutional Support	59,842,760.46	58,388,624.22
Operations and Maintenance of Plant	81,601,562.03	61,638,317.55
Scholarships and Fellowships	2,542,472.00	625,253.50
Auxiliary Enterprises	19,011,903.37	16,257,317.17
Depreciation and Amortization	137,762,591.86	112,274,575.08
Total Operating Expenses	2,078,456,923.73	1,891,391,017.69
Operating Income (Loss)	(189,491,583.82)	(138,104,421.45)
Nonoperating Revenues (Expenses):		
State Appropriations	168,690,177.03	145,385,939.11
Federal Nonexchange Sponsored Programs	3,563.00	10,700.00
Gift Contributions for Operations	56,527,320.81	49,482,695.34
Investment Income	101,120,929.23	94,956,475.27
Net Increase (Decrease) in Fair Value of Investments	181,818,927.10	51,763,281.50
Gain (Loss) on Sale of Capital Assets	(5,440,125.10)	(10,585,105.42)
Other Nonoperating Revenues	578,642.64	2,112,785.52
Other Nonoperating (Expenses)	(202,923.24)	(729,364.67)
Net Nonoperating Revenues (Expenses)	503,096,511.47	332,397,406.65
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	313,604,927.65	194,292,985.20
Gifts and Sponsored Programs for Capital Acquisitions	39,128,229.43	153,243,383.29
Additions to Permanent Endowments / Annuities	20,428,534.56	8,420,547.59
Reclass from/(to) Other Institutions	13,613,996.19	(9,444,858.82)
Transfers Between Institutions & System; Debt Service - Mandatory	(91,674,823.81)	(97,193,700.20)
Transfers Between Institutions & System Admin. - Non mandatory	28,014,521.10	72,009,412.22
Transfers to Other State Agencies	(2,261,333.64)	(153,401.00)
Change in Net Position	320,854,051.48	321,174,368.28
Beginning Net Position	4,126,939,384.81	3,805,765,016.53
Ending Net Position	\$ 4,447,793,436.29	4,126,939,384.81

The University of Texas Southwestern Medical Center
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	21,969,356.71	18,222,150.55
Proceeds from Patients and Customers	1,295,062,161.77	1,123,550,740.41
Proceeds from Sponsored Programs	490,123,939.67	474,328,118.35
Proceeds from Auxiliaries	19,578,490.08	17,544,230.78
Proceeds from Other Revenues	71,065,132.66	76,284,459.42
Payments to Suppliers	(638,560,966.36)	(518,907,757.20)
Payments to Employees	(1,308,709,741.16)	(1,214,496,308.35)
Payments for Loans Provided	(1,388,247.75)	(751,793.34)
Proceeds from Loan Programs	1,055,201.21	909,540.14
Net Cash Provided (Used) by Operating Activities	<u>(49,804,673.17)</u>	<u>(23,316,619.24)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	163,371,509.15	159,593,125.43
Proceeds from Operating Gifts	182,479,986.05	43,706,118.53
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	20,428,534.56	8,420,547.59
Receipts for Transfers from System or Other Agencies	14,073,118.53	12,271,716.38
Payments for Transfers to System or Other Agencies	(12,430,721.12)	(12,304,083.24)
Proceeds from Nonexchange Sponsored Programs	3,563.00	10,700.00
Net Cash Provided by Noncapital Financing Activities	<u>367,925,990.17</u>	<u>211,698,124.69</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	-	19,000,000.00
Nonmandatory Capital Related Transfers	127,697,529.17	277,339,860.25
Proceeds from Capital Appropriations, Grants, and Gifts	24,636,086.43	9,158,097.99
Proceeds from Sale of Capital Assets	2,286,879.23	424,514.28
Payments for Additions to Capital Assets	(298,483,376.79)	(320,004,659.14)
Mandatory Transfers to System for Capital Related Debt	(91,674,823.81)	(97,193,700.20)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(235,537,705.77)</u>	<u>(111,275,886.82)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	54,966,111.60	53,054,959.67
Proceeds from Interest and Investment Income Invested by System	44,456,162.77	42,579,935.59
Payments to Acquire Investments Invested by System	(266,964,809.10)	(113,112,926.53)
Net Cash Provided (Used) by Investing Activities	<u>(167,542,534.73)</u>	<u>(17,478,031.27)</u>
Net Increase (Decrease) in Cash	(84,958,923.50)	59,627,587.36
Cash and Cash Equivalents (Beginning of the Year)	214,705,014.96	155,077,427.60
Cash and Cash Equivalents (End of the Year)	<u>\$ 129,746,091.46</u>	<u>\$ 214,705,014.96</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(189,491,583.82)	(138,104,421.45)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	137,762,591.86	112,274,575.08
Bad Debt Expense	178,258.06	204,349.07
Changes in Assets and Liabilities:		
Accounts Receivable	(12,378,807.96)	(45,489,662.08)
Inventories	(4,101,564.94)	(1,069,876.78)
Loans and Contracts	(333,046.54)	157,746.80
Other Current and Noncurrent Assets	(6,053,329.53)	(2,990,338.39)
Accounts Payable	4,037,952.21	47,294,584.99
Due to System	1,311,097.41	943,831.09
Unearned Revenue	6,986,443.40	(4,305,825.99)
Assets Held for Others	203,815.79	144,946.82
Employees' Compensable Leave	11,185,687.25	7,680,268.11
Other Current and Noncurrent Liabilities	887,813.64	(56,796.51)
Total Adjustments	<u>139,686,910.65</u>	<u>114,787,802.21</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (49,804,673.17)</u>	<u>\$ (23,316,619.24)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	181,818,927.10	51,763,281.50
Miscellaneous Noncash Transactions	(7,247,827.09)	(9,201,684.57)

The University of Texas Medical Branch at Galveston
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 154,637,065.71	155,697,960.85
Restricted Cash & Cash Equivalents	18,075,518.86	28,347,099.54
Balance in State Appropriations	4,314,023.20	298,676.18
Accounts Receivable, Net:		
Federal (allow. \$451,699.13 in 2014 & \$437,812.82 in 2013)	18,183,227.74	14,649,066.06
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	8,512,072.65	7,372,806.19
Student (allow. \$1,169,912.76 in 2014 & \$847,889.78 in 2013)	8,563,262.95	7,897,578.18
Patient & Healthcare(allow. \$31,163,878.08 in 2014 & \$212,607,271.00 in 2013)	106,499,037.27	93,213,282.48
Interest and Dividend Receivables	747,520.73	580,569.42
Contributions (allow. \$62,569.56 in 2014 & \$72,780.51 in 2013)	84,815.79	162,451.27
Other (allow. \$0.00 in 2014 & \$397,066.19 in 2013)	29,710,382.84	29,690,307.48
Due From System Administration	150,864,954.09	71,454,912.32
Due From Other Institutions	333,860.48	109,812.50
Due From Other Agencies	22,866,175.14	20,265,514.05
Inventories	16,205,755.08	14,850,759.48
Loans & Contracts (allow. \$0.00 in 2014 & \$0.00 in 2013)	933,061.28	894,935.15
Other Current Assets	11,357,849.57	13,243,639.94
Total Current Assets	551,888,583.38	458,729,371.09
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	(102,272,074.65)	(26,985,090.23)
Restricted Investments	23,561,531.84	31,369,412.99
Loans & Contracts (allow. \$1,010,577.76 in 2014 & \$1,361,623.16 in 2013)	6,515,190.77	6,097,968.57
Funds Held by System Administration (Restricted)	554,133,738.73	500,654,359.63
Contributions Rec. (allow. \$32,008.73 in 2014 & \$21,797.78 in 2013)	253,400.23	295,609.66
Unrestricted Investments	276,844,449.27	201,501,201.81
Other Noncurrent Assets	1,322,714.26	1,302,852.13
Gross Capital/Intangible Assets	2,382,464,515.08	2,087,763,685.25
Accumulated Depreciation/Amortization	(1,094,249,147.15)	(1,015,303,591.67)
Total Noncurrent Assets	2,048,574,318.38	1,786,696,408.14
Total Assets	2,600,462,901.76	2,245,425,779.23
Total Assets and Deferred Outflows	2,600,462,901.76	2,245,425,779.23
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	216,705,690.07	192,498,859.08
Salaries Payable	35,414,044.55	32,563,991.00
Due To System Administration	12,377,710.30	11,506,920.87
Due To Other Institutions	329,529.85	128,136.60
Due To Other State Agencies	129,999.28	318,711.67
Unearned Revenue	38,065,961.01	65,491,448.88
Employees' Compensable Leave - Current Portion	39,008,846.83	38,828,984.11
Notes, Loans, and Leases Payable	131,633.63	
Payable From Restricted Assets	9,179,904.00	10,797,260.95
Assets Held for Others	2,245,228.37	502,256.55
Total Current Liabilities	353,588,547.89	352,636,569.71
Noncurrent Liabilities:		
Employees' Compensable Leave	24,978,764.21	22,017,264.46
Liability to Beneficiaries	376,267.77	713,308.96
Notes, Loans, and Leases Payable	172,210.37	430,531.00
Other Noncurrent Liabilities	972,887.13	997,016.45
Total Noncurrent Liabilities	26,500,129.48	24,158,120.87
Total Liabilities	380,088,677.37	376,794,690.58
Total Liabilities and Deferred Inflows	380,088,677.37	376,794,690.58
NET POSITION		
Net Investment in Capital Assets	1,288,215,367.93	1,072,460,093.58
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	311,416,664.79	306,784,384.12
Expendable		
Capital Projects	39,088,072.67	10,834,157.50
Funds Functioning as Endowment (Restricted)	31,754,779.24	28,715,804.98
Other Expendable	229,284,696.85	199,293,461.46
Unrestricted	320,614,642.91	250,543,187.01
Total Net Position	\$ 2,220,374,224.39	1,868,631,088.65

The University of Texas Medical Branch at Galveston
Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 35,744,644.47	32,815,936.98
Discounts and Allowances	(2,654,109.25)	(2,949,145.20)
Federal Sponsored Programs	114,574,711.61	121,975,619.95
Federal Sponsored Programs Pass-Through from State Agencies	12,029,133.74	14,384,538.70
State Sponsored Programs Pass-Through from State Agencies	14,128,442.46	9,360,702.75
Local Sponsored Programs	2,093,886.05	2,796,300.40
Private Sponsored Programs	51,429,117.88	61,750,783.75
Sales and Services of Educational Activities	17,166,785.81	19,422,993.34
Sales and Services of Hospitals	2,336,470,044.98	2,059,528,356.55
Discounts and Allowances Sales and Services of Hospitals	(1,468,179,576.23)	(1,238,356,425.39)
Professional Fees (Patient Charges)	421,168,013.65	418,258,385.88
Discounts and Allowances Professional Fees (Patient Charges)	(273,705,972.98)	(276,971,308.26)
Auxiliary Enterprises	6,236,962.99	6,360,901.89
Other Operating Revenues	43,171,186.67	29,594,583.95
Total Operating Revenues	1,309,673,271.85	1,257,972,225.29
Operating Expenses:		
Instruction	274,357,116.88	264,046,764.86
Research	108,474,418.69	111,893,158.36
Public Service	11,246,242.67	12,167,641.69
Hospitals / Clinics	983,708,176.35	941,591,477.21
Academic Support	28,582,538.74	31,790,966.66
Student Services	6,380,222.58	5,418,022.80
Institutional Support	84,761,718.14	72,148,311.41
Operations and Maintenance of Plant	77,149,356.63	82,252,422.64
Scholarships and Fellowships	8,832,526.83	10,368,766.41
Auxiliary Enterprises	5,908,562.26	5,781,648.16
Depreciation and Amortization	99,473,948.02	95,045,650.37
Total Operating Expenses	1,688,874,827.79	1,632,504,830.57
Operating Income (Loss)	(379,201,555.94)	(374,532,605.28)
Nonoperating Revenues (Expenses):		
State Appropriations	343,173,622.59	308,399,919.00
Federal Nonexchange Sponsored Programs	905,410.00	866,911.00
Gift Contributions for Operations	11,242,645.69	5,656,057.03
Investment Income	43,331,237.63	34,408,332.33
Net Increase (Decrease) in Fair Value of Investments	62,578,200.41	18,725,833.99
Gain (Loss) on Sale of Capital Assets	(1,192,103.84)	(2,560,424.25)
Other Nonoperating Revenues	436,126.00	3,920,848.94
Other Nonoperating (Expenses)	(1,091,947.76)	(106,810.51)
Net Nonoperating Revenues (Expenses)	459,383,190.72	369,310,667.53
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	80,181,634.78	(5,221,937.75)
Gifts and Sponsored Programs for Capital Acquisitions	115,010,228.45	44,797,606.24
Additions to Permanent Endowments / Annuities	5,628,544.28	3,116,744.15
Reclass from/(to) Other Institutions	(27,360,345.62)	(62,855,334.16)
Transfers Between Institutions & System, Debt Service - Mandatory	(54,571,685.58)	(44,633,878.63)
Transfers Between Institutions & System Admin. - Non mandatory	233,039,251.07	123,190,345.66
Transfers From Other State Agencies	43,574,998.00	4,966,506.76
Transfers to Other State Agencies	(43,759,489.64)	(5,076,812.70)
Change in Net Position	351,743,135.74	58,283,239.57
Beginning Net Position	1,868,631,088.65	1,810,347,849.08
Ending Net Position	\$ 2,220,374,224.39	1,868,631,088.65

The University of Texas Medical Branch at Galveston
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	32,788,934.61	31,666,191.98
Proceeds from Patients and Customers	1,004,360,196.82	940,848,078.60
Proceeds from Sponsored Programs	182,747,955.72	198,663,533.19
Proceeds from Auxiliaries	5,945,158.50	6,400,888.80
Proceeds from Other Revenues	61,333,978.57	47,818,029.93
Payments to Suppliers	(494,296,440.35)	(497,205,906.92)
Payments to Employees	(1,071,767,394.14)	(1,021,106,625.90)
Payments for Loans Provided	(1,361,057.70)	(990,670.64)
Proceeds from Loan Programs	905,709.37	1,614,815.27
Net Cash Provided (Used) by Operating Activities	<u>(279,342,958.60)</u>	<u>(292,291,665.69)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	339,158,275.57	440,935,502.65
Proceeds from Operating Gifts	10,881,688.51	5,622,526.92
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	5,628,544.28	3,116,744.15
Proceeds from Other Nonoperating Revenues	436,126.00	3,920,848.94
Receipts for Transfers from System or Other Agencies	62,498,817.71	17,777,484.29
Payments for Transfers to System or Other Agencies	(61,722,627.80)	(16,948,128.56)
Payments for Other Uses	(1,057,911.10)	(80,720.41)
Proceeds from Nonexchange Sponsored Programs	905,410.00	866,911.00
Net Cash Provided by Noncapital Financing Activities	<u>356,728,323.17</u>	<u>455,211,168.98</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	303,844.00	532,505.00
Nonmandatory Capital Related Transfers	125,240,062.13	114,310,728.11
Proceeds from Capital Appropriations, Grants, and Gifts	90,390,028.39	55,591,056.59
Proceeds from Sale of Capital Assets	185,029.18	541,311.11
Payments for Additions to Capital Assets	(310,416,593.80)	(253,582,039.15)
Payments of Principal on Capital Related Debt	(430,531.00)	(101,974.00)
Mandatory Transfers to System for Capital Related Debt	(54,571,685.58)	(44,633,878.63)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(149,299,846.68)</u>	<u>(127,342,290.97)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	617,555.00	-
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	3,404,627.07	1,129,702.87
Proceeds from Interest and Investment Income Invested by System	40,326,939.80	32,932,828.55
Payments to Acquire Investments	-	(617,555.00)
Payments to Acquire Investments Invested by System	(59,054,100.00)	(85,533,450.55)
Net Cash Provided (Used) by Investing Activities	<u>(14,704,978.13)</u>	<u>(52,088,474.13)</u>
Net Increase (Decrease) in Cash	(86,619,460.24)	(16,511,261.81)
Cash and Cash Equivalents (Beginning of the Year)	157,059,970.16	173,571,231.97
Cash and Cash Equivalents (End of the Year)	<u>\$ 70,440,509.92</u>	<u>\$ 157,059,970.16</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(379,201,555.94)	(374,532,605.28)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	99,473,948.02	95,045,650.37
Changes in Assets and Liabilities:		
Accounts Receivable	(23,719,524.50)	(24,357,771.30)
Inventories	(1,354,995.60)	(1,403,387.55)
Loans and Contracts	(455,348.33)	624,144.63
Other Current and Noncurrent Assets	1,865,928.24	(1,367,475.42)
Accounts Payable	20,629,442.52	11,549,984.45
Due to System	870,789.43	588,654.95
Unearned Revenue	(2,311,847.41)	3,139,285.89
Assets Held for Others	1,742,971.82	(1,849,270.48)
Employees' Compensable Leave	3,141,362.47	316,343.51
Other Current and Noncurrent Liabilities	(24,129.32)	(45,219.46)
Total Adjustments	<u>99,858,597.34</u>	<u>82,240,939.59</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (279,342,958.60)</u>	<u>\$ (292,291,665.69)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	62,578,200.41	18,725,833.99
Miscellaneous Noncash Transactions	(1,271,911.61)	(2,564,456.24)

The University of Texas Health Science Center at Houston
Exhibit A Statement of Net Position
As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 138,659,738.61	75,584,884.46
Restricted Cash & Cash Equivalents	17,537,477.29	12,738,672.38
Balance in State Appropriations	8,683,471.30	7,302,886.49
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	23,325,396.22	19,946,475.69
Other Intergov. (allow. \$479,270.22 in 2014 & \$419,727.12 in 2013)	22,662,810.45	9,953,600.71
Student (allow. \$568,753.47 in 2014 & \$412,937.66 in 2013)	14,556,992.12	13,863,423.06
Patient & Healthcare(allow. \$14,535,675.83 in 2014 & \$23,063,270.56 in 2013)	34,657,358.94	31,253,839.18
Interest and Dividend Receivables	1,083,638.34	1,042,699.93
Contributions (allow. \$104,125.81 in 2014 & \$112,532.37 in 2013)	4,247,476.92	4,590,399.54
Other (allow. \$91,195.82 in 2014 & \$188,395.82 in 2013)	23,191,478.42	29,813,282.93
Due From System Administration	5,412,148.55	8,296,812.45
Due From Other Institutions	433,062.72	23,714.89
Due From Other Agencies	6,093,464.28	2,996,781.93
Inventories	508,035.18	696,707.98
Loans & Contracts (allow. \$305,268.24 in 2014 & \$320,646.59 in 2013)	5,363,783.52	5,281,377.32
Other Current Assets	3,081,176.12	2,841,463.28
Total Current Assets	<u>309,497,508.98</u>	<u>226,227,022.22</u>
Noncurrent Assets:		
Restricted Investments	52,509,744.52	73,055,110.80
Loans & Contracts (allow. \$358,589.56 in 2014 & \$382,375.63 in 2013)	6,300,677.54	6,298,117.90
Funds Held by System Administration (Restricted)	256,532,804.64	227,450,120.40
Contributions Rec. (allow. \$164,635.95 in 2014 & \$193,443.07 in 2013)	6,715,793.77	7,890,883.38
Unrestricted Investments	397,495,855.59	354,928,438.92
Gross Capital/Intangible Assets	1,102,384,534.97	1,061,754,745.13
Accumulated Depreciation/Amortization	<u>(502,904,182.60)</u>	<u>(449,864,244.96)</u>
Total Noncurrent Assets	<u>1,319,035,228.43</u>	<u>1,281,513,171.57</u>
Total Assets	<u>1,628,532,737.41</u>	<u>1,507,740,193.79</u>
Total Assets and Deferred Outflows	<u>1,628,532,737.41</u>	<u>1,507,740,193.79</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	55,860,431.24	54,998,467.61
Salaries Payable	24,534,421.73	21,895,708.92
Due To System Administration	6,343,003.06	5,701,392.46
Due To Other Institutions	2,734,393.70	68,670.06
Due To Other State Agencies	132,322.75	220,488.77
Unearned Revenue	46,175,013.21	45,465,517.50
Employees' Compensable Leave - Current Portion	25,394,783.31	24,284,043.87
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	2,818,154.00	2,890,177.11
Assets Held for Others		
Other Current Liabilities	<u>18,973,796.03</u>	<u>13,707,846.04</u>
Total Current Liabilities	<u>182,966,319.03</u>	<u>169,232,312.34</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	19,082,370.50	16,715,296.00
Assets Held for Others	2,481,648.73	2,280,845.83
Liability to Beneficiaries	252,586.64	242,678.09
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	<u>430,600.00</u>	<u>430,600.00</u>
Total Noncurrent Liabilities	<u>22,247,205.87</u>	<u>19,669,419.92</u>
Total Liabilities	<u>205,213,524.90</u>	<u>188,901,732.26</u>
Total Liabilities and Deferred Inflows	<u>205,213,524.90</u>	<u>188,901,732.26</u>
NET POSITION		
Net Investment in Capital Assets	599,480,352.37	611,890,500.17
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	153,466,348.47	147,119,911.15
Expendable		
Capital Projects	1,604,694.87	4,249,361.72
Funds Functioning as Endowment (Restricted)	27,352,195.52	23,840,243.54
Other Expendable	161,810,499.20	150,441,847.12
Unrestricted	<u>479,605,122.08</u>	<u>381,296,597.83</u>
Total Net Position	<u>\$ 1,423,319,212.51</u>	<u>1,318,838,461.53</u>

The University of Texas Health Science Center at Houston
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 42,797,869.72	40,962,286.39
Discounts and Allowances	(1,111,489.96)	(1,264,544.77)
Federal Sponsored Programs	141,704,439.74	156,064,501.58
Federal Sponsored Programs Pass-Through from State Agencies	23,316,443.73	24,008,607.96
State Sponsored Programs Pass-Through from State Agencies	12,302,931.66	11,966,850.80
Local Sponsored Programs	323,566,944.37	280,597,708.51
Private Sponsored Programs	40,335,191.00	31,651,162.36
Sales and Services of Educational Activities	27,305,120.75	26,405,155.59
Sales and Services of Hospitals	122,819,781.74	124,677,124.60
Discounts and Allowances Sales and Services of Hospitals	(63,453,460.13)	(60,488,774.86)
Professional Fees (Patient Charges)	1,065,253,823.73	830,310,338.44
Discounts and Allowances Professional Fees (Patient Charges)	(826,698,416.82)	(628,244,955.83)
Auxiliary Enterprises	20,995,933.13	20,404,605.56
Other Operating Revenues	40,799,131.56	28,173,316.99
Total Operating Revenues	969,934,244.22	885,223,383.32
Operating Expenses:		
Instruction	480,848,484.99	432,666,746.94
Research	182,200,797.32	178,999,473.79
Public Service	30,003,269.96	33,864,880.05
Hospitals / Clinics	273,387,841.46	232,461,981.37
Academic Support	45,273,278.11	39,822,835.83
Student Services	7,564,168.86	7,527,323.40
Institutional Support	53,973,903.41	50,042,254.63
Operations and Maintenance of Plant	36,336,196.39	36,705,543.33
Scholarships and Fellowships	8,065,634.37	7,476,520.34
Auxiliary Enterprises	15,188,753.29	15,439,366.07
Depreciation and Amortization	58,042,984.97	57,098,011.80
Total Operating Expenses	1,190,885,313.13	1,092,104,937.55
Operating Income (Loss)	(220,951,068.91)	(206,881,554.23)
Nonoperating Revenues (Expenses):		
State Appropriations	198,187,013.02	166,881,227.83
Federal Nonexchange Sponsored Programs	1,023,586.53	954,771.00
Gift Contributions for Operations	16,782,991.01	19,711,861.66
Investment Income	33,236,764.53	33,803,526.04
Net Increase (Decrease) in Fair Value of Investments	47,757,057.06	12,007,116.70
Gain (Loss) on Sale of Capital Assets	(378,705.18)	(734,656.81)
Other Nonoperating Revenues	1,680,000.00	19,263.29
Other Nonoperating (Expenses)	(33,579.87)	(14,055.58)
Net Nonoperating Revenues (Expenses)	298,255,127.10	232,629,054.13
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	77,304,058.19	25,747,499.90
Gifts and Sponsored Programs for Capital Acquisitions	3,664.64	(53,535.03)
Additions to Permanent Endowments / Annuities	5,892,826.76	4,725,782.23
Reclass from/(to) Other Institutions	15,355,877.33	(16,418,810.17)
Transfers Between Institutions & System, Debt Service - Mandatory	(28,580,657.50)	(28,224,116.93)
Transfers Between Institutions & System Admin. - Non mandatory	34,637,173.12	28,196,547.71
Transfers From Other State Agencies	128,428.56	4,189.87
Transfers to Other State Agencies	(260,620.12)	(286,089.51)
Change in Net Position	104,480,750.98	13,691,468.07
Beginning Net Position	1,318,838,461.53	1,305,146,993.46
Ending Net Position	\$ 1,423,319,212.51	1,318,838,461.53

The University of Texas Health Science Center at Houston
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	41,002,362.72	39,629,326.33
Proceeds from Patients and Customers	296,104,711.40	265,062,830.84
Proceeds from Sponsored Programs	514,723,171.77	474,072,660.29
Proceeds from Auxiliaries	20,996,055.40	20,051,689.60
Proceeds from Other Revenues	87,073,326.27	73,557,541.93
Payments to Suppliers	(307,137,794.30)	(263,563,040.33)
Payments to Employees	(816,148,160.79)	(752,642,258.45)
Payments for Loans Provided	(2,537,733.15)	(2,842,703.36)
Proceeds from Loan Programs	2,452,767.31	2,370,305.93
Net Cash Provided (Used) by Operating Activities	<u>(163,471,293.37)</u>	<u>(144,303,647.22)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	196,806,428.21	179,420,302.35
Proceeds from Operating Gifts	18,189,777.94	21,049,993.15
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	5,892,826.76	4,725,782.23
Proceeds from Other Nonoperating Revenues	1,752,013.43	21,148.34
Receipts for Transfers from System or Other Agencies	43,649,468.61	15,508,119.11
Payments for Transfers to System or Other Agencies	(12,937,687.38)	(13,063,833.58)
Payments for Other Uses	167,479.02	2,533.26
Proceeds from Nonexchange Sponsored Programs	1,000,022.53	723,828.00
Net Cash Provided by Noncapital Financing Activities	<u>254,520,329.12</u>	<u>208,387,872.86</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	21,829,576.68	5,283,821.25
Proceeds from Capital Appropriations, Grants, and Gifts	125,312.11	464,668.59
Proceeds from Sale of Capital Assets	35,481.85	55,871.27
Payments for Additions to Capital Assets	(46,507,771.12)	(35,953,589.57)
Payments of Principal on Capital Related Debt	-	(4,410.00)
Mandatory Transfers to System for Capital Related Debt	(28,580,657.50)	(28,224,116.93)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(53,098,057.98)</u>	<u>(58,377,755.39)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	1,441,395.15	703,443.09
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	1,429,865.32	998,683.33
Proceeds from Interest and Investment Income Invested by System	31,840,493.54	32,937,635.50
Payments to Acquire Investments	(1,167,925.31)	(1,434,920.57)
Payments to Acquire Investments Invested by System	(3,621,147.41)	(42,469,972.54)
Net Cash Provided (Used) by Investing Activities	<u>29,922,681.29</u>	<u>(9,265,131.19)</u>
Net Increase (Decrease) in Cash	67,873,659.06	(3,558,660.94)
Cash and Cash Equivalents (Beginning of the Year)	88,323,556.84	91,882,217.78
Cash and Cash Equivalents (End of the Year)	<u>\$ 156,197,215.90</u>	<u>\$ 88,323,556.84</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(220,951,068.91)	(206,881,554.23)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	58,042,984.97	57,098,011.80
Changes in Assets and Liabilities:		
Accounts Receivable	(16,970,260.33)	(16,216,323.56)
Inventories	188,672.80	(188,301.39)
Loans and Contracts	(84,965.84)	(472,397.43)
Other Current and Noncurrent Assets	(239,712.84)	381,637.98
Accounts Payable	6,247,383.64	11,596,305.17
Due to System	641,610.60	790,233.20
Unearned Revenue	709,495.71	3,393,992.47
Assets Held for Others	200,802.90	207,770.63
Employees' Compensable Leave	3,477,813.94	3,275,910.55
Other Current and Noncurrent Liabilities	5,265,949.99	2,711,067.59
Total Adjustments	<u>57,479,775.54</u>	<u>62,577,907.01</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (163,471,293.37)</u>	<u>\$ (144,303,647.22)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	47,757,057.06	12,007,116.70
Miscellaneous Noncash Transactions	(272,744.36)	(892,881.78)

The University of Texas Health Science Center at San Antonio
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 114,020,566.72	114,863,918.03
Restricted Cash & Cash Equivalents	(5,378,625.08)	1,356,556.82
Balance in State Appropriations	18,050,772.05	4,347,125.36
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	10,064,348.51	20,427,242.09
Other Intergov. (allow. \$0.00 in 2014 & \$0.00 in 2013)	7,149,892.09	8,768,208.06
Student (allow. \$0.00 in 2014 & \$0.00 in 2013)	11,618,297.32	11,078,409.60
Patient & Healthcare(allow. \$3,255,664.72 in 2014 & \$53,074,929.94 in 2013)	16,366,714.67	15,315,987.62
Interest and Dividend Receivables	823,120.16	669,837.96
Contributions (allow. \$63,670.28 in 2014 & \$42,336.52 in 2013)	6,617,324.73	4,827,983.06
Other (allow. \$0.00 in 2014 & \$0.00 in 2013)	11,909,735.80	14,488,690.21
Due From System Administration	19,889,036.93	12,754,368.35
Due From Other Institutions	1,066,896.16	112,052.92
Due From Other Agencies	597,708.38	415,612.53
Inventories	1,790,574.68	2,023,624.27
Loans & Contracts (allow. \$57,748.09 in 2014 & \$89,357.10 in 2013)	999,909.19	893,669.25
Other Current Assets	938,178.79	1,023,436.77
Total Current Assets	216,524,451.10	213,366,722.90
Noncurrent Assets:		
Cash and Cash Equivalents (Noncurrent Restricted)	(12,412,505.86)	(8,238,121.68)
Restricted Investments	109,124,978.72	93,111,564.28
Loans & Contracts (allow. \$246,339.82 in 2014 & \$407,825.92 in 2013)	4,265,378.53	4,078,707.89
Funds Held by System Administration (Restricted)	487,430,289.43	433,889,722.58
Contributions Rec. (allow. \$41,177.53 in 2014 & \$71,964.87 in 2013)	4,399,275.81	7,124,522.06
Unrestricted Investments	222,628,951.06	171,978,874.41
Other Noncurrent Assets	5,199,372.60	6,909,180.61
Gross Capital/Intangible Assets	1,135,597,794.74	1,055,311,564.06
Accumulated Depreciation/Amortization	(539,849,393.55)	(493,441,831.33)
Total Noncurrent Assets	1,416,384,141.48	1,270,724,182.88
Total Assets	1,632,908,592.58	1,484,090,905.78
Total Assets and Deferred Outflows	1,632,908,592.58	1,484,090,905.78
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	17,887,028.68	16,592,032.00
Salaries Payable	28,924,994.42	29,253,828.91
Due To System Administration	5,321,446.15	4,900,123.02
Due To Other Institutions	226,271.55	105,034.27
Due To Other State Agencies	45,181.84	1,649.86
Statewide Interfund Payable	148,138.60	148,138.60
Unearned Revenue	45,363,535.14	44,804,610.46
Employees' Compensable Leave - Current Portion	24,093,312.27	23,266,383.38
Notes, Loans, and Leases Payable	1,342,442.22	1,294,526.49
Payable From Restricted Assets	11,421,107.31	5,367,318.36
Assets Held for Others	376,373.82	425,979.36
Other Current Liabilities	4,772,854.99	4,310,585.36
Total Current Liabilities	139,922,686.99	130,470,210.07
Noncurrent Liabilities:		
Employees' Compensable Leave	27,972,337.99	26,400,373.80
Liability to Beneficiaries	657,160.47	670,812.21
Notes, Loans, and Leases Payable	3,340,676.03	4,682,802.45
Statewide Interfund Payable	872,348.03	998,510.03
Other Noncurrent Liabilities	696,470.31	1,444,861.31
Total Noncurrent Liabilities	33,538,992.83	34,197,359.80
Total Liabilities	173,461,679.82	164,667,569.87
Total Liabilities and Deferred Inflows	173,461,679.82	164,667,569.87
NET POSITION		
Net Investment in Capital Assets	595,635,797.62	561,713,768.98
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	338,828,478.62	330,904,672.21
Expendable		
Capital Projects	(393,843.16)	(5,222,357.27)
Funds Functioning as Endowment (Restricted)	14,809,242.48	8,537,859.74
Other Expendable	237,741,663.49	196,569,690.46
Unrestricted	272,825,573.71	226,919,701.79
Total Net Position	\$ 1,459,446,912.76	1,319,423,335.91

The University of Texas Health Science Center at San Antonio
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 40,925,745.42	39,710,484.73
Discounts and Allowances	(5,185,225.32)	(4,656,210.56)
Federal Sponsored Programs	105,696,648.24	114,899,644.01
Federal Sponsored Programs Pass-Through from State Agencies	3,141,486.16	3,261,187.49
State Sponsored Programs Pass-Through from State Agencies	7,835,577.18	8,400,362.38
Local Sponsored Programs	149,734,479.14	128,470,277.31
Private Sponsored Programs	28,022,674.34	37,010,469.56
Sales and Services of Educational Activities	22,910,563.45	20,827,983.27
Professional Fees (Patient Charges)	455,275,838.34	477,033,152.88
Discounts and Allowances Professional Fees (Patient Charges)	(296,052,485.62)	(328,359,798.74)
Auxiliary Enterprises	5,477,095.57	4,715,585.92
Other Operating Revenues	27,467,848.60	25,146,152.02
Total Operating Revenues	545,250,245.50	526,459,290.27
Operating Expenses:		
Instruction	339,871,157.66	317,010,197.59
Research	116,099,773.12	123,797,815.98
Public Service	25,905,115.78	39,423,701.15
Hospitals / Clinics	103,957,684.71	82,322,478.12
Academic Support	29,860,089.29	33,715,506.11
Student Services	910,366.98	1,083,170.09
Institutional Support	45,440,367.41	44,597,258.48
Operations and Maintenance of Plant	34,782,146.81	33,780,101.95
Scholarships and Fellowships	3,686,420.08	3,506,731.43
Auxiliary Enterprises	5,402,002.02	5,737,556.29
Depreciation and Amortization	48,757,630.76	48,928,289.60
Total Operating Expenses	754,672,754.62	733,902,806.79
Operating Income (Loss)	(209,422,509.12)	(207,443,516.52)
Nonoperating Revenues (Expenses):		
State Appropriations	173,861,208.48	152,671,791.12
Federal Nonexchange Sponsored Programs	1,146,915.00	1,027,020.00
Gift Contributions for Operations	16,610,290.23	21,600,928.90
Investment Income	36,345,216.72	32,970,398.25
Net Increase (Decrease) in Fair Value of Investments	62,543,001.57	20,096,164.37
Gain (Loss) on Sale of Capital Assets	(502,881.25)	(350,125.02)
Other Nonoperating (Expenses)	(106,211.90)	(1,051,672.22)
Net Nonoperating Revenues (Expenses)	289,897,538.85	226,964,505.40
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	80,475,029.73	19,520,988.88
Gifts and Sponsored Programs for Capital Acquisitions	2,850,000.00	1,123,133.00
Additions to Permanent Endowments / Annuities	7,354,970.32	3,026,851.43
Reclass from/(to) Other Institutions	4,170,725.74	(104,686,580.93)
Transfers Between Institutions & System, Debt Service - Mandatory	(20,892,793.40)	(20,778,128.63)
Transfers Between Institutions & System Admin. - Non mandatory	66,318,930.61	132,578,819.96
Transfers From Other State Agencies	194,702.44	194,702.44
Transfers to Other State Agencies	(253,286.15)	(331,791.04)
Change in Net Position	140,023,576.85	30,647,995.11
Beginning Net Position	1,319,423,335.91	1,288,775,340.80
Ending Net Position	\$ 1,459,446,912.76	1,319,423,335.91

The University of Texas Health Science Center at San Antonio
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	37,779,108.08	36,126,868.67
Proceeds from Patients and Customers	158,172,625.67	150,150,513.55
Proceeds from Sponsored Programs	306,495,195.04	282,324,696.42
Proceeds from Auxiliaries	5,522,704.11	4,756,983.65
Proceeds from Other Revenues	51,210,889.73	47,914,088.41
Payments to Suppliers	(187,020,540.44)	(178,814,632.71)
Payments to Employees	(513,887,873.64)	(501,840,761.83)
Payments for Loans Provided	(1,119,564.76)	(825,151.66)
Proceeds from Loan Programs	1,005,793.69	1,036,975.48
Net Cash Provided (Used) by Operating Activities	<u>(141,841,662.52)</u>	<u>(159,170,420.02)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	160,157,561.79	160,054,333.60
Proceeds from Operating Gifts	18,127,673.95	17,424,810.66
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	7,354,970.32	3,026,851.43
Receipts for Transfers from System or Other Agencies	1,430,918.68	1,434,270.90
Payments for Transfers to System or Other Agencies	(266,280.52)	(305,348.79)
Payments for Other Uses	(981,137.00)	-
Proceeds from Nonexchange Sponsored Programs	1,146,915.00	1,027,020.00
Net Cash Provided by Noncapital Financing Activities	<u>186,970,622.22</u>	<u>182,661,937.80</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	62,187,032.99	27,040,576.45
Proceeds from Capital Appropriations, Grants, and Gifts	2,268,520.86	1,919,287.79
Proceeds from Sale of Capital Assets	-	185,999.00
Payments for Additions to Capital Assets	(77,329,422.45)	(37,994,436.58)
Payments of Principal on Capital Related Debt	(1,294,210.69)	(1,240,450.88)
Mandatory Transfers to System for Capital Related Debt	(20,892,793.40)	(20,778,128.63)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(35,060,872.69)</u>	<u>(30,867,152.85)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	2,823,211.88	1,150,553.89
Proceeds from Interest and Investment Income Invested by System	33,016,840.09	31,603,981.99
Payments to Acquire Investments Invested by System	(57,661,056.37)	(9,015,730.03)
Net Cash Provided (Used) by Investing Activities	<u>(21,821,004.40)</u>	<u>23,738,805.85</u>
Net Increase (Decrease) in Cash	(11,752,917.39)	16,363,170.78
Cash and Cash Equivalents (Beginning of the Year)	107,982,353.17	91,619,182.39
Cash and Cash Equivalents (End of the Year)	<u>\$ 96,229,435.78</u>	<u>\$ 107,982,353.17</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	(209,422,509.12)	(207,443,516.52)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	48,757,630.76	48,928,289.60
Bad Debt Expense	(179,139.50)	121,470.82
Changes in Assets and Liabilities:		
Accounts Receivable	11,832,610.10	(6,328,578.37)
Inventories	233,049.59	(280,915.75)
Loans and Contracts	(113,771.07)	211,823.82
Other Current and Noncurrent Assets	1,795,065.99	1,350,331.90
Accounts Payable	2,211,986.76	4,199,582.36
Due to System	421,323.13	221,131.84
Unearned Revenue	558,924.68	(665,911.45)
Assets Held for Others	(49,605.55)	(12,762.93)
Employees' Compensable Leave	2,398,893.08	808,091.22
Other Current and Noncurrent Liabilities	(286,121.37)	(279,456.56)
Total Adjustments	<u>67,580,846.60</u>	<u>48,273,096.50</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (141,841,662.52)</u>	<u>\$ (159,170,420.02)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	62,543,001.57	20,096,164.37
Donated Capital Assets	-	17,500.00
Capital Assets Acquired Under Capital Lease Purchases	-	129,904.89
Miscellaneous Noncash Transactions	(520,831.87)	(181,864.83)

The University of Texas M. D. Anderson Cancer Center
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 637,626,487.73	585,726,344.89
Restricted Cash & Cash Equivalents	38,747,545.89	9,365,708.71
Balance in State Appropriations		83,035.05
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	228,381,672.18	265,602,076.93
Patient & Healthcare(allow. \$116,758,929.38 in 2014 & \$708,360,918.51 in 2013)	515,278,482.18	509,006,315.40
Interest and Dividend Receivables	4,236,937.92	3,114,483.13
Contributions (allow. \$3,465,748.55 in 2014 & \$2,182,384.24 in 2013)	64,276,719.15	40,462,755.93
Other (allow. \$2,532,284.21 in 2014 & \$2,144,305.12 in 2013)	18,812,260.17	14,520,840.54
Due From System Administration	15,022,840.27	4,353,804.07
Due From Other Institutions	1,834,928.03	14,346.20
Due From Other Agencies	558,329.45	715,198.47
Inventories	43,161,308.03	41,258,572.72
Other Current Assets	74,585,586.56	69,508,276.89
Total Current Assets	<u>1,642,523,097.56</u>	<u>1,543,731,758.93</u>
Noncurrent Assets:		
Restricted Investments	1,270,165,563.77	670,714,734.43
Funds Held by System Administration (Restricted)	631,621,686.41	558,711,816.11
Contributions Rec. (allow. \$2,436,707.23 in 2014 & \$3,552,996.01 in 2013)	44,122,655.79	66,102,693.64
Unrestricted Investments	1,514,941,590.31	1,523,412,184.32
Other Noncurrent Assets	7,983,616.09	2,847,796.36
Gross Capital/Intangible Assets	5,345,955,267.86	5,013,881,013.29
Accumulated Depreciation/Amortization	<u>(2,388,973,441.20)</u>	<u>(2,148,584,279.58)</u>
Total Noncurrent Assets	<u>6,425,816,939.03</u>	<u>5,687,085,958.57</u>
Total Assets	<u>8,068,340,036.59</u>	<u>7,230,817,717.50</u>
Total Assets and Deferred Outflows	<u>8,068,340,036.59</u>	<u>7,230,817,717.50</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	204,918,481.29	177,580,459.23
Salaries Payable	167,638,997.09	200,029,127.95
Federal Payables	50,080,454.28	18,283,415.86
Other Intergovernmental Payables		16,967.39
Due To System Administration	19,492,316.16	18,546,500.99
Due To Other Institutions	681,379.67	
Due To Other State Agencies	37,333.36	73,238.73
Unearned Revenue	203,431,314.97	125,784,365.86
Employees' Compensable Leave - Current Portion	142,942,958.95	133,551,727.97
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	1,860,347.26	4,254,061.72
Assets Held for Others	3,590,872.91	3,696,981.93
Other Current Liabilities	<u>49,471,209.38</u>	<u>63,890,412.70</u>
Total Current Liabilities	<u>844,145,665.32</u>	<u>745,707,260.33</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	24,412,540.15	31,676,988.63
Assets Held for Others	432,420,743.97	390,651,560.39
Liability to Beneficiaries	1,332,283.60	1,278,737.60
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	<u>1,096,397.55</u>	<u>439,428.06</u>
Total Noncurrent Liabilities	<u>459,261,965.27</u>	<u>424,046,714.68</u>
Total Liabilities	<u>1,303,407,630.59</u>	<u>1,169,753,975.01</u>
Total Liabilities and Deferred Inflows	<u>1,303,407,630.59</u>	<u>1,169,753,975.01</u>
NET POSITION		
Net Investment in Capital Assets	2,956,981,826.66	2,865,296,733.71
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	901,908,701.81	387,714,145.41
Expendable		
Capital Projects	173,155,566.69	160,134,510.43
Funds Functioning as Endowment (Restricted)	67,088,361.54	61,412,341.60
Other Expendable	585,007,543.11	524,809,884.29
Unrestricted	<u>2,080,790,406.19</u>	<u>2,061,696,127.05</u>
Total Net Position	<u>\$ 6,764,932,406.00</u>	<u>6,061,063,742.49</u>

The University of Texas M. D. Anderson Cancer Center
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 1,452,471.81	1,246,131.28
Discounts and Allowances	(4,551.00)	(4,770.00)
Federal Sponsored Programs	151,197,558.12	176,262,245.19
Federal Sponsored Programs Pass-Through from State Agencies	7,425,210.84	4,705,459.08
State Sponsored Programs Pass-Through from State Agencies	26,348,368.10	30,288,937.58
Private Sponsored Programs	109,093,083.10	111,091,652.77
Sales and Services of Educational Activities	2,154,498.99	2,227,234.53
Sales and Services of Hospitals	5,739,741,662.83	5,335,582,114.09
Discounts and Allowances Sales and Services of Hospitals	(2,794,049,545.74)	(2,536,833,455.72)
Professional Fees (Patient Charges)	1,255,254,552.62	1,246,530,712.76
Discounts and Allowances Professional Fees (Patient Charges)	(865,264,235.95)	(866,414,360.47)
Auxiliary Enterprises	41,502,689.54	40,674,618.27
Other Operating Revenues	96,100,035.28	72,095,582.36
Total Operating Revenues	3,770,951,798.54	3,617,452,101.72
Operating Expenses:		
Instruction	66,207,886.36	66,441,367.69
Research	631,944,987.25	588,664,552.80
Public Service	10,186,450.62	7,979,630.03
Hospitals / Clinics	2,055,617,566.18	2,013,554,825.69
Academic Support	116,827,001.00	133,375,953.54
Student Services	645,813.71	646,611.60
Institutional Support	288,789,154.81	280,368,797.90
Operations and Maintenance of Plant	197,104,316.06	193,350,104.95
Scholarships and Fellowships	2,091,829.57	1,189,939.34
Auxiliary Enterprises	24,076,252.81	25,021,818.36
Depreciation and Amortization	289,688,989.58	278,585,833.16
Total Operating Expenses	3,683,180,247.95	3,589,179,435.06
Operating Income (Loss)	87,771,550.59	28,272,666.66
Nonoperating Revenues (Expenses):		
State Appropriations	185,393,182.07	154,562,092.80
Federal Nonexchange Sponsored Programs	554,577.76	520,121.42
Gift Contributions for Operations	127,142,477.53	182,276,142.79
Investment Income	125,830,199.09	110,577,077.82
Net Increase (Decrease) in Fair Value of Investments	204,388,540.00	67,973,392.69
Gain (Loss) on Sale of Capital Assets	(939,619.84)	2,134,073.87
Other Nonoperating Revenues		217,140.13
Other Nonoperating (Expenses)	(397,212.06)	(473,252.69)
Net Nonoperating Revenues (Expenses)	641,972,144.55	517,786,788.83
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	729,743,695.14	546,059,455.49
Gifts and Sponsored Programs for Capital Acquisitions	99,731.25	18,637,895.10
Additions to Permanent Endowments / Annuities	19,597,267.54	14,687,532.65
Reclass from/(to) Other Institutions	(583,173.46)	(4,255,810.49)
Transfers Between Institutions & System, Debt Service - Mandatory	(80,949,114.19)	(74,027,184.36)
Transfers Between Institutions & System Admin. - Non mandatory	35,952,998.74	42,855,757.07
Transfers From Other State Agencies	64,934,809.09	20,314,323.43
Transfers to Other State Agencies	(64,927,550.60)	(19,964,930.92)
Change in Net Position	703,868,663.51	544,307,037.97
Beginning Net Position	6,061,063,742.49	5,516,756,704.52
Ending Net Position	\$ 6,764,932,406.00	6,061,063,742.49

The University of Texas M. D. Anderson Cancer Center
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	1,447,920.81	1,241,361.28
Proceeds from Patients and Customers	3,324,025,100.33	3,135,008,806.15
Proceeds from Sponsored Programs	410,445,302.38	193,449,746.87
Proceeds from Auxiliaries	40,807,078.48	40,493,506.92
Proceeds from Other Revenues	78,942,704.68	93,582,848.51
Payments to Suppliers	(1,199,071,473.37)	(1,166,551,224.12)
Payments to Employees	(2,174,593,042.00)	(2,040,300,166.66)
Net Cash Provided (Used) by Operating Activities	<u>482,003,591.31</u>	<u>256,924,878.95</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	185,476,217.12	163,255,123.13
Proceeds from Operating Gifts	124,962,752.01	136,538,386.17
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	19,597,267.54	14,687,532.65
Proceeds from Other Nonoperating Revenues	-	217,140.13
Receipts for Transfers from System or Other Agencies	118,605,253.11	28,256,728.56
Payments for Transfers to System or Other Agencies	(70,893,260.78)	(26,364,278.00)
Payments for Other Uses	(219,966.22)	(403,532.30)
Proceeds from Nonexchange Sponsored Programs	554,577.76	520,121.42
Net Cash Provided by Noncapital Financing Activities	<u>378,082,840.54</u>	<u>316,707,221.76</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	(21,725,322.03)	36,528,165.22
Proceeds from Capital Appropriations, Grants, and Gifts	99,731.25	18,637,895.10
Proceeds from Sale of Capital Assets	691,623.96	3,400,968.17
Payments for Additions to Capital Assets	(382,381,042.99)	(491,410,017.43)
Mandatory Transfers to System for Capital Related Debt	(80,949,114.19)	(74,027,184.36)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(484,264,124.00)</u>	<u>(506,870,173.30)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	15,535,757.59	13,415,444.32
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	57,530,023.61	85,096,349.71
Proceeds from Interest and Investment Income Invested by System	107,431,214.19	54,713,201.49
Payments to Acquire Investments	(39,268,123.00)	(38,957,354.21)
Payments to Acquire Investments Invested by System	(435,769,200.22)	(112,480,112.93)
Net Cash Provided (Used) by Investing Activities	<u>(294,540,327.83)</u>	<u>1,787,528.38</u>
Net Increase (Decrease) in Cash	81,281,980.02	68,549,455.79
Cash and Cash Equivalents (Beginning of the Year)	595,092,053.60	526,542,597.81
Cash and Cash Equivalents (End of the Year)	<u>\$ 676,374,033.62</u>	<u>\$ 595,092,053.60</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	87,771,550.59	28,272,666.66
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	289,688,989.58	278,585,833.16
Changes in Assets and Liabilities:		
Accounts Receivable	24,993,105.53	(185,305,760.67)
Inventories	(1,902,735.31)	(1,119,630.60)
Other Current and Noncurrent Assets	(10,213,129.40)	(1,794,222.98)
Accounts Payable	24,362,697.22	97,280,458.45
Due to System	945,815.17	1,695,269.56
Unearned Revenue	77,992,749.26	13,205,726.44
Employees' Compensable Leave	2,126,782.50	6,781,277.78
Other Current and Noncurrent Liabilities	(13,762,233.83)	19,323,261.15
Total Adjustments	<u>394,232,040.72</u>	<u>228,652,212.29</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 482,003,591.31</u>	<u>\$ 256,924,878.95</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	204,388,540.00	67,973,392.69
Miscellaneous Noncash Transactions	(932,361.35)	2,483,466.38

The University of Texas Health Science Center at Tyler
 Exhibit A Statement of Net Position
 As of August 31, 2014

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash & Cash Equivalents	\$ 10,660,228.69	5,602,260.02
Restricted Cash & Cash Equivalents	5,949,164.84	9,101,469.91
Balance in State Appropriations	15,223.24	
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2014 & \$0.00 in 2013)	7,021,398.09	1,736,495.05
Patient & Healthcare(allow. \$7,218,093.00 in 2014 & \$8,744,508.00 in 2013)	8,123,426.11	9,315,859.49
Contributions (allow. \$0.00 in 2014 & \$0.00 in 2013)	73,926.23	135,149.17
Other (allow. \$0.00 in 2014 & \$0.00 in 2013)	1,364,727.89	839,699.49
Due From Other Funds	147,053.73	219,348.77
Due From System Administration	1,368,523.30	630,154.33
Due From Other Institutions	381.49	156,826.79
Due From Other Agencies	154,763.04	104,345.87
Inventories	2,459,785.80	2,097,316.43
Other Current Assets	1,107,041.36	1,143,617.93
Total Current Assets	38,445,643.81	31,082,543.25
Noncurrent Assets:		
Restricted Investments	1,853,455.33	1,499,097.02
Funds Held by System Administration (Restricted)	46,999,153.30	42,544,916.56
Contributions Rec. (allow. \$0.00 in 2014 & \$0.00 in 2013)	61,487.46	61,487.46
Unrestricted Investments	19,106,919.19	18,011,018.23
Other Noncurrent Assets	1,147,833.80	655,068.07
Gross Capital/Intangible Assets	256,967,368.71	244,144,478.08
Accumulated Depreciation/Amortization	(126,056,801.70)	(119,633,210.01)
Total Noncurrent Assets	200,079,416.09	187,282,855.41
Total Assets	238,525,059.90	218,365,398.66
Total Assets and Deferred Outflows	238,525,059.90	218,365,398.66
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	10,231,133.14	10,031,213.66
Salaries Payable	3,392,012.56	2,966,031.56
Due To Other Funds	147,053.73	219,348.77
Due To System Administration	1,308,811.29	1,167,711.37
Due To Other Institutions	838.44	50,075.75
Due To Other State Agencies	30,481.49	98,780.44
Unearned Revenue	1,687,108.04	1,934,595.26
Employees' Compensable Leave - Current Portion	2,281,370.38	2,037,829.30
Notes, Loans, and Leases Payable		
Payable From Restricted Assets	380,998.98	246,912.95
Assets Held for Others	24,455.40	24,455.40
Total Current Liabilities	19,484,263.45	18,776,954.46
Noncurrent Liabilities:		
Employees' Compensable Leave	1,934,941.32	1,825,265.96
Notes, Loans, and Leases Payable		
Other Noncurrent Liabilities	744,142.48	407,026.60
Total Noncurrent Liabilities	2,679,083.80	2,232,292.56
Total Liabilities	22,163,347.25	21,009,247.02
Total Liabilities and Deferred Inflows	22,163,347.25	21,009,247.02
NET POSITION		
Net Investment in Capital Assets	130,910,567.01	124,511,268.07
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	33,206,157.65	32,899,927.43
Expendable		
Capital Projects	(977,612.05)	(3,058,093.32)
Funds Functioning as Endowment (Restricted)	983,121.23	899,140.47
Other Expendable	19,526,452.57	18,313,869.65
Unrestricted	32,713,026.24	23,790,039.34
Total Net Position	\$ 216,361,712.65	197,356,151.64

The University of Texas Health Science Center at Tyler
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 114,700.18	39,200.38
Federal Sponsored Programs	4,845,649.83	5,607,519.96
Federal Sponsored Programs Pass-Through from State Agencies	859,025.05	1,856,471.18
State Sponsored Programs Pass-Through from State Agencies	1,056,597.59	918,246.55
Local Sponsored Programs	99,375.00	
Private Sponsored Programs	7,261,734.43	5,866,942.26
Sales and Services of Educational Activities	1,357,320.72	1,325,604.39
Sales and Services of Hospitals	205,011,270.64	174,912,394.80
Discounts and Allowances Sales and Services of Hospitals	(149,554,790.42)	(130,355,855.38)
Professional Fees (Patient Charges)	37,844,853.66	33,853,605.90
Discounts and Allowances Professional Fees (Patient Charges)	(25,981,303.94)	(23,309,304.79)
Auxiliary Enterprises	171,966.34	177,021.07
Other Operating Revenues	28,422,805.88	7,215,987.84
Total Operating Revenues	111,509,204.96	78,107,834.16
Operating Expenses:		
Instruction	10,244,964.55	9,074,643.75
Research	9,891,402.96	10,316,581.22
Public Service	4,034.01	5,990.17
Hospitals / Clinics	105,825,805.68	86,898,046.89
Academic Support	1,217,748.86	1,103,962.81
Institutional Support	9,644,743.75	8,958,211.70
Operations and Maintenance of Plant	10,547,726.13	9,631,164.77
Scholarships and Fellowships	60,232.40	33,272.50
Auxiliary Enterprises	135,243.41	122,753.49
Depreciation and Amortization	10,196,560.06	9,172,148.24
Total Operating Expenses	157,768,461.81	135,316,775.54
Operating Income (Loss)	(46,259,256.85)	(57,208,941.38)
Nonoperating Revenues (Expenses):		
State Appropriations	44,183,916.71	36,874,227.17
Gift Contributions for Operations	599,012.58	962,896.45
Investment Income	5,460,048.69	4,430,107.20
Net Increase (Decrease) in Fair Value of Investments	4,507,735.30	1,879,868.24
Gain (Loss) on Sale of Capital Assets	(26,084.37)	(9,779.67)
Other Nonoperating Revenues	2,937.02	9,240.27
Other Nonoperating (Expenses)	(15,004.23)	17,145.48
Net Nonoperating Revenues (Expenses)	54,712,561.70	44,163,705.14
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	8,453,304.85	(13,045,236.24)
Gifts and Sponsored Programs for Capital Acquisitions	29,465.61	8,634.03
Additions to Permanent Endowments / Annuities	250,000.00	412,955.19
Reclass from/(to) Other Institutions	9,445,613.18	6,297,431.42
Transfers Between Institutions & System, Debt Service - Mandatory	(5,145,783.26)	(4,827,573.35)
Transfers Between Institutions & System Admin. - Non mandatory	5,972,960.63	9,016,296.28
Transfers From Other State Agencies	5,743,812.00	5,105,330.02
Transfers to Other State Agencies	(5,743,812.00)	(5,105,330.02)
Change in Net Position	19,005,561.01	(2,137,492.67)
Beginning Net Position	197,356,151.64	199,493,644.31
Ending Net Position	\$ 216,361,712.65	197,356,151.64

The University of Texas Health Science Center at Tyler
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2014

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	114,253.44	82,857.92
Proceeds from Patients and Customers	68,512,463.32	53,749,140.95
Proceeds from Sponsored Programs	8,114,308.22	17,071,029.49
Proceeds from Auxiliaries	171,966.34	177,721.07
Proceeds from Other Revenues	29,594,338.23	8,439,130.80
Payments to Suppliers	(55,389,407.68)	(44,285,173.70)
Payments to Employees	(90,079,506.90)	(80,831,962.41)
Net Cash Provided (Used) by Operating Activities	<u>(38,961,585.03)</u>	<u>(45,597,255.88)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	44,168,693.47	36,878,354.84
Proceeds from Operating Gifts	626,457.73	1,064,678.42
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	250,000.00	412,955.19
Proceeds from Other Nonoperating Revenues	2,937.02	9,240.27
Receipts for Transfers from System or Other Agencies	6,039,738.10	5,273,927.22
Payments for Transfers to System or Other Agencies	(5,748,812.00)	(5,137,087.15)
Payments for Other Uses	(15,000.00)	(4,500.00)
Net Cash Provided by Noncapital Financing Activities	<u>45,324,014.32</u>	<u>38,497,568.79</u>
Cash Flows from Capital and Related Financing Activities:		
Nonmandatory Capital Related Transfers	14,389,927.91	14,976,431.04
Proceeds from Capital Appropriations, Grants, and Gifts	63,241.40	43,770.71
Proceeds from Sale of Capital Assets	9,924.40	14,572.80
Payments for Additions to Capital Assets	(17,836,710.72)	(19,626,981.07)
Mandatory Transfers to System for Capital Related Debt	(5,145,783.26)	(4,827,573.35)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,519,400.27)</u>	<u>(9,419,779.87)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	3,390,131.96
Proceeds from Interest and Investment Income	86,084.69	18,626.07
Proceeds from Interest and Investment Income Invested by System	5,373,310.60	4,366,024.22
Payments to Acquire Investments	-	(300.00)
Payments to Acquire Investments Invested by System	(1,396,760.71)	-
Net Cash Provided (Used) by Investing Activities	<u>4,062,634.58</u>	<u>7,774,482.25</u>
Net Increase (Decrease) in Cash	1,905,663.60	(8,744,984.71)
Cash and Cash Equivalents (Beginning of the Year)	14,703,729.93	23,448,714.64
Cash and Cash Equivalents (End of the Year)	<u>\$ 16,609,393.53</u>	<u>\$ 14,703,729.93</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(46,259,256.85)	(57,208,941.38)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	10,196,560.06	9,172,148.24
Changes in Assets and Liabilities:		
Accounts Receivable	(4,525,463.09)	871,189.65
Inventories	(362,469.37)	(262,178.24)
Other Current and Noncurrent Assets	(456,189.16)	(1,067,798.08)
Accounts Payable	1,861,288.36	1,637,571.83
Due to System	141,099.92	137,600.82
Unearned Revenue	(247,487.22)	522,621.22
Assets Held for Others	-	24,455.40
Employees' Compensable Leave	353,216.44	422,031.67
Other Current and Noncurrent Liabilities	337,115.88	154,042.99
Total Adjustments	<u>7,297,671.82</u>	<u>11,611,685.50</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (38,961,585.03)</u>	<u>\$ (45,597,255.88)</u>
Non Cash Transactions:		
Net Increase (Decrease) in Fair Value of Investments	4,507,735.30	1,879,868.24
Donated Capital Assets	2.00	47.00
Miscellaneous Noncash Transactions	(26,084.37)	(9,779.67)

The University of Texas System
 Schedule 2 – Bonds Payable (Consolidated)
 For the Year Ended August 31, 2014

2A: MISCELLANEOUS BOND INFORMATION

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rates	Scheduled Maturities		First Call Date	Maturity Date (MM/DD/YYYY)
				First Year	Last Year		
Revenue Bonds:							
Self Supporting:							
PUF Refunding Bonds, 2004A	60,665,000.00	3.000-5.000%	NA	2004	2016	07/01/14	7/1/2016
PUF Bonds, 2004B	396,520,000.00	4.500-5.000%	NA	2023	2033	07/01/14	7/1/2033
PUF Refunding Bonds, 2005A	100,345,000.00	5.000-5.250%	NA	2011	2019	07/01/15	7/1/2019
PUF Bonds, 2005B	124,625,000.00	4.250-5.000%	NA	2018	2035	07/01/15	7/1/2035
PUF Refunding Bonds, 2006B	284,065,000.00	5.000-5.250%	NA	2020	2035	N/A	7/1/2035
PUF Bonds, 2006C	97,755,000.00	4.000-5.000%	NA	2011	2035	07/01/16	7/1/2035
PUF Bonds, 2008A	400,905,000.00	VAR	Weekly	2011	2038	Optional	7/1/2038
PUF Taxable Bonds, 2009A	250,000,000.00	5.262%	NA	2011	2039	Make-Whole	7/1/2039
PUF Bonds, 2014A	240,340,000.00	5.000%	NA	2040	2041	07/01/23	7/1/2041
PUF Bonds, 2014B	221,580,000.00	2.000-5.000%	NA	2015	2033	07/01/24	7/1/2033
RFS Refunding Bonds, 2002A	54,430,000.00	2.000-5.250%	NA	2003	2020	N/A	8/15/2020
RFS Refunding Bonds, 2002B	108,855,000.00	2.000-5.250%	NA	2003	2020	N/A	8/15/2020
RFS Refunding Bonds, 2004A	137,915,000.00	2.000-5.250%	NA	2004	2018	N/A	8/15/2018
RFS Refunding Bonds, 2004B	300,330,000.00	4.500-5.250%	NA	2007	2019	N/A	8/15/2019
RFS Bonds, 2004C	218,610,000.00	4.000-5.250%	NA	2005	2023	08/15/14	8/15/2023
RFS Bonds, 2004D	352,170,000.00	3.000-5.250%	NA	2006	2034	08/15/14	8/15/2034
RFS Bonds, 2006A	20,315,000.00	4.000-4.500%	NA	2007	2015	N/A	8/15/2015
RFS Bonds, 2006B	540,570,000.00	4.000-5.000%	NA	2007	2037	08/15/16	8/15/2037
RFS Refunding Bonds, 2006C	175,115,000.00	3.500-5.000%	NA	2008	2023	N/A	8/15/2023
RFS Refunding Bonds, 2006D	346,840,000.00	4.000-5.000%	NA	2007	2026	02/15/17	8/15/2026
RFS Bonds, 2006E	55,985,000.00	3.500-5.000%	NA	2008	2023	02/15/17	8/15/2023
RFS Bonds, 2006F	318,525,000.00	4.000-5.000%	NA	2008	2038	02/15/17	8/15/2038
RFS Refunding Bonds, 2007B	345,460,000.00	VAR	Weekly	2008	2034	Optional	8/15/2034
RFS Bonds, 2008B	685,485,000.00	VAR	Weekly	2009	2039	Optional	8/15/2039
RFS Bonds, 2008A	256,735,000.00	3.250-5.250%	NA	2010	2024	08/15/18	8/15/2024
RFS Taxable Bonds, 2009B	330,545,000.00	6.276%	NA	2026	2041	08/15/19	8/15/2041
RFS Bonds, 2009D	260,005,000.00	2.000-5.000%	NA	2010	2026	08/15/19	8/15/2026
RFS Bonds, 2010A	331,415,000.00	3.000-5.000%	NA	2012	2024	02/15/20	8/15/2024
RFS Refunding Bonds, 2010B	385,380,000.00	1.500-5.375%	NA	2010	2024	N/A	8/15/2024
RFS Taxable Bonds, 2010C	604,310,000.00	3.225-4.794%	NA	2018	2046	Make-Whole	8/15/2046
RFS Taxable Bonds, 2010D	516,245,000.00	0.630-1.134%	NA	2011	2042	Make-Whole	8/15/2042
RFS Bonds, 2010E	39,785,000.00	2.000-5.000%	NA	2012	2018	N/A	8/15/2018
RFS Refunding Bonds, 2012A	195,850,000.00	2.000-5.000%	NA	2013	2027	02/15/22	8/15/2027
RFS Bonds, 2012B	238,135,000.00	2.000-5.000%	NA	2013	2043	08/15/22	8/15/2043
RFS Bonds, 2014A	259,135,000.00	2.000-5.000%	NA	2015	2044	08/15/24	8/15/2044
TOTAL BONDS ISSUED	\$ 9,254,945,000.00						

The University of Texas System
Schedule 2 – Bonds Payable (Consolidated)
For the Year Ended August 31, 2014

2B: CHANGES IN BONDED INDEBTEDNESS

Description of Issue	Bonds Outstanding 9/1/2013	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2014	Unamortized Premium/ (Discount)	Net Bonds Outstanding 8/31/2014	Principal Due Within One Year	Amortization of Premiums/ (Discounts) Due Within One Year	Amounts Due Within One Year
Revenue Bonds:										
Self Supporting:										
PUF Refunding Bonds, 2004A	25,245,000.00	-	8,005,000.00	17,240,000.00	-	-	-	-	-	-
PUF Bonds, 2004B	223,535,000.00	-	-	223,535,000.00	-	-	-	-	-	-
PUF Refunding Bonds, 2005A	71,840,000.00	-	10,465,000.00	-	61,375,000.00	2,665,480.59	64,040,480.59	10,985,000.00	592,329.05	11,577,329.05
PUF Bonds, 2005B	72,720,000.00	-	-	-	72,720,000.00	-	72,720,000.00	-	-	-
PUF Refunding Bonds, 2006B	284,065,000.00	-	-	-	284,065,000.00	28,278,030.30	312,343,030.30	-	1,824,389.05	1,824,389.05
PUF Bonds, 2006C	92,990,000.00	-	1,745,000.00	-	91,245,000.00	2,138,284.90	93,383,284.90	1,835,000.00	129,593.03	1,964,593.03
PUF Bonds, 2008A	386,355,000.00	-	5,210,000.00	-	381,145,000.00	-	381,145,000.00	381,145,000.00	-	381,145,000.00
PUF Taxable Bonds, 2009A	250,000,000.00	-	-	-	250,000,000.00	-	250,000,000.00	-	-	-
PUF Bonds, 2014A	-	240,340,000.00	-	-	240,340,000.00	12,699,966.17	253,039,966.17	-	1,494,113.67	1,494,113.67
PUF Bonds, 2014B	-	221,580,000.00	-	-	221,580,000.00	21,511,668.23	243,091,668.23	8,110,000.00	2,264,366.13	10,374,366.13
RFS Refunding Bonds, 2002A	29,970,000.00	-	6,205,000.00	-	23,765,000.00	2,306,416.87	26,071,416.87	6,530,000.00	384,402.80	6,914,402.80
RFS Refunding Bonds, 2002B	64,705,000.00	-	11,090,000.00	-	53,615,000.00	4,602,973.03	58,217,973.03	11,670,000.00	767,162.16	12,437,162.16
RFS Refunding Bonds, 2004A	77,765,000.00	-	14,160,000.00	-	63,605,000.00	5,112,438.41	68,717,438.41	15,355,000.00	1,278,109.63	16,633,109.63
RFS Refunding Bonds, 2004B	153,855,000.00	-	27,615,000.00	-	126,240,000.00	13,066,286.45	139,306,286.45	29,065,000.00	2,613,257.28	31,678,257.28
RFS Bonds, 2004C	9,855,000.00	-	9,855,000.00	-	-	-	-	-	-	-
RFS Bonds, 2004D	13,150,000.00	-	13,150,000.00	-	-	-	-	-	-	-
RFS Bonds, 2006A	3,420,000.00	-	2,520,000.00	-	900,000.00	8,584.60	908,584.60	900,000.00	8,584.60	908,584.60
RFS Bonds, 2006B	255,180,000.00	-	17,450,000.00	-	237,730,000.00	10,199,223.44	247,929,223.44	18,305,000.00	496,506.81	18,801,506.81
RFS Refunding Bonds, 2006C	172,645,000.00	-	480,000.00	-	172,165,000.00	10,030,882.50	182,195,882.50	16,105,000.00	1,180,103.82	17,285,103.82
RFS Refunding Bonds, 2006D	160,255,000.00	-	12,295,000.00	-	147,960,000.00	6,484,074.59	154,444,074.59	26,650,000.00	710,710.48	27,360,710.48
RFS Bonds, 2006E	42,115,000.00	-	3,980,000.00	-	38,135,000.00	1,594,243.45	39,729,243.45	3,165,000.00	187,558.06	3,352,558.06
RFS Bonds, 2006F	258,460,000.00	-	7,650,000.00	-	250,810,000.00	9,899,745.58	260,709,745.58	8,015,000.00	425,203.72	8,440,203.72
RFS Refunding Bonds, 2007B	332,585,000.00	-	1,155,000.00	-	331,430,000.00	-	331,430,000.00	331,430,000.00	-	331,430,000.00
RFS Bonds, 2008B	590,270,000.00	-	26,245,000.00	-	564,025,000.00	-	564,025,000.00	564,025,000.00	-	564,025,000.00
RFS Bonds, 2008A	196,995,000.00	-	16,850,000.00	-	180,145,000.00	4,142,724.42	184,287,724.42	19,375,000.00	1,183,635.57	20,558,635.57
RFS Taxable Bonds, 2009B	330,545,000.00	-	-	-	330,545,000.00	-	330,545,000.00	-	-	-
RFS Bonds, 2009D	222,225,000.00	-	12,980,000.00	-	209,235,000.00	11,415,982.58	220,650,982.58	13,545,000.00	992,694.14	14,537,694.14
RFS Bonds, 2010A	307,630,000.00	-	11,800,000.00	-	295,830,000.00	30,893,434.03	326,723,434.03	13,360,000.00	3,251,940.43	16,611,940.43
RFS Refunding Bonds, 2010B	381,795,000.00	-	355,000.00	-	381,440,000.00	37,467,555.24	418,907,555.24	375,000.00	3,943,953.18	4,318,953.18
RFS Taxable Bonds, 2010C	604,310,000.00	-	-	-	604,310,000.00	-	604,310,000.00	-	-	-
RFS Taxable Bonds, 2010D	497,660,000.00	-	12,775,000.00	-	484,885,000.00	-	484,885,000.00	12,975,000.00	-	12,975,000.00
RFS Bonds, 2010E	35,610,000.00	-	4,565,000.00	-	31,045,000.00	2,407,732.68	33,452,732.68	4,730,000.00	601,933.18	5,331,933.18
RFS Refunding Bonds, 2012A	193,265,000.00	-	13,440,000.00	-	179,825,000.00	34,201,969.95	214,026,969.95	8,415,000.00	4,560,262.66	12,975,262.66
RFS Bonds, 2012B	235,070,000.00	-	4,315,000.00	-	230,755,000.00	32,765,282.55	263,520,282.55	4,520,000.00	4,368,704.34	8,888,704.34
RFS Bonds, 2014A	-	259,135,000.00	-	-	259,135,000.00	23,465,773.73	282,600,773.73	2,855,000.00	2,470,081.45	5,325,081.45
TOTAL CHANGES IN BONDS	\$ 6,576,085,000.00	721,055,000.00	256,365,000.00	240,775,000.00	6,800,000,000.00	307,358,754.29	7,107,358,754.29	1,513,440,000.00	35,729,615.24	1,549,169,615.24

The University of Texas System
 Schedule 2 – Bonds Payable (Consolidated)
 For the Year Ended August 31, 2014

2C: PROJECTED CASH PAYMENT DEBT SERVICE REQUIREMENTS (1)

Description of Issue	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total Debt Service Requirements	
Revenue Bonds:													
Self Supporting:													
PUF Refunding Bonds, 2005A													
Principal	10,985,000.00	11,535,000.00	21,380,000.00	14,450,000.00	3,025,000.00	-	-	-	-	-	-	61,375,000.00	
Interest	3,068,750.00	2,519,500.00	1,942,750.00	873,750.00	151,250.00	-	-	-	-	-	-	8,566,000.00	
PUF Bonds, 2005B													
Principal	-	-	-	8,000,000.00	20,490,000.00	-	-	21,575,000.00	22,655,000.00	-	-	-	72,720,000.00
Interest	3,422,325.00	3,422,325.00	3,422,325.00	3,422,325.00	3,082,325.00	11,057,500.00	11,057,500.00	11,057,500.00	1,132,750.00	-	-	-	51,076,875.00
PUF Refunding Bonds, 2006B													
Principal	-	-	-	-	-	103,715,000.00	97,320,000.00	59,155,000.00	23,875,000.00	-	-	-	284,065,000.00
Interest	14,851,562.50	14,851,562.50	14,851,562.50	14,851,562.50	14,851,562.50	81,000,637.50	40,928,475.00	14,136,675.00	1,253,437.50	-	-	-	191,577,037.50
PUF Bonds, 2006C													
Principal	1,835,000.00	1,925,000.00	2,025,000.00	2,125,000.00	2,230,000.00	15,375,000.00	26,280,000.00	30,885,000.00	8,565,000.00	-	-	-	91,245,000.00
Interest	4,291,186.26	4,199,436.26	4,103,186.26	4,001,936.26	3,895,686.26	17,754,491.30	13,409,656.26	6,292,775.00	385,425.00	-	-	-	58,333,778.86
PUF Bonds, 2008A (1)													
Principal	381,145,000.00	-	-	-	-	-	-	-	-	-	-	-	381,145,000.00
Interest	2,192.00	-	-	-	-	-	-	-	-	-	-	-	2,192.00
PUF Taxable Bonds, 2009A													
Principal	-	-	-	-	-	-	-	26,324,000.00	223,676,000.00	-	-	-	250,000,000.00
Interest	13,155,000.00	13,155,000.00	13,155,000.00	13,155,000.00	13,155,000.00	65,775,000.00	65,775,000.00	65,775,000.00	43,961,168.52	-	-	-	307,061,168.52
PUF Bonds, 2014A													
Principal	-	-	-	-	-	-	-	-	-	240,340,000.00	-	-	240,340,000.00
Interest	12,017,000.00	12,017,000.00	12,017,000.00	12,017,000.00	12,017,000.00	60,085,000.00	60,085,000.00	60,085,000.00	60,085,000.00	18,172,000.00	-	-	318,597,000.00
PUF Bonds, 2014B													
Principal	8,110,000.00	8,270,000.00	-	-	-	30,665,000.00	67,635,000.00	106,900,000.00	-	-	-	-	221,580,000.00
Interest	9,766,700.00	9,604,500.00	9,191,000.00	9,191,000.00	9,191,000.00	45,955,000.00	28,305,250.00	11,931,600.00	-	-	-	-	133,136,050.00
RFS Refunding Bonds, 2002A													
Principal	6,530,000.00	8,875,000.00	350,000.00	370,000.00	8,025,000.00	1,615,000.00	-	-	-	-	-	-	23,765,000.00
Interest	1,247,662.50	904,837.50	543,900.00	525,525.00	506,100.00	84,787.50	-	-	-	-	-	-	3,812,812.50
RFS Refunding Bonds, 2002B													
Principal	11,670,000.00	12,280,000.00	12,925,000.00	710,000.00	14,340,000.00	1,680,000.00	-	-	-	-	-	-	53,615,000.00
Interest	2,814,787.50	2,202,112.50	1,557,412.50	878,850.00	841,575.00	88,725.00	-	-	-	-	-	-	8,383,462.50
RFS Refunding Bonds, 2004A													
Principal	15,355,000.00	16,170,000.00	20,495,000.00	11,585,000.00	-	-	-	-	-	-	-	-	63,605,000.00
Interest	3,339,262.50	2,533,125.00	1,684,200.00	608,212.50	-	-	-	-	-	-	-	-	8,164,800.00
RFS Refunding Bonds, 2004B													
Principal	29,085,000.00	30,590,000.00	17,035,000.00	30,680,000.00	18,870,000.00	-	-	-	-	-	-	-	126,240,000.00
Interest	6,627,600.00	5,101,687.50	3,495,712.50	2,601,375.00	990,675.00	-	-	-	-	-	-	-	18,817,050.00
RFS Bonds, 2006A													
Principal	900,000.00	-	-	-	-	-	-	-	-	-	-	-	900,000.00
Interest	38,250.00	-	-	-	-	-	-	-	-	-	-	-	38,250.00
RFS Bonds, 2006B													
Principal	18,305,000.00	19,200,000.00	-	-	-	-	105,390,000.00	58,665,000.00	36,170,000.00	-	-	-	237,730,000.00
Interest	11,818,850.00	10,928,912.50	9,999,325.00	9,999,325.00	9,999,325.00	49,996,625.00	36,688,150.00	18,128,000.00	3,368,250.00	-	-	-	160,926,762.50
RFS Refunding Bonds, 2006C													
Principal	16,105,000.00	16,900,000.00	24,155,000.00	16,435,000.00	19,270,000.00	79,300,000.00	-	-	-	-	-	-	172,165,000.00
Interest	8,608,250.00	7,803,000.00	6,958,000.00	5,750,250.00	4,928,500.00	7,550,250.00	-	-	-	-	-	-	41,598,250.00
RFS Refunding Bonds, 2006D													
Principal	26,650,000.00	27,420,000.00	2,790,000.00	4,670,000.00	4,145,000.00	58,755,000.00	23,530,000.00	-	-	-	-	-	147,960,000.00
Interest	6,857,487.50	5,558,987.50	4,251,587.50	4,112,087.50	3,878,587.50	14,000,450.00	1,505,775.00	-	-	-	-	-	40,164,982.50

Description of Issue	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total Debt Service Requirements
RFS Bonds, 2006E												
Principal	3,165,000.00	3,400,000.00	1,640,000.00	6,400,000.00	6,560,000.00	18,670,000.00	-	-	-	-	-	38,135,000.00
Interest	1,781,527.50	1,631,277.50	1,474,652.50	1,392,652.50	1,072,652.50	1,761,500.00	-	-	-	-	-	9,114,262.50
RFS Bonds, 2006F												
Principal	8,015,000.00	8,430,000.00	8,845,000.00	9,290,000.00	9,745,000.00	32,560,000.00	63,445,000.00	64,315,000.00	46,165,000.00	-	-	250,810,000.00
Interest	11,776,950.00	11,376,200.00	10,954,700.00	10,512,450.00	10,047,950.00	43,016,500.00	33,834,887.50	18,529,050.00	4,805,500.00	-	-	154,854,187.50
RFS Refunding Bonds, 2007B (1)												
Principal	331,430,000.00	-	-	-	-	-	-	-	-	-	-	331,430,000.00
Interest	2,224.00	-	-	-	-	-	-	-	-	-	-	2,224.00
RFS Bonds, 2008B (1)												
Principal	564,025,000.00	-	-	-	-	-	-	-	-	-	-	564,025,000.00
Interest	3,245.00	-	-	-	-	-	-	-	-	-	-	3,245.00
RFS Bonds, 2008A												
Principal	19,375,000.00	21,000,000.00	21,130,000.00	31,495,000.00	31,940,000.00	55,205,000.00	-	-	-	-	-	180,145,000.00
Interest	9,060,918.76	8,218,418.76	7,168,418.76	6,184,237.50	4,530,750.00	6,762,787.50	-	-	-	-	-	41,925,531.28
RFS Taxable Bonds, 2009B												
Principal	-	-	-	-	-	-	86,120,000.00	97,495,000.00	116,875,000.00	30,055,000.00	-	330,545,000.00
Interest	20,745,004.20	20,745,004.20	20,745,004.20	20,745,004.20	20,745,004.20	103,725,021.00	96,454,902.80	64,714,660.20	32,022,662.40	2,689,579.80	-	403,331,847.00
RFS Bonds, 2009D												
Principal	13,545,000.00	14,155,000.00	22,715,000.00	23,700,000.00	16,220,000.00	92,340,000.00	26,560,000.00	-	-	-	-	209,235,000.00
Interest	9,580,443.76	8,973,193.76	8,354,743.76	7,368,056.26	6,354,556.26	19,996,068.78	1,531,000.00	-	-	-	-	62,158,062.58
RFS Bonds, 2010A												
Principal	13,360,000.00	13,965,000.00	15,390,000.00	19,220,000.00	23,965,000.00	209,930,000.00	-	-	-	-	-	295,830,000.00
Interest	14,072,500.00	13,474,500.00	12,776,250.00	12,160,650.00	11,329,050.00	33,302,950.00	-	-	-	-	-	97,115,900.00
RFS Refunding Bonds, 2010B												
Principal	375,000.00	390,000.00	45,585,000.00	45,555,000.00	48,260,000.00	241,275,000.00	-	-	-	-	-	381,440,000.00
Interest	18,241,000.00	18,226,000.00	18,210,400.00	16,144,750.00	14,058,650.00	32,946,500.00	-	-	-	-	-	117,827,300.00
RFS Taxable Bonds, 2010C												
Principal	-	-	-	7,990,000.00	15,425,000.00	82,545,000.00	93,920,000.00	108,720,000.00	126,400,000.00	126,595,000.00	42,715,000.00	604,310,000.00
Interest	27,379,517.70	27,379,517.70	27,379,517.70	27,379,517.70	27,121,840.20	127,328,595.28	109,896,575.26	86,787,159.30	59,135,667.90	27,423,837.30	3,087,336.00	550,299,082.04
RFS Taxable Bonds, 2010D												
Principal	12,975,000.00	13,225,000.00	13,490,000.00	13,780,000.00	14,120,000.00	72,865,000.00	84,040,000.00	91,635,000.00	104,190,000.00	64,565,000.00	-	484,885,000.00
Interest	23,133,354.80	22,793,928.80	22,387,127.80	21,939,394.70	21,414,790.10	98,180,795.22	79,818,818.52	57,453,801.00	32,975,938.70	6,491,686.30	-	386,589,635.94
RFS Bonds, 2010E												
Principal	4,730,000.00	4,630,000.00	14,380,000.00	7,005,000.00	-	-	-	-	-	-	-	31,045,000.00
Interest	1,260,150.00	1,070,950.00	873,750.00	257,150.00	-	-	-	-	-	-	-	3,462,000.00
RFS Refunding Bonds, 2012A												
Principal	8,415,000.00	8,900,000.00	8,405,000.00	10,505,000.00	10,955,000.00	88,700,000.00	43,945,000.00	-	-	-	-	179,825,000.00
Interest	8,608,300.00	8,187,550.00	7,802,550.00	7,382,300.00	6,917,050.00	23,622,800.00	4,306,500.00	-	-	-	-	66,827,050.00
RFS Bonds, 2012B												
Principal	4,520,000.00	4,730,000.00	4,965,000.00	5,200,000.00	5,465,000.00	31,665,000.00	40,330,000.00	48,275,000.00	48,305,000.00	37,300,000.00	-	230,755,000.00
Interest	11,537,750.00	11,311,750.00	11,075,250.00	10,827,000.00	10,567,000.00	48,457,750.00	39,710,500.00	28,580,750.00	16,804,250.00	4,050,750.00	-	182,922,750.00
RFS Bonds, 2014A												
Principal	2,855,000.00	3,285,000.00	4,850,000.00	5,010,000.00	5,220,000.00	30,070,000.00	38,230,000.00	50,445,000.00	55,955,000.00	63,215,000.00	-	259,135,000.00
Interest	11,692,737.50	11,635,637.50	11,569,937.50	11,413,337.50	11,195,537.50	52,026,487.50	44,281,350.00	34,039,250.00	21,329,500.00	9,003,050.00	-	218,186,825.00
SUMMARY DEBT SERVICE:												
Total Principal	1,513,440,000.00	247,575,000.00	262,550,000.00	274,175,000.00	278,270,000.00	1,245,240,000.00	796,745,000.00	764,389,000.00	812,831,000.00	562,070,000.00	42,715,000.00	6,800,000,000.00
Total Projected Interest	270,802,488.98	259,825,914.48	247,945,263.48	235,694,699.12	222,843,417.02	924,476,221.58	667,589,340.14	477,511,220.50	277,259,550.02	67,830,903.40	3,087,336.00	3,654,866,354.72
PROJECTED BOND DEBT SERVICE	\$ 1,784,242,488.98	507,400,914.48	510,495,263.48	509,869,699.12	501,113,417.02	2,169,716,221.58	1,464,334,340.14	1,241,900,220.50	1,090,090,550.02	629,900,903.40	45,802,336.00	10,454,866,354.72

(1) The PUF Bonds, Series 2008A, the RFS Refunding Bonds, Series 2007B, and the RFS Bonds, Series 2008B are currently variable rate bonds. As required by GASB Statement No. 38 annual debt service requirements are computed using the System's effective rates of 0.03%, 0.035%, and 0.03% (respectively), on par amounts of \$381,145,000, \$331,430,000, and \$564,025,000 (respectively). Interest on variable rate bonds will fluctuate based upon current market conditions and is reset weekly. As required, interest expense per this schedule is presented on a cash basis; whereas, the financial statements are presented on an accrual basis. Although variable rate bonds may come due in one year, debt service is generally expected to be payable through final maturity on each series (July 2038, August 2034, and August 2039, respectively). Expected annual debt service requirements on \$190,572,500 in principal amount of the PUF Bonds, Series 2008A are computed using a base rate of 3.696%, and annual debt service requirements on the remaining \$190,572,500 in principal amount of the PUF Bonds, Series 2008A are computed using a base rate of 3.6575%, each obtained as a result of the 2008A Swap Agreements. Expected annual debt service requirements on the RFS Refunding Bonds, Series 2007B are computed using a base rate of 3.805% obtained as a result of the 2007B Swap Agreements. Expected annual debt service requirements on \$266,840,000 in principal amount of the RFS Bonds, Series 2008B are computed using a base rate of 3.900%, and annual debt service requirements on the remaining \$297,185,000 in principal amount of the Series 2008B Bonds are computed using a base rate of 3.614%, each obtained as a result of the 2008B Swap Agreements.

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2014
 2D: ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

Revenue Bonds

Description of Issue	Pledged Revenues			Total Pledged Sources for Debt Service ⁽⁴⁾
	Operating Revenues	Investment Interest Earned	Other Pledged Revenues	
Self Supporting:				
Permanent University Fund				
Pledged Revenues ⁽¹⁾	\$	1,372,950.60	606,932,218.20	608,305,168.80
PUF Refunding Bonds, 2004A				
PUF Bonds, 2004B				
PUF Refunding Bonds, 2005A				
PUF Bonds, 2005B				
PUF Refunding Bonds, 2006B				
PUF Bonds, 2006C				
PUF Bonds, 2008A				
PUF Taxable Bonds, 2009A				
PUF Bonds, 2014A				
PUF Bonds, 2014B				
Revenue Financing System				
Pledged Revenues ⁽²⁾	7,892,329,533.00	427,740,783.87	38,210,315.60	8,358,280,632.47
RFS Refunding Bonds, 2002A				
RFS Refunding Bonds, 2002B				
RFS Refunding Bonds, 2004A				
RFS Refunding Bonds, 2004B				
RFS Bonds, 2004C				
RFS Bonds, 2004D				
RFS Bonds, 2006A				
RFS Bonds, 2006B				
RFS Refunding Bonds, 2006C				
RFS Refunding Bonds, 2006D				
RFS Bonds, 2006E				
RFS Bonds, 2006F				
RFS Refunding Bonds, 2007B				
RFS Bonds, 2008B				
RFS Bonds, 2008A				
RFS Taxable Bonds, 2009B				
RFS Bonds, 2009D				
RFS Bonds, 2010A				
RFS Refunding Bonds, 2010B				
RFS Taxable Bonds, 2010C				
RFS Taxable Bonds, 2010D				
RFS Bonds, 2010E				
RFS Refunding Bonds, 2012A				
RFS Bonds, 2012B				
RFS Bonds, 2014A				
Total Revenue Bonds	\$	<u>7,892,329,533.00</u>	<u>429,113,734.47</u>	<u>645,142,533.80</u>
				<u>8,966,585,801.27</u>

- (1) Revenues also pledged to Permanent University Fund Commercial Notes, Series A and Permanent University Fund Taxable Commercial Notes, Series B on a subordinate lien basis.
- (2) Revenues also pledged to Revenue Financing System Commercial Paper Notes, Series A and Revenue Financing System Taxable Commercial Paper Notes, Series B on an equal and ratable basis.
- (3) As required by the Texas State Comptroller's Financial Reporting Requirements, interest expense for Fiscal Year 2014 is presented on a cash basis and therefore the data does not agree with information presented in the Statement of Revenues, Expenses and Change in Net Assets, nor the Notes of the financials, which are prepared on the accrual basis of accounting. The effect of this difference is a \$1,276,374.26 net increase due to accrued interest expense.
- (4) The related operating expenditures against these gross pledged revenues were \$8,633,991,289.56

Debt Service		Refunded or Extinguished	Interest & Sinking Fund		Bond Reserve Fund	
Principal	Interest ⁽³⁾		Minimum	Actual	Minimum	Actual
8,005,000.00	831,250.00	17,240,000.00	N/A		N/A	N/A
-	5,072,131.25	223,535,000.00	N/A		N/A	N/A
10,465,000.00	3,592,000.00	-	N/A		N/A	N/A
-	3,422,325.00	-	N/A		N/A	N/A
-	14,851,562.50	-	N/A		N/A	N/A
1,745,000.00	4,378,436.26	-	N/A		N/A	N/A
5,210,000.00	14,119,815.00	-	N/A		N/A	N/A
-	13,155,000.00	-	N/A		N/A	N/A
-	4,706,658.33	-	N/A		N/A	N/A
-	2,414,545.27	-	N/A		N/A	N/A
6,205,000.00	1,573,425.00	-	N/A		N/A	N/A
11,090,000.00	3,397,012.50	-	N/A		N/A	N/A
14,160,000.00	4,082,662.50	-	N/A		N/A	N/A
27,615,000.00	8,077,387.50	-	N/A		N/A	N/A
9,855,000.00	517,387.50	-	N/A		N/A	N/A
13,150,000.00	678,300.00	-	N/A		N/A	N/A
2,520,000.00	139,050.00	-	N/A		N/A	N/A
17,450,000.00	12,674,850.00	-	N/A		N/A	N/A
480,000.00	8,625,650.00	-	N/A		N/A	N/A
12,295,000.00	7,407,787.50	-	N/A		N/A	N/A
3,980,000.00	1,977,090.00	-	N/A		N/A	N/A
7,650,000.00	12,159,450.00	-	N/A		N/A	N/A
1,155,000.00	12,610,302.88	-	N/A		N/A	N/A
26,245,000.00	22,010,846.27	-	N/A		N/A	N/A
16,850,000.00	9,903,418.76	-	N/A		N/A	N/A
-	20,745,004.20	-	N/A		N/A	N/A
12,990,000.00	10,144,943.75	-	N/A		N/A	N/A
11,800,000.00	14,662,500.00	-	N/A		N/A	N/A
355,000.00	18,255,200.00	-	N/A		N/A	N/A
-	27,379,517.70	-	N/A		N/A	N/A
12,775,000.00	23,430,501.30	-	N/A		N/A	N/A
4,565,000.00	1,419,100.00	-	N/A		N/A	N/A
13,440,000.00	9,105,900.00	-	N/A		N/A	N/A
4,315,000.00	11,710,350.00	-	N/A		N/A	N/A
-	3,377,901.95	-	N/A		N/A	N/A
256,365,000.00	312,609,262.92	240,775,000.00	-	-	-	-

THE UNIVERSITY OF TEXAS SYSTEM
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2014

2E: DEFEASED BONDS OUTSTANDING

The Balance Sheet at August 31, 2014 does not include \$468,993,000 of bonds payable which were fully defeased during fiscal years 1991, 2004, 2007, and 2010. Direct obligations of the United States of America and noncallable obligations of an agency or instrumentality of the United States of America, including obligations unconditionally guaranteed by the United States of America, rated not less than AAA or its equivalent, in amounts, maturities, and bearing interest at rates sufficient to provide funds to pay in full the principal of, redemption premium, if any, and interest on the defeased bonds are being held by various escrow agents. Shown below is a listing of the defeased bonds outstanding at August 31, 2014.

<u>Description of Issue</u>	<u>Year Refunded/ Defeased</u>	<u>Par Value Outstanding</u>
Permanent University Fund Bonds		
Series 1997	2004	19,525,000
Series 2005B	2007	51,905,000
		<u>71,430,000</u>
General Revenue Bonds		
Pan American, Aux. Enterprise Rev. Bonds, Series 1968-C	1991	268,000
		<u>268,000</u>
Revenue Financing System Bonds		
Series 1998A	2007	3,605,000
Series 2006B	2010	192,185,000
Series 2006D	2010	178,375,000
Series 2006F	2010	23,130,000
		<u>397,295,000</u>
Total Defeased Bonds Outstanding		<u>\$ 468,993,000</u>

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2014

2F: EARLY EXTINGUISHMENT AND REFUNDING

Description of Debt Extinguished/Refunded	Description of Newly Issued Debt	Category	Amount Extinguished or Refunded	For Refunding Only		
				Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain (Loss)
PUF Bonds, Series 2004A	PUF Refunding Bonds, Series 2014B	Current Refunding	17,240,000.00	16,380,000.00	1,182,046.70	1,116,420.34
PUF Bonds, Series 2004B	PUF Refunding Bonds, Series 2014B	Current Refunding	223,535,000.00	205,200,000.00	40,410,356.64	24,735,613.97
TOTAL BONDS			240,775,000.00	221,580,000.00	41,592,403.34	25,852,034.31
PUF Taxable Commercial Paper Notes, Series B	PUF Bonds, Series 2014A	Current Refunding	252,500,000.00	240,340,000.00	N/A	N/A
RFS Commercial Paper Notes, Series A	RFS Bonds, Series 2014A	Current Refunding	179,411,000.00	164,620,000.00	N/A	N/A
TOTAL OTHER			431,911,000.00	404,960,000.00	0.00	0.00
TOTAL			\$ 672,686,000.00	626,540,000.00	41,592,403.34	25,852,034.31





A good education is not so much one which
prepares a man to succeed in the world, as
one which enables him to sustain a failure.

-- *Bernard Iddings Bell*

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