NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013 AND INDEPENDENT AUDITOR'S REPORT

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Texas Higher Education Authority, Inc.

We have audited the accompanying statements of net position of North Texas Higher Education Authority, Inc. (the Authority) as of August 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AN INDEPENDENT MEMBER OF
BAKER TILLY INTERNATIONAL

WEAVER AND TIDWELL LLP
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Board of Directors
North Texas Higher Education Authority, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information on pages 42-45 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
North Texas Higher Education Authority, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 19, 2014

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

North Texas Higher Education Authority, Inc. (the "Authority"), a nonprofit corporation acting on behalf of the Cities of Arlington and Denton, Texas, was originally created under the Texas Non-Profit Corporation Act in 1971 under the name of Dallas Schools Foundation. That corporation was dormant from its incorporation in 1971 until 1978 when it was reorganized and its Articles of Incorporation were amended to change its name and purpose to the present name and purpose. The Authority's present purpose is to promote student access to higher education. The Authority provides funds for the purchase of student loans from participating lenders at the post-secondary educational level and provides procedures for the servicing of such loans as required for continued participation in the Federal Family Education Loan Program (FFELP) under the Higher Education Act of 1965, as amended.

The Authority is authorized to provide funds for the acquisition of eligible loans made to students at post-secondary educational institutions and provide procedures for the servicing of such loans. The Authority currently owns student loans established by the Higher Education Act under the Federal Family Education Loan Program ("FFELP"). Loans provided under FFELP include Subsidized and Unsubsidized Stafford ("Stafford"), Supplemental Loans for Students ("SLS"), Parent Loans for Undergraduate Students and Graduate / Professional Student Loans ("PLUS"), and Consolidation Loans ("Consolidated").

This report includes three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as defined by the Governmental Accounting Standards Board. The statement of net position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The statement of revenues, expenses, and changes in net position presents the Authority's results of operations. The statement of cash flows provides a view of the sources and uses of the Authority's cash resources.

In March 2012, The Governmental Accounting Standards Board (GASB) issued Statement No. 65, ***Items Previously Reported as Assets and Liabilities***. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Reclassification requirements include that bond issuance costs no longer be recorded as an asset on the statement of net position but rather be expensed as incurred. It also requires that all unamortized balances of deferred bond issuance costs be removed from the statement of net position. Statement No. 65 applies to all state and local governmental entities and is required to be implemented for periods beginning after December 15, 2012 (fiscal year 2014 for the Authority). In 2014, the Authority implemented Statement No. 65 and as such, restated its year 2013 statement of net position, statement of revenues and expenses and statement of cash flows to show the financial position and results of operations that would have resulted had the Statement been implemented in 2013. See note 9 to the basic financial statements for further discussion of Statement No. 65 and the effect on the Authority's statements. Also, for comparative analysis (as discussed throughout the Authority's Management's Discussion and Analysis), the Authority restated its 2013 and 2012 statements of Condensed Net Position and Condensed Revenues, Expenses, and Changes in Net Position.

For years' 2013 and 2012, the changes to the Condensed Revenues, Expenses, and Change in Net Position are:

- Bond interest expense was decreased $663,673 and $4,424,389, respectively, to show the restated bond interest expense incurred that excludes the amounts of amortization of deferred bond issue costs. As such, change in net position is restated to $6,540,917 and $4,982,079, respectively.

- Beginning of year net position was decreased $8,531,188 and $12,955,577, respectively, to show the restated beginning net position resulting from the removal (write off) of the prior year's unamortized deferred bond issuance costs.

For years' 2013 and 2012, the changes to the Condensed Net Position are:

- Assets were decreased $4,352,314 and $4,700,029, respectively, to reflect the removal of the unamortized deferred bond issue costs.

- Long term liabilities were increased $3,515,201 and $3,831,159, respectively, to reflect the removal of the unamortized deferred bond issue costs. These costs were underwriter fees that the Authority previously recorded as part of long term bonds payable.

See note 1 to the basic financial statements for further discussion of the Authority's Bond Issue Costs.

The Authority's activities and highlights discussed below include analysis and comparisons of results of operations that are based on its restated 2013 and 2012 statements.

AUTHORITY ACTIVITY AND HIGHLIGHTS

The Authority purchases student loans from a variety of financial institutions. However, due to the changes in the HERA and elimination of the FFELP, student loan purchases have declined since 2008.

	2014	2013	2012	2011	2010
Student Loan Purchases	$9.2 mil.	$9.8 mil.	$25.6 mil.	$29 mil.	$77.3 mil.

For further discussion of the Authority's loan acquisition program see Note 3 to the basic financial statements. Also see discussion of "**Turbulence in the Financial Markets**" below.

Financing for the program is provided through the issuance of tax-exempt and taxable debt and the recycling of funds. Debt issuance activity is described below:

	2014 and 2013	2012
Issuance of tax-exempt variable rate securities:	$ 0	$ 0
Issuance of taxable variable rate securities:	$ 0	$463.2 mil.
Total Issuances of variable rate securities:	$ 0	$463.2 mil.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED AUGUST 31, 2014 AND 2013 (with 2012 Comparative Totals) (UNAUDITED)

The Authority's debt issuance in 2012 was used to refund $459.6 million of the Authority's bonds with letters of credit that were due to expire in July 2012 and pay bond issuance expenses. See discussion of "letters of credit" under "**Turbulence in the Financial Markets**" below.

CONDENSED NET POSITION	**2014**	**2013 restated**	**2012 restated**
Cash, cash equivalents and investments	$ 104,853,835	$ 158,308,460	$ 169,360,327
Accrued interest receivable	13,123,065	16,665,685	18,079,929
Student loans receivable	940,116,913	1,065,203,841	1,210,738,224
Other	72,398	79,563	91,479
TOTAL ASSETS	$ 1,058,166,211	$ 1,240,257,549	$ 1,398,269,959
Current liabilities	$ 109,359,272	$ 176,256,023	$ 159,134,739
Long-term liabilities	773,991,611	895,514,351	1,077,188,962
TOTAL LIABILITIES	$ 883,350,883	$ 1,071,770,374	$ 1,236,323,701
Unrestricted	$ 64,368,030	$ 45,673,558	$ 45,507,925
Restricted	110,447,298	122,813,617	116,438,333
TOTAL NET POSITION	$ 174,815,328	$ 168,487,175	$ 161,946,258

CONDENSED REVENUES, EXPENSES AND CHANGE IN NET POSITION	2014	2013 restated	2012 restated
Operating Revenues:			
Interest on student loans	$ 38,195,630	$ 41,556,379	$ 49,788,429
Interest on investments	97,386	190,152	198,485
	$ 38,293,016	$ 41,746,531	$ 49,986,914
Nonoperating revenues:			
Government interest and special allowance	(15,803,550)	(16,331,137)	(18,817,888)
TOTAL REVENUE	$ 22,489,466	$ 25,415,394	$ 31,169,026
Operating Expenses:			
Interest on bonds	$ 9,454,500	$ 11,850,415	$ 10,640,248
Loan servicing fees paid to Higher Education Servicing Corp.	3,154,300	3,727,645	4,785,488
Payments for administrative and operating costs to Higher Education Servicing Corporation	2,960,704	2,915,200	5,303,450
Trustee fees	159,372	173,009	347,599
Letter of credit fees	-	-	3,582,406
Remarketing fees	-	-	526,226
Provision for excess earnings and arbitrage liabilities	-	(675,882)	(72,434)
Provision for VCAP Liability	-	516,400	600,000
Miscellaneous expense	432,437	367,690	473,964
Total Operating Expenses:	16,161,313	18,874,477	26,186,947
CHANGE IN NET POSITION	$ 6,328,153	$ 6,540,917	$ 4,982,079

AUTHORITY FINANCIAL HIGHLIGHTS

Total assets and liabilities increased (decreased) for the fiscal years 2014 and 2013 as follows:

	2014	Percent Change from 2013 (restated)	2013 (restated)	Percent Change from 2012 (restated)
Decrease in assets:	($ 182.1 mil.)	(14.7%)	($ 158.0 mil.)	(11.3%)
Decrease in liabilities:	($ 188.4 mil.)	(17.6%)	($ 164.5 mil.)	(13.3%)
Increase in net position:	$ 6.3 mil.	3.7%	$ 6.5 mil.	4.0%

The above decreases are mostly due to decreased student loans, decreased investments, decreased income due on student loans and decreased debt.

The increase in net position was mostly due to decreased interest expense on debt and decreased loan servicing fees (paid to HESC) due to its decreasing student loan portfolio. The decrease in interest expense was mostly due to the pay off of $188.2 million of the Authority's bonds which included the final $2 million of the Authority's "bank bonds" (higher rates). Bond rates decreased slightly in 2014 which contributed somewhat to the decreased interest expense.

In 2013, the increase in net position was mostly due to decreased administration and operation fees (paid to HESC), letter of credit fees, remarketing fees, and interest expense on debt. The decrease in administration and operation fees was due to its decreasing student loan portfolio. In the fourth quarter of 2012 all of the remaining Authority bonds that were subject to letter of credit and remarketing fees were refunded, therefore the Authority did not pay any letter of credit and remarketing fees in 2013 (a decrease of $4.1 million). The decreased interest expense was due to the pay off of $162.4 million of the Authority's bonds which included $6 million of "bank bonds". See discussion of "bank bonds" under **Turbulence in the Financial Markets** below. Also see further discussion of the letter of credit and remarketing fees under **Operating Activities - Expenses** below. The Authority's excess earnings and arbitrage liabilities decreased $675,882 which also contributed to the increase in net position (see note 6 to financial statements).

The majority of net position is restricted for debt service or for the purchase of student loans, but as of August 31, 2014, approximately $64.3 million is available for unrestricted purposes.

Further evaluation of some of the Authority's major asset and liability categories is as follows:

	2014	Percent Change from 2013 (restated)	2013 (restated)	Percent Change from 2012 (restated)
Decrease in cash, cash equivalents, and investments:	($ 53.4 mil.)	(33.8%)	($ 11.1 mil.)	(6.5%)
Decrease in student loans:	($125.1 mil.)	(11.7%)	($145.5 mil.)	(12.0%)
Decrease in net long term liabilities:	($121.5 mil.)	(13.6%)	($181.6 mil.)	(16.9%)
(Decrease) increase in net short term liabilities:	($ 66.9 mil.)	(37.9%)	$ 17.1 mil.	10.8%

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

The elimination of the FFELP has impacted the Authority's ability to acquire loans (See **Turbulence in the Financial Markets** below). In 2014, the Authority acquired $9.2 million of loans, but net reductions (payoffs less capitalized interest) of student loans were $134.2 million. In 2013, the Authority acquired $9.8 million of loans, but net reductions of student loans were $155.3 million. Collections from borrowers are held in "Redemption Funds" and used to pay down bonds. Bond indenture covenants require "excess funds" (amounts remaining after debt service payments) not used to acquire loans to be used to pay down bonds at specified redemption dates. In 2014 and 2013, the Authority did not issue any debt and used "excess funds" to pay $188.2 million and $162.4 million, respectively, of bonds. Also in 2013, long term excess earning and arbitrage liability decreased $675,882. See further discussions of "Bonds Payable" and "Excess Earnings and Arbitrage Liabilities" in notes 4 and 6, respectively, to the basic financial statements.

Year 2013 increase in net short term liabilities: The initial scheduled bond redemptions for some of the Authority's 'older' taxable bonds (Series 2002, 2003A, and 2003-2) were in 2014. As such, short term bonds increased $18.7 million. This increase is somewhat offset by the decrease in accounts payable due to the payment of the VCAP liability (see discussion of VCAP settlement in note 5 to the basic financial statements) and by decreased interest due on bonds from declining bond rates.

OPERATING ACTIVITIES

Revenues:

	2014	Percent Change from 2013 (restated)	2013 (restated)	Percent Change from 2012 (restated)
Decrease in Operating Revenue:	($3.45 mil.)	(8.3%)	($8.24 mil.)	(16.5%)

Operating revenues for the Authority are derived entirely from interest earned on student loans, cash equivalents, and investments.

Net increase (decrease) to yield on student loans:

	2014	Percent Change from 2013 (restated)	2013 (restated)	Percent Change from 2012 (restated)
Interest earned from loans:	$ 38,129,926		$ 41,577,128	
Amortization of deferred premium (discount)	$ 65,704		($ 20,749)	
Net yield on student loans:	$ 38,195,630	(8.1%)	$ 41,556,379	(16.5%)

OPERATING ACTIVITIES – CONTINUED

Revenues – Continued:

In the past, the Authority paid a loan acquisition premium when acquiring loans from financial institutions. These premiums were capitalized and amortized over the life of the related loans. The amortization expense is recorded as an adjustment to the yield of the loans purchased (see further discussion of "Deferred Loan Acquisition Premiums" in note 1 to the basic financial statements). Changes in law has decreased yields on student loans, thus the Authority substantially decreased the amount of premium paid on loans three to five years ago, paid no premium the last two years, and acquired some loan portfolios at a discount over the last two years. This has resulted in a substantial decrease to the amortization of the premium paid. In 2014, the amortization of the discount was more than the amortization of premium which resulted in a slight increase to the yield on student loans.

Since 2011, variable rates on student loans issued before July 1, 2006 ("older loans") have changed by only a few basis points. In 2014, these rates decreased .04% from 2013 and in 2013 these rates increased .03% from 2012. Variable rates on the majority of loans issued after June 30, 2006 ("newer loans") have remained the same since 2007. Interest earned on student loans decreased in 2014 and 2013 mostly due to the decrease of the Authority's student loan portfolio. Slight decreases or increases to the rates on the "older loans" have slightly impacted interest earned. The decrease to amortization of loan premium has also helped mitigate the decrease to interest earned on student loans.

The variable student loan interest rates are set annually on July 1 based on the 91-day T-Bill rate. Interest rates on Consolidation loans are fixed at time of disbursement. Student loan rates are outlined as follows:

	2014	2013	2012	2011
Variable rates on student loans:	1.75% to 8.50%	1.79% to 8.50%	1.76% to 8.50%	1.87% to 8.50%

From 2008 through 2010, investment rates declined substantially resulting in decreased investment income. Since 2010, while low, rates have not changed much but in 2014 rates were slightly lower than what they have been in the past few years. In 2014 and 2013, interest earned on investments decreased $92,766 (-48.8%) and $8,333 (-4.2%), respectively. The decreased interest was mostly due to the decrease in investments and cash equivalents and partly due to the slight decreases in investment rates. In 2012, interest earned on investments increased $32,507 (19.6%) mostly due to a slight increase in investment rates. See note 2 to the basic financial statements for further discussion of the Authority's investments.

Investment yields are outlined as follows:

	2014	2013	2012	2011
Average yield on investments for year:	0.07%	0.12%	0.14%	0.13%

Non-operating revenue is discussed below.

OPERATING ACTIVITIES – CONTINUED

Expenses:

	2014	Percent Change from 2013 (restated)	2013 (restated)	Percent Change from 2012(restated)
Decrease in Operating Expenses:	($2.7 mil.)	(14.4%)	($7.3 mil.)	(27.9%)

The major categories of the Authority's operating expenses are interest on debt, loan servicing fees, program administration fees, and provision for excess earnings. In 2014, interest expense decreased 20.2% and loan servicing fees decreased 15.4%. Program administration fees increased slightly (1.6%). The decrease to interest expense is due to the pay down of $188.2 million of bonds, of which $2 million were "bank bonds" which have higher rates. Lower bond rates also contributed somewhat to the decrease.

In 2013, interest expense decreased 16.9%, loan servicing fees decreased 22.1%, and program administration fees decreased 45%. In 2012, the Authority issued $463.2 million of refunding bonds. Rates on the refunding bonds were higher than rates on the refunded bonds, but interest expense decreased mostly due to the pay down of $162.4 million of bonds, of which $6 million were "bank bonds". See note 4 to the financial statements.

Following is a summary of the bank bonds and comparison of related interest rates as of August 31, 2013:

Series	Amount as of Aug. 31, 2013	BB rate	Market rate as of Aug. 31, 2013 (A)
1993	$1.0 mil.	4.75%	0.08%
2003 Refunding	$1.0 mil.	4.75%	0.08%
Total	$2.0 mil.		

(A) Market rates shown are for similar type variable rate demand obligation bonds (non bank bond). 1993 and 2003 Refunding Bonds were fully paid November 1, 2013.

OPERATING ACTIVITIES – CONTINUED

Expenses – Continued

Due to higher rates on refunding bonds average rates increased in 2013, but the pay down of bank bonds and decreasing rates of the Authority's other bonds in prior years have helped to mitigate the increased cost of the bank bonds. In 2014, overall bond rates decreased slightly. Average rates are as follows:

	2014	2013	2012
Average tax-exempt bond rate**:	1.16%	1.24%	0.74%
Average taxable bond rate***:	0.91%	0.99%	0.61%

**includes "bank bond" rates.
*** includes "bank bond" rates for year 2012 only.

The Authority paid the final $2 million of its "bank bonds" on November 1, 2013. "Bank Bonds" outstanding at August 31, 2013 and 2012 were $2.0 million, and $8.0 million, respectively.

Decreasing bond rates increase the likelihood for higher arbitrage liability for tax-exempt financings. However, decreasing yields on investments decrease the likelihood for higher arbitrage liability. Decreasing bond rates also increase the likelihood of excess earnings liability associated with tax-exempt financings. However, decreasing non-operating revenue decreases the likelihood of excess earnings liability. The Authority recorded provisions for arbitrage rebate and excess earnings for 2014 and 2013:

	2014	Increase / (Decrease) from 2013	2013	Increase / (Decrease) from 2012
Provision for arbitrage rebate:	$ -	$ -	$ -	$ 15,382
Provision for excess earnings:	$ -	$ 675,882	($ 675,882)	($ 618,830)

In 2013, the decrease in the provision for excess earnings was due to the elimination of excess earnings liabilities for bonds that were included in the Voluntary Closing Agreement Program (VCAP) settlement. See Note 5 to the financial statements. The increase in the provision for arbitrage rebate was due to the elimination of this liability in 2013. The elimination of the liability was mostly due to decreasing investment balances and somewhat due to lower investment rates as discussed above. The Authority did not incur any excess earnings or arbitrage liabilities in 2013 and 2014. In 2014, the increase in the provision for excess earnings was only due to the elimination of the liability in 2013. See Note 6 to the financial statements for further discussion of the Authority's excess earnings and arbitrage rebate liabilities.

The Authority has engaged Higher Education Servicing Corporation (HESC) to provide servicing for the student loan portfolio. HESC maintains contracts with two student loan servicing bureaus who service Authority loans ('sub-servicers'). In 2006, HESC also began providing full life-of-loan servicing to the Authority and rates charged by HESC are slightly lower than rates charged by the other two bureaus. Loan servicing fees decreased $573,345. The decrease was mostly due to the decreased loan portfolio ($125.1 million). As of August 31, 2014, 91.2% of the Authority's loans were being serviced by HESC

OPERATING ACTIVITIES – CONTINUED

Expenses – Continued

and Edfinancial Services Inc. Rates charged by these two organizations are comparable but are slightly less than rates charged by the other servicing bureau under contract with HESC which contributes somewhat to the decreasing servicing fees. However, in 2014 one of the servicing bureaus increased rates slightly which offset the decrease in servicing fees. See "Related Entities" under note 1 to the basic financial statements for further discussion of HESC's loan servicing functions for the Authority.

In the first quarter of 2013, NTHEA transferred approximately $184 million of loans from one of the servicing bureaus to HESC. Also in 2013, one of the servicing bureaus decreased rates slightly. The Authority's student loan portfolio decreased $145.5 million. Loan servicing fees decreased approximately $1 million mostly due to the decreasing student loan portfolio. As of August 31, 2013, 91.4% of the Authority's loans were being serviced by HESC and Edfinancial Services Inc. which have lower rates. The transfer of $184 million of loans to HESC and the decrease in rates charged by one of the servicing bureaus also contributed somewhat to the decreased fees.

In addition to providing student loan servicing HESC is the program administrator for the Authority. In general, administration fees paid to HESC are based on rates stipulated by the Authority's bond covenants and applied to the student loan balances (for each bond series). In 2011 and 2012, the Authority issued Series 2011-1 to refund $209 million of bonds and Series 2012-1 to refund $459.6 million of bonds, respectively. Administration fee rates on the refunded bonds are higher than the rates on refunding bonds. The student loan balances from the refunded bonds were transferred to the refunding bonds (Series 2011-1 and 2012-1) and the lower rates were subsequently applied to the student loan balances. In 2013, administration fees decreased $2.4 million mostly due to the lower rates applied to the loans transferred to refunding bonds. The Authority's decreasing student loan portfolio also contributed to the decrease.

In 2014, administration fees increased $45,504. Although the Authority's decreasing student loan portfolio decreases administration fees, bond covenants on the Authority's refunding bonds require that the Authority pay higher rates for administration fees as the parity ratios on these bonds increase (limited to stated maximum rates). The student loan portfolio decreased $125.1 million but administration fees increased slightly due to higher fees paid from the refunding bonds due to their increasing parity ratios. See "Related Entities" under note 1 to the basic financial statements for further discussion of HESC's administrative support functions for the Authority.

Due to the downturn in the financial markets the rates on new or extended letters of credit were increasing substantially. The letter of credit for the Series 1998, 2000B, 2005CD, and 2007AB bonds was due to expire in April 2012 but was extended through July 30, 2012 and the rate increased 186%. The rate on the letter of credit for the Series 2010E, 2001 and 2004 bonds increased 17.6% in mid-2011. In 2012, the Authority paid $92.9 million of bonds backed with letters of credit and refunded (by Series 2012-1 in July 2012) the remaining $459.6 million of bonds backed with letters of credit. Series 2012-1 does not incur letter of credit fees. Since all the bonds that incurred letter of credit fees were paid in 2012, the Authority did not incur any letter of credit fees in 2013, therefore letter of credit fees decreased $3.6 million (-100.00%). See discussion of 'letters of credit' under **Turbulence in the Financial Market** below.

OPERATING ACTIVITIES – CONTINUED

Expenses – Continued

The bonds paid and refunded in 2012 also incurred remarketing fees. As such the Authority did not pay any remarketing fees in 2013 which resulted in decreased remarketing fees of $526,226 (-100.00%). Series 2012-1 does not incur remarketing fees.

NON-OPERATING REVENUE

Non-operating revenue for the Authority is derived entirely from interest subsidy and special allowance paid by the U.S. Government. The program of subsidized interest and special allowance is further discussed in note 1 to the financial statements.

	2014	Percent Change from 2013	2013	Percent Change from 2012
Increase in non-operating revenue:	$527,587	3.2%	$2,486,751	13.2%

Since 2007, special allowance income had been decreasing substantially due to declining Commercial Paper, Treasury Bill, and one-month LIBOR rates and due to a major provision in the Higher Education Reconciliation Act (HERA) of 2005 (see discussion of the effect of these rates on special allowance income under '**Turbulence in the Financial Market**' under Economic Factors and Outlook below*).* In 2011, the substantial downward spiral of these rates ended and while remaining low, these rates are trending more steadily. In 2014, special allowance income increased $1.75 million. Due to the provision in the HERA loans disbursed after April 1, 2006 ("newer" loans) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the "special allowance support level" rates. In 2014, the majority of the Authority's decreased portfolio are the "newer" loans that are subject to the "excess interest" payments. As such the Authority paid substantially less "excess interest", which in turn, increases special allowance income. Decreasing variable rates on student loans (mostly on "older loans" as noted in the discussion of Operating Revenue above) results in increased special allowance income for the Authority. However, declining one-month LIBOR and Treasury Bill rates results in decreased special allowance which mitigates somewhat the increased special allowance resulting from the decreased variable rates on student loans. Interest subsidy decreased $1.22 million due to the decrease in the amount of subsidized loans in school, grace, or deferment status of $20.4 million from 2013.

In 2013, special allowance income increased $4.4 million. The Authority's student loan portfolio decreased $145.5 million of which the majority of the decrease are the "newer" loans that are subject to the "excess interest" payments. As such the Authority paid substantially less "excess interest", which in turn, increases special allowance income. Increasing variable rates on student loans (mostly on "older loans" as noted in the discussion of Operating Revenue above) results in decreased special allowance income. Also decreasing (slightly) one-month LIBOR and T-Bill rates result in decreased special allowance, thereby mitigating somewhat the increased special allowance due to the decreased student loan portfolio. Interest subsidy decreased $1.95 million due to the decrease in the amount of subsidized loans in school, grace, or deferment status of $22.5 million from 2012.

ECONOMIC FACTORS AND OUTLOOK

Turbulence in the Financial Markets

There have been changes in the national credit markets since the fall of 2007 that have dramatically changed the way the Authority does business. The Authority regularly financed its eligible loan purchases on a long-term basis through the issuance of letter of credit backed revenue bonds secured by the eligible loans it has purchased with the proceeds of such bonds. Due to the turmoil in the credit markets, the costs of obtaining new letters of credit backed securities financings and extending current letters of credit have become prohibitive and their availability has decreased. The Authority did not issue any debt in 2014 and 2013, but in 2012 the Authority was able to obtain financing under a Libor based structure and issued $463.2 million of Series 2012-12 taxable bonds. This financing was used to refund $459 million of the Authority's bonds with letters of credit that were due to expire in July 2012.

In addition to the turmoil in the credit markets, the elimination of FFELP by HCEARA (further described under Outlook below) has impacted the Authority. As of July 1, 2010, lenders could no longer make new loans under the FFELP. Lenders could still add to (make additional disbursements) FFELP loans that were initially made prior to July 1, 2010 and the Authority can continue to acquire these loans (originated prior to July 1, 2010) from its lender partners. Many of the Authority's "lender partners" have historically originated student loans which the Authority has purchased, but due to the elimination of FFELP by the government, the volume of loan acquisitions by the Authority has declined dramatically since 2008. In 2014, the Authority acquired substantially all of the remaining FFELP Loans that were held by its lender partners. In FY 2015, the Authority does not anticipate purchasing any substantially "large" balances of loan portfolios. However, if the Authority finds some "large" portfolios available, the Authority will analyze and consider acquiring such portfolios.

ECONOMIC FACTORS AND OUTLOOK – CONTINUED

Turbulence in the Financial Markets – Continued

Due to the declining financial and bond markets Treasury Bills (T-Bill), Commercial Paper (CP), and one-month LIBOR rates decreased from September 30, 2008 through December 31, 2009. Since January 2010, the downward spiral ended and the rates, while remaining low, are trending more steadily. However, the rates decreased slightly in 2013 and in 2014. The average bond equivalent rates of the 91-day T-Bill and the average bond equivalent rates of the 1-month LIBOR are shown:

	T-Bill Rates	One-Month LIBOR
Qtr. Ending 6/30/12:	0.09%	0.25%
Qtr. Ending 9/30/12:	0.10%	0.24%
Qtr. Ending 12/31/12:	0.09%	0.21%
Qtr. Ending 3/31/13:	0.09%	0.21%
Qtr. Ending 6/30/13:	0.05%	0.20%
Qtr. Ending 9/30/13:	0.03%	0.19%
Qtr. Ending 12/31/13:	0.07%	0.17%
Qtr. Ending 3/31/14:	0.05%	0.16%
Qtr. Ending 6/30/14:	0.03%	0.15%
Qtr. Ending 9/30/14:	0.02%	0.16%

The above rates directly affect the amount of Special Allowance (SA) income earned on the Authority's student loans. The decreasing rates have resulted in substantially reduced special allowance income for the Authority.

Legislative changes in 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to a rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the "special allowance support level" rates. In 2012, owners of FFELP loans were given the option (from the Department of Education) of choosing the average bond equivalent rate of the one-month LIBOR or continuing with the CP rate as the index for determining SA on loans first disbursed after December 31, 1999. The Authority opted for the one-month LIBOR as this index is anticipated to continually trend higher than the CP rate, thus will result in increased special allowance income. Decreasing One-Month LIBOR rates (shown above) lowers the "special allowance support level" rates, which in turn, increases excess interest. In 2014, 2013, and 2012, the Authority paid $21 million, $23.4 million, and $28.3 million of excess interest, respectively, to the Education Department, which off-sets Special Allowance Income on the Authority's books. (See further discussion of "excess interest" payments in note 1 to the basic financial statements).

The low T-Bill rates in 2014, 2013, and 2012 have also resulted in substantially reduced investment income.

ECONOMIC FACTORS AND OUTLOOK – CONTINUED

Turbulence in the Financial Markets – Continued

The decline in the financial and bond markets in the latter half of fiscal year 2008 and in fiscal year 2009 and the downgrade of Depfa Bank plc in October 2008 by one rating agency resulted in all of the Series 1993, Series 2003 Refunding, and Series 2008ABC bonds (total of $249.5 million), becoming ineligible for marketing; thus these bonds were tendered to their Credit Provider (Depfa Bank plc) in 2009. These bonds are referred to as "bank bonds" for which the Authority pays a rate of interest based on an index (Fed Funds or Prime) plus a spread, which generally is higher than market rates. In October 2009, the rates on these "bank bonds" changed and were substantially higher than market rates. In anticipation of the increases to the rates, the Authority has an agreement with the Credit Provider which provided for an aggressive pay down of these bonds over a five year period. However, in 2011, the Authority issued $125.05 million of Series 2010-2 tax exempt bonds of which $118.6 million of this financing was used to refund "bank bonds". The final $2 million of the Authority's "bank bonds" were paid November 1, 2013. See note 4 to the basic financial statements for further discussion of the Authority's bond issues.

OUTLOOK

Elimination of FFEL Program

In March 2010, President Obama signed into law H.R. 4872 (the "Health Care & Education Affordability Reconciliation Act of 2010" or "HCEARA") which terminates originations of student loans under the Federal Family Education Loan Program (FFELP) in favor of the government-run Federal Direct Loan Program beginning July 1, 2010. After June 30, 2010, no new FFELP loans (including Consolidation Loans) may be made or insured under the FFELP and no funds may be expended under the Higher Education Act to make or insure loans under the FFELP for which the first disbursement is after June 30, 2010. FFELP loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Authority continue to be subject to the provisions of the FFELP.

With the ending of the FFELP, expected low investment yield trends, and the conditions in the credit market, growth in 2015 is not anticipated. The Authority expects to acquire approximately 5 to 10% of the volume of loans in fiscal year 2015 as it acquired in 2014 and to use recycled funds for these acquisitions.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF NET POSITION
AUGUST 31, 2014 AND 2013 (RESTATED)

ASSETS	2014	2013 restated (see note 9)
CURRENT ASSETS		
Cash and cash equivalents--restricted (Note 2)	$ 279,657	$ 304,832
Investments (Note 2)	61,622,269	42,337,704
Investments--restricted (Note 2)	42,951,909	115,665,924
Accrued interest and other accounts receivable	27,786	30,041
Accrued interest and other accounts receivable--restricted	12,433,173	15,247,172
Prepaid expenses--restricted	72,398	79,563
Student loan notes receivable--restricted (Note 3)	163,679,426	181,009,787
Total current assets	281,066,618	354,675,023
LONG-TERM ASSETS:		
Accrued Interest and other accounts receivable--restricted	662,106	1,388,472
Student loan notes receivable (Note 3)	2,701,510	3,280,753
Student loan notes receivable--restricted (Note 3)	773,735,977	880,913,301
Total long-term assets	777,099,593	885,582,526
TOTAL ASSETS	$ 1,058,166,211	$ 1,240,257,549
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES - Payable from non-restricted assets:		
Accounts payable	$ 8,105	$ 3,158
Total current liabilities payable from non-restricted assets	8,105	3,158
CURRENT LIABILITIES--Payable from restricted assets:		
Accounts payable	730,665	782,465
Accrued interest payable	1,012,807	1,215,010
Accrued other liabilities	6,695	6,390
Bonds payable (Note 4)	107,601,000	174,249,000
Total current liabilities payable from restricted assets	109,351,167	176,252,865
Total current liabilities	109,359,272	176,256,023
LONG-TERM LIABILITIES--Payable from restricted assets:		
Bonds payable, less unamortized original issue discounts of $1,058,389 and $1,110,649, respectively (Note 4)	773,991,611	895,514,351
Total long-term liabilities payable from restricted assets	773,991,611	895,514,351
Total liabilities	883,350,883	1,071,770,374
NET POSITION:		
Restricted	110,447,298	122,813,617
Unrestricted	64,368,030	45,673,558
Total net position	174,815,328	168,487,175
Total Liabilities and net position	$ 1,058,166,211	$ 1,240,257,549

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2014 AND 2013 (RESTATED)

	2014	2013 restated (see note 9)
OPERATING REVENUES:		
Interest on student loans	$ 38,195,630	$ 41,556,379
Interest on cash equivalents and investments	97,386	190,152
Total operating revenues	38,293,016	41,746,531
OPERATING EXPENSES:		
Interest on bonds	9,454,500	11,850,415
Loan servicing fees paid to Higher Education Servicing Corporation (Note 1)	3,154,300	3,727,645
Payments for administrative and operating costs to Higher Education Servicing Corporation (Note 1)	2,960,704	2,915,200
Trustee fees	159,372	173,009
Provision for excess earnings and arbitrage liabilities (Note 6)	-	(675,882)
Provision for VCAP liability (Note 5)	-	516,400
Miscellaneous expense	432,437	367,690
Total operating expenses	16,161,313	18,874,477
OPERATING INCOME	22,131,703	22,872,054
NONOPERATING REVENUES AND EXPENSES:		
Government subsidy on student loans	4,515,941	5,735,535
Special allowance income	(20,319,491)	(22,066,672)
Total nonoperating revenues and expenses	(15,803,550)	(16,331,137)
CHANGE IN NET POSITION	6,328,153	6,540,917
NET POSITION—Beginning of year—as originally reported	168,487,175	170,477,446
Prior Period Adjustment (Note 9)	-	(8,531,188)
NET POSITION—Beginning of year—as restated	168,487,175	161,946,258
NET POSITION—End of year —as restated	$ 174,815,328	$ 168,487,175

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2014 AND 2013 (RESTATED)

	2014	2013 restated (see note 9)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan and interest purchases	$ (9,535,859)	$ (10,040,348)
Student loan repayments	150,974,903	171,377,469
Payment to vendors	(12,501,051)	(14,911,971)
Interest paid on bonds and lines of credit	(9,604,443)	(12,438,766)
Cash received for student loan and investment interest	31,244,858	33,972,819
Deferred loan acquisition discounts received	94,739	68,334
Net cash provided by operating activities	150,673,147	168,027,537
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments held by Trustee	595,452,683	435,173,099
Purchases of Investments	(542,023,234)	(423,910,461)
Net cash provided by investing activities	53,429,449	11,262,638
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayment of bonds	(188,223,000)	(162,381,000)
Proceeds from government subsidy on student loans	4,713,836	6,060,931
Payments of special allowance	(20,618,607)	(22,759,346)
Deferred bond and line of credit issue cost paid	-	11
Net cash used in noncapital financing activities	(204,127,771)	(179,079,404)
CHANGE IN CASH AND CASH EQUIVALENTS	(25,175)	210,771
CASH & CASH EQUIVALENTS---Beginning of year	304,832	94,061
CASH & CASH EQUIVALENTS---End of year	$ 279,657	$ 304,832

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2014 AND 2013 (RESTATED)

		2014		2013 restated (see note 9)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income:	$	22,131,703	$	22,872,054
Adjustments to reconcile operating income to net cash provided by operating activities:				
Amortization of original issue discounts		52,260		52,260
Change in assets and liabilities:				
Decrease (increase) in accrued interest and other accounts receivable		3,643,842		1,781,522
Decrease in student loan notes receivable--net		125,086,928		145,534,383
Decrease in prepaid expenses		7,165		11,916
Decrease in accounts payable		(46,853)		(913,829)
Increase in accrued and other liabilities		305		5,724
Decrease in accrued interest payable		(202,203)		(640,611)
Decrease in excess earnings and arbitrage liabilities		-		(675,882)
Net cash provided by operating activities	$	150,673,147	$	168,027,537

The Notes to Basic Financial Statements are
an integral part of these statements

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The North Texas Higher Education Authority, Inc. (the "Authority") is a nonprofit corporation organized on September 28, 1978 under the laws of the State of Texas and reports as a governmental entity. The Authority's Board of Directors is composed of six members appointed by the city councils of Arlington and Denton, Texas. The Authority's present purpose is to promote student access to higher education. The Authority provides funds for the purchase of student loans from participating lenders at the post-secondary educational level and provides procedures for the servicing of such loans as required for continued participation in the Federal Family Education Loan Program (FFELP) under the Higher Education Act of 1965, as amended. Funding for the Authority has been provided by the sale of tax-exempt bonds and through other forms of indebtedness. Proceeds of the bonds are used to purchase student loans, originated by eligible lenders under the FFELP made to eligible students for attendance at eligible institutions.

Related Entities—Higher Education Servicing Corporation (HESC), a tax-exempt nonprofit Texas Corporation, services the student loans for the Authority. HESC is responsible for student loan processing, collecting, accounting and reporting, as well as providing corporate office space and administrative support functions for the Authority under the terms of a servicing agreement. The Authority has no employees. HESC and the Authority have separate Boards of Directors.

Two computer service bureaus perform many of the duties involving student loan processing and collecting for HESC under the terms of servicing agreements. In 2006, HESC implemented an "in house" student loan processing and collection service. Under terms of a servicing agreement, HESC now performs the same duties as the bureaus on some of the Authority's student loans. The Authority remits to HESC stipulated amounts for services rendered in the administration of the agreements and for providing services as described above.

Measurement Focus, Basis of Accounting and Basis of Presentation—The Authority applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements for enterprise funds. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds are used to account for the operations and financial position of a governmental entity that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the expenses of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

Description of Funds—The accounts of the Authority are organized on the basis of funds, which are set up in accordance with the related bond indentures. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. These requirements do not result in any restrictions on the use of assets for the general purpose of the respective bond issues. Accordingly, separate funds are not considered necessary for financial reporting purposes. At the time that a bond series has been fully repaid or is permitted by the bond indentures, assets can be transferred to another series with outstanding debt or to a "surplus" fund. The clearing fund is used to process student loan collections among debt issues.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents—The Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investment Policy—In accordance with the Authority's investment policy and its bond indentures, funds not invested in student loans are generally required to be invested in investment securities and/or interest-bearing time deposits of one or more banks located within the State of Texas. The majority of the Authority's investments represent money market funds which include in their investment objectives to have a dollar weighted average stated maturity of 60 days or fewer and seek to maintain a stable net asset value of $1 per share. The Authority also has some investments in FDIC insured interest-bearing time deposits with maturities of six months or less. The Authority records these investments at cost, which approximates fair value, on its statements of net position. The Authority continually monitors the market value of its investments.

Allowance for Loan Losses—The guarantee of student loans is contingent upon the loans being serviced within the "due diligence" requirements of the guarantors. The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for loan losses is a provision for the loans for which cure and recovery are expected to be unsuccessful and was based on historical analysis and management review of accounts.

Deferred Loan Acquisition Premiums and Discounts— Before 2011, the Authority normally paid loan acquisition premiums and transfer fees when acquiring loans from financial institutions. Due to declining non operating revenues on student loans, from 2011 through 2014 the Authority did not pay premiums on loans acquired and acquired some loan portfolios at a discount (paid less than par value). These premiums, discounts and fees are capitalized and amortized using the sum of the months' digits method, which approximates the interest method, over the life of the related loans, which have been estimated by the Authority to be 43 months. The amortization expense has been recorded as an adjustment to the yield of the loans purchased. These premiums, discounts, and fees are included with student loan notes receivable in the accompanying statements of net position.

Bond Issue Costs and Original Issue Discounts—Original issue discounts are capitalized and are being amortized over the term of the bonds using the straight-line method, which approximates the interest method. The amortization expense has been recorded as an adjustment to interest expense on the bonds payable. Losses incurred on advance refundings are deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In 2014, the Authority implemented GASB Statement No. 65 which required that bond issue costs be expensed as incurred and unamortized balances of bond issue costs be removed from the statement of net position (see further discussion of GASB Statement No. 65 in note 9 to the financial statements below). Before implementation of GASB Statement No. 65 the bond issue costs were capitalized and were being amortized over the term of the bonds using the straight-line method, which approximates the interest method. The amortization expense was being recorded as an adjustment to interest expense on the bonds payable.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Trustees—The Authority contracts with two Banks to serve as Trustees. Wells Fargo Bank, National Association, and BOKF, National Association, dba Bank of Texas, as trustees, perform the duties involving the acquisition and holding of student loans in the Authority's name, the investment and disbursement of funds as directed by the Authority, and the servicing and redemption of the bonds under each of the trust indentures.

Excess Income—All income of the Authority after payment of expenses, debt service, and the creation of reserves will be utilized for the purchase of additional student loan notes, the purpose permitted by Section 148 of the Internal Revenue Code ("IRC") or, upon dissolution or liquidation of the Authority, will be transferred to the U.S. Treasury. The Authority has no plans to liquidate or dissolve.

Income Taxes—As an organization described in IRC Section 501c(3), the Authority is exempt from federal income taxes under IRC Section 501(a). However, income generated by activities unrelated to the purposes for which the Authority was created will be subject to tax. The Authority had no unrelated business income in 2014 and 2013.

Capitalization of Interest—Students have the option of deferring the interest payments on unsubsidized loans during in-school, grace or deferment periods. Therefore, the Authority capitalizes interest on some student loan notes receivable.

Interest Subsidy and Special Allowance—During the in-school, grace, and deferment periods, the U.S. government pays the Authority interest on subsidized Stafford student loans on behalf of the borrower. Additionally, some consolidation loans are eligible for subsidy during periods of deferment. When the repayment period begins, the borrower is responsible for interest payments. No interest is paid on behalf of the borrower for the Unsubsidized Stafford and PLUS programs. In addition, for certain eligible loans, the U.S. government pays a special allowance to lenders participating in the FFELP at the end of each quarter, representing supplemental interest on the average outstanding principal balance (for the quarter) of insured loans at an annual rate that is determined periodically and is based on certain current interest rates exceeding a predetermined rate. In addition to interest on student loans, interest subsidy and special allowance earned on student loans in the accompanying financial statements (non-operating revenues) are as follows:

	2014	2013
Interest Subsidy	$ 4,515,941	$ 5,735,535
Special Allowance	($20,319,491)	($22,066,672)

Treasury bill and one-month LIBOR rates directly affect the amount of special allowance earned. These rates have decreased substantially from 2007 through 2009 but have remained somewhat steady the past five years. In 2014 and 2013, slight decreases to the rates contributed to decreased

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

special allowance income. Also due to the low rates, the majority of the Authority's loans earned no special allowance in 2014 and 2013. Legislative changes in fiscal 2007 require that some student loans (loans disbursed after April 1, 2006) are subject to rebate of a portion of the interest collected on the loans (referred to as "excess interest") when the loans earn at rates above the "special allowance support level" rates. Decreasing one-month LIBOR rates significantly lowered the "special allowance support level" rates, which in turn, substantially increased excess interest.

In 2014 and 2013, the Authority's student loan portfolio decreased $125.1 million and $145.5 million, respectively. A substantial amount of the student loans paid (much of which was due to being consolidated by the U.S. Department of Education) are the loans that were subject to the excess interest payments. Since the balance of these loans have substantially decreased, less excess interest was paid, which in turn, increases special allowance income. In 2014 and 2013, the U.S. Department of Education withheld $21,011,011 and $23,376,917, respectively, of excess interest from the Authority's quarterly interest benefits and special allowance billings. This "excess interest" off-sets Special Allowance Income in the Authority's Statement of Revenues, Expenses, and Changes in Net Position. The interest subsidy and special allowance are accrued as earned.

Net Position—The net position of the Authority is classified into two categories: unrestricted and restricted. Unrestricted net position includes net position available for the operations of the Authority and activities not accounted for in the bond funds. Restricted net position consists of the bond funds and the clearing account.

Operating Revenues and Expenses—Bond and note issuance is the principal source of the funds necessary to carry out the purposes of the Authority, which are to acquire and service student loans. The Authority's revenue is derived primarily from income on student loans, and secondarily, from investment income. The primary costs of the program are interest expense on bonds, program administration fees, and loan servicing fees. Therefore loan income, net investment income, interest expense, administrative fees, and loan servicing fees are shown as operating revenues and expenses in the statements of revenue, expenses and changes in net position. Federal funds received consisting of interest subsidies and special allowance income are considered non-operating revenue.

Risk Management—The Authority is exposed to various risks of loss related to errors and omissions. Coverage for these various risks of loss is obtained through commercial insurance. Commercial insurance is purchased in an amount that is sufficient to cover the Authority's risk of loss. There have been no claims filed against the Authority in the past three years, and there has been no significant reduction in insurance coverage from coverage in the prior year for all categories of risk.

2. CASH AND INVESTMENTS

Certificates of deposit are presented as cash and cash equivalents and money market mutual funds are presented as investments for GASB Statement No.3 disclosure purposes. At August 31, 2014 and 2013, the carrying amount and bank balances of the Authority's cash and deposits was $33,125,384 and $15,030,776; respectively, of which $100,000 and $100,000; respectively, is in certificates of deposit. All of the bank balances were covered by federal depository insurance or collateralized with securities held by the Authority's agent in the Authority's name.

The Authority may purchase investments as authorized by its indentures, the investment policy approved annually by the Board of Directors, and the Public Funds Investment Act. These investments include but are not limited to direct obligations of the United States and certain U.S. government agencies, obligations guaranteed by the United States and certain U.S. government agencies, bank demand deposits and interest-bearing bank time deposits with a maturity of ten years or less that are secured by pledges of government securities or are issued by banks rated Aa or AA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively. Money market mutual funds are authorized investments if they are regulated by the SEC, have a dollar-weighted average stated maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of $1 for each share. The Authority may also invest in a state government investment pool – "Texas Local Government Investment Pool" (TexPool), which is a pool managed by the State of Texas and is an approved investment type under the Public Funds Investment Act. The Authority does not invest in investments other than those authorized by its investment policy.

Interest rate risk—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS – CONTINUED

The Authority's investments as of August 31, 2014 and 2013 are classified as follows:

Investment Type	2014 Amount	Weighted Average Maturity
Money Market Mutual Funds	$ 71,728,451	38 days
Total investments	$ 71,728,451	

Investment Type	2013 Amount	Weighted Average Maturity
Money Market Mutual Funds	$ 143,277,683	52 days
Total investments	$ 143,277,683	

Credit risk—Generally, 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. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Authority's investment policy or debt agreements, and the actual rating for each investment type as of August 31, 2014 and 2013.

Investment Type	Balance August 31, 2014	Balance August 31, 2013	Minimum Legal Rating	Rating as of August 31, 2014	Rating as of August 31, 2013
Certificates of deposit	$ 100,000	$ 100,000	N/A	Not rated	Not rated
Money market mutual funds	$71,728,451	$143,277,683	AAAm	AAA,Aaa	AAA, Aaa

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS – CONTINUED

Concentration of credit risk—The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. As of August 31, 2014, the Authority invests the majority of its funds in two money market funds: Fidelity Prime Institutional Money Market Fund and Wells Fargo Advantage Treasury Money Market Fund. The Authority also invests in a Southwest Bank Insured Cash Sweep (ICS) Account which is a FDIC insured interest-bearing bank deposit account. As of August 31, 2014 and 2013, Authority investments which totaled more than 5% of its total investments are:

	2014	2013
Wells Fargo Advantage Treasury Money Market Fund:	$ 12,130,235	N/A
Fidelity Institutional Prime Money Market Fund:	$ 59,598,216	$ 143,277,683
Southwest Bank deposit accounts (FDIC insured):	$ 32,264,607	$ 14,212,890

3. STUDENT LOAN NOTES RECEIVABLES

Student loan notes receivable consist of the following at August 31, 2014 and 2013:

	2014				
Series	Student Loan Notes Receivable Receivable	Collections Not Yet Applied	Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net Receivable
2012-1	$ 334,866,143	$ -	$ (4,353)	$ (264,117)	$ 334,597,673
2011-1	141,565,002	-	-	(111,656)	141,453,346
2010-2	76,390,724	-	-	(60,251)	76,330,473
2010-1	107,280,685	-	-	(84,615)	107,196,070
2003-2	115,130,098	-	(68,992)	(90,806)	114,970,300
2003	28,127,635	-	-	(22,185)	28,105,450
2002	135,284,112	-	(15)	(106,702)	135,177,395
Surplus Fund	2,726,064	-	(22,404)	(2,150)	2,701,510
Unallocated Collections	-	(415,304)	-	-	(415,304)
Total	$ 941,370,463	$ (415,304)	$ (95,764)	$ (742,482)	$ 940,116,913

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

	2013				
Series	Student Loan Notes Receivable Receivable	Collections Not Yet Applied	Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net Receivable
2012-1	$ 385,452,722	$ -	$ (18,934)	$ (311,008)	$ 385,122,780
2011-1	159,344,249	-	-	(128,569)	159,215,680
2010-2	87,376,075	-	-	(70,501)	87,305,574
2010-1	125,352,169	-	-	(101,142)	125,251,027
2003-2	121,350,475	-	17	(97,913)	121,252,579
2003	32,209,699	-	(288)	(25,989)	32,183,422
2002	117,334,379	-	353	(94,673)	117,240,059
1993A-D	34,610,566	-	232	(27,926)	34,582,872
Surplus Fund	3,331,550	-	(48,108)	(2,689)	3,280,753
Unallocated Collections	-	(230,905)	-	-	(230,905)
Total	$ 1,066,361,884	$ (230,905)	$ (66,728)	$ (860,410)	$ 1,065,203,841

All student loans currently held were made in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended. The Authority purchases five types of loans: Stafford, Unsubsidized Stafford, SLS, PLUS and Consolidated. PLUS loans are made to parents of dependent undergraduate students and effective July 1, 2006, PLUS loans can also be made to graduate and professional students. SLS loans (no longer available, effective July 1, 1994) were made to graduate and professional students. Consolidated loans are made to borrowers for the purpose of consolidating their repayment obligations. The Authority originated Consolidation loans until the second quarter of 2008, but changes in law decreased yields on these loans made after July 1, 2008, and the Authority stopped making them as they would have no longer been financially feasible.

The student loan notes receivable represent loans to students who, when the loans were originated by lending institutions, were enrolled in post-secondary institutions. In general, the notes bear interest at fixed and variable rates ranging from 1.625% to 12% depending upon the type and date of origination of the individual loan and are payable by the student following a specified grace period after graduation or termination from the institution. The repayment period is generally 10 years for all FFELP loans (excluding consolidated loans), however the terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over an average period of 5 to 10 years. Consolidated loans may be repaid up to a maximum of 30 years.

Installment repayment of Stafford and Unsubsidized Stafford loans begins after a grace period of six or nine months following the date that the student completes his or her course of study, leaves school or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution. Repayment of PLUS loans begins within 60 days of disbursement (no grace period). Repayment of Consolidated loans begins within 60 days after the borrower's liability on all loans being consolidated has been discharged.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

Student loan notes receivable purchased by the Authority have been either insured or reinsured by the U.S. government or guaranteed by the Texas Guaranteed Student Loan Corporation and United Student Aid Funds, Inc. Student loan notes that do not conform to the terms of the purchase agreement between the Authority and the original lender may be returned to the lending institution for reimbursement of principal, interest and costs incurred while held by the Authority. The guarantors are protected by federal reinsurance from the Federal Guaranteed Student Loan Program under the Department of Education. Generally, the Department of Education pays the guarantor 97% of the balance of the defaulted student loans. However, that rate is graduated downward to 78% as the guarantor's annual payments of defaulted loans increase. The federal reinsurance percentage is restored to 100% at the beginning of each annual reporting period. The loans are guaranteed provided that the original lender with respect to such loans has met applicable program requirements. Owned loans that have lost their U.S. Department of Education guarantee due to the failure of the original lender, the Authority, or their servicer to follow prescribed collection (due diligence) procedures can reacquire their guaranteed status if they are subsequently returned to a repayment status. Original lenders have warranted to the Authority that the student loan notes have met these requirements and are valid obligations of the student borrowers.

The Authority has established cure and recovery procedures to be applied to loans that have lost their guarantee. The allowance for loan losses is a provision for the loans for which cure and recovery are expected to be unsuccessful and was based on historical analysis and management review of accounts. Also, as discussed above, generally guarantors pay 97% of the balances of defaulted student loans. As such, the Authority includes in its computation of the allowance for loan losses an estimated amount of the 3% write-off of balances of defaulted loans that are not paid by the guarantors. For the years ended August 31, 2014 and 2013, the allowance for loan losses is $742,482 and $860,410, respectively. In the opinion of management, this allowance is considered adequate.

Net student loan notes receivable approximate fair value as the loans are guaranteed payment at the carrying value and a special allowance payment is received for loans below the current market rate of interest.

A summary of the Authority's student loan activity for the years ended August 31, 2014 and 2013 is as follows:

	2014	2013
Loans purchased	$ 9,164,513	$ 9,824,807
Amounts collected	(150,974,904)	(171,377,469)
Adjustments (capitalized interest\write-off)	16,723,463	16,018,279
Total change in Student Loan Notes Receivable- net	$ (125,086,928)	$ (145,534,383)

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

Student Loan Purchase Commitments—In addition to the student loans already purchased, the Authority was contractually committed to its participating lending institutions to purchase student loans under commitment agreements. These agreements require the lending institution to offer student loans to the Authority. The Authority, under restrictions set by the Credit Providers, can only acquire loans that were first disbursed prior to July 1, 2008. In 2013, approximately $2.4 million of these loans were held by the Authority's participating lending institutions. In 2014, the Authority acquired substantially all of the remaining FFELP Loans that were held by its participating lending institutions.

4. BONDS PAYABLE

The following table summarizes the balances due, interest mode, interest rate, and date of maturity on the bonds payable as of August 31, 2014 and 2013 (restated):

Bond Series	2014	2013 restated	Interest Mode	Average Interest Rate (2014)	Date of maturity or defeasement
1993 Series A	$ -	$ 1,000,000	Variable	4.75	November 1, 2013
2002	116,700,000	155,000,000	Variable	0.39	April 1, 2041
2003A- A-1,B	-	1,000,000	Variable	4.75	November 1, 2013
2003A-3	22,550,000	30,000,000	Variable	0.36	October 1, 2042
2003-2	112,650,000	150,000,000	Variable	0.39	October 1, 2043
2010-1 A-1	6,420,000	26,145,000	Variable	0.64	July 1, 2019
2010-1 A-2	93,240,000	93,240,000	Variable	1.14	July 1, 2030
2010-2 A-1	70,310,000	83,000,000	Variable	1.26	April 1, 2037
2011-1	133,115,000	151,877,000	Variable	1.36	April 1, 2040
2012-1	327,666,000	379,612,000	Variable	1.18	December 1, 2034
Total	$ 882,651,000	$ 1,070,874,000			
Unamortized original issue discounts	(1,058,389)	(1,110,649)			
	$ 881,592,611	$ 1,069,763,351			

4. BONDS PAYABLE – CONTINUED

1993 Debt Issue—On May 1, 1993, the Authority issued $140,000,000 of Student Loan Revenue Bonds, including $90,000,000 refunding of the 1991G Series ($50,500,000 of Series B and $39,500,000 of Series A) and $50,000,000 of new proceeds ($19,500,000 of Series C, D, and $30,500,000 of Series A). The $5,815,000 portion of Series B that matured on April 1, 1998, was refunded by the 1998 Series. The $8,455,000 portion of Series B that matured on April 1, 1999, and the $9,625,000 portion of Series B that matured on April 1, 2000, were refunded by the 2000A Series. The $7,705,000 portion of Series B that matured on April 1, 2001, was refunded by the 2001A Series. The $7,645,000 portion of Series B that matured on April 1, 2002, was refunded by the 2003 Series. On January 16, 2003, the Authority advance refunded $11,255,000 of the 1993B Series bonds and $19,500,000 of the 1993CD Series bonds. The remaining $39,500,000 Series A refunding bonds matured April 1, 2005. The remaining $30,500,000 Series A new bonds became "bank bonds" in October 2008. In 2013, 2012, and 2011 the Authority paid $6,000,000, $12,600,000, and $10,900,000, respectively, of Series A new "bank bonds". On November 1, 2013, the Authority paid the remaining $1,000,000 of the Series A new "bank bonds".

The interest rate (4.75%) for the "bank bonds" is the actual rate for the two month period ended October 31, 2013. This rate did not change in 2014 and 2013. Interest was paid monthly. Before becoming "bank bonds" interest was payable on January 1, April 1, July 1, October 1.

2002 Debt Issue—On March 4, 2002, the Authority issued $155,000,000 of Student Loan Revenue Bonds. The Series 2002 Bonds were issued as Auction Rate Certificates and interest on the Series 2002 Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006 all of the Series 2002 Bonds were converted to variable rate demand obligations. In 2014, the Authority paid $38,300,000 of the 2002 Bonds.

The interest rate for the bonds represents the average rate for the year ended August 31, 2014. The actual rates ranged from 0.35% to 0.54% in 2014 and 0.38% to 0.59% in 2013. Interest is payable monthly and at stated maturity dates.

4. BONDS PAYABLE – CONTINUED

2003 Debt Issue—On January 16, 2003, the Authority issued $103,400,000 of Student Loan Revenue Bonds, of which $73,400,000 (A-1 & A-2) was used in refunding $35,000,000 from the 2000A Series Bonds, $18,900,000 from the 1993B Series Bonds, and $19,500,000 from the 1993CD Series Bonds. The refunding portion of the 2003 Bonds were issued as Auction Rate Certificates and interest on the refunding bonds is tax exempt from gross income of the certificate owners for federal income tax purposes. The 2003 Issue also included $30,000,000 in new proceeds (A-3) issued as Auction Rate Certificates and interest on these bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. $18,900,000 of the refunding bonds matured October 1, 2005. In April 2006, the remaining Series 2003 Bonds were converted to variable rate demand obligations. In August 2008, $34,000,000 of the refunding bonds was advance refunded by Series 2008ABC and the Authority paid $10,500,000 of the refunding bonds (not refunded). The remaining $10,000,000 refunding bonds became "bank bonds" in October 2008. In 2010 and 2009, the Authority paid $8,000,000 and $1,000,000; respectively, of the "bank bonds". On November 1, 2013, the Authority paid the remaining $1,000,000 of refunding "bank bonds". In 2014, the Authority paid $7,450,000 of the Series 2003 A-3 Bonds.

The interest rate (4.75%) for the refunding bonds is the actual rate for the two month period ended October 31, 2013. This rate did not change in 2014 and 2013. The actual rates of the taxable bonds (A-3) ranged from 0.35% to 0.38% in 2014 and 0.38% to 0.44% in 2013. Interest from the refunding and the taxable bonds is payable monthly and at stated maturity dates. Before becoming "bank bonds" the interest from the refunding bonds was payable on April 1, October 1.

2003-2 Debt Issue—On December 3, 2003, the Authority issued $150,000,000 of Student Loan Revenue Bonds as Auction Rate Certificates and interest on the Series 2003-2 Bonds is not exempt from gross income of the certificate owners for federal income tax purposes. In April 2006 all of the Series 2003-2 Bonds were converted to variable rate demand obligations. In 2014, the Authority paid $37,350,000 of the 2003-2 Bonds.

The interest rate for the bonds represents the average rate for the year ended August 31, 2014. The actual rates ranged from 0.35% to 0.53% in 2014 and 0.38% to 0.59% in 2013. Interest from the Bonds is payable monthly and at stated maturity dates.

2010-1 Debt Issue—On May 25, 2010, the Authority issued $207,200,000 of Student Loan Revenue Bonds, consisting of Series 2010-1 A-1 ($113,960,000) and 2010-1 A-2 ($93,240,000) of which $168,315,000 was used to pay off the Authority's lines of credit with Bank of America and Frost Bank and $38,885,000 is "new money" used to acquire loans. Interest on the Series 2010-1 Bonds is tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2010-1 Bonds:

Year	Bond	Amount paid
2011	A-1	$27,545,000
2012	A-1	$28,245,000
2013	A-1	$32,025,000
2014	A-1	$19,725,000

4. BONDS PAYABLE – CONTINUED

The interest rate for the bonds represents the average rate for the year ending August 31, 2014. The actual rates ranged from, A-1: 0.63% to 0.67% in 2014 and 0.67% to 0.86% in 2013; A-2: 1.13% to 1.17% in 2014 and 1.17% to 1.36% in 2013. Interest from the 2010-1 Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates.

2010-2 Debt Issue—On October 28, 2010, the Authority issued $125,050,000 of Student Loan Revenue Bonds (Series 2010-2 (A-1)), which was used to advance refund the remaining balance of the Series 2008A bonds. Interest on the Series 2010-2 Bonds is tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2010-2 Bonds:

Year	Amount paid
2011	$ 9,795,000
2012	$16,895,000
2013	$15,360,000
2014	$12,690,000

The interest rate for the bonds represents the average rate for the year ended August 31, 2014. The actual rates ranged from 1.23% to 1.27% in 2014 and 1.27% to 1.46% in 2013. Interest from the 2010-2 Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates.

2011-1 Debt Issue—On February 24, 2011, the Authority issued $210,200,000 of Student Loan Revenue Bonds (Series 2011-1), which was used to advance refund the 1991 C and F bonds, 1996 A and C bonds, 2006A bonds, and the remaining balances of the 2006B and C bonds. Interest on the Series 2011-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2011-1 Bonds:

Year	Amount paid
2011	$ 6,187,000
2012	$26,728,000
2013	$25,408,000
2014	$18,762,000

The interest rate for the bonds represents the average rate for the year ended August 31, 2014. The actual rates ranged from 1.33% to 1.37% in 2014 and 1.37% to 1.56% in 2013. Interest from the 2011-1 Bonds is payable on January 1, April 1, July 1, October 1, and at stated maturity dates.

2012-1 Debt Issue—On July 24, 2012, the Authority issued $463,200,000 of Student Loan Revenue Bonds (Series 2012-1), which was used to advance refund the remaining balances of the 1998A, 2000B, 2001, 2004, 2005CD, 2007AB, and 2010E bonds. Interest on the Series 2012-1 Bonds is not tax exempt from gross income of the certificate owners for federal income tax purposes. The Authority has paid 2012-1 Bonds:

Year	Amount paid
2013	$83,588,000
2014	$51,946,000

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

4. BONDS PAYABLE – CONTINUED

The interest rate for the bonds represents the average rate for the year ended August 31, 2014. The actual rates ranged from 1.15% to 1.19% in 2014 and 1.19% to 1.48% in 2013. Interest from the bonds is payable monthly and at stated maturity dates.

The following is a summary of debt service requirements at August 31, 2014:

Fiscal Year	Principal	Interest	Total
2015	$ 107,601,000	$ 8,444,668	$ 116,045,668
2016	99,750,500	7,520,857	107,271,357
2017	92,350,000	6,433,255	98,783,255
2018	86,250,000	5,456,915	91,706,915
2019	80,500,000	4,407,740	84,907,740
2020-2024	222,170,000	10,262,659	232,432,659
2025-2029	76,765,000	5,512,428	82,277,428
2030-2034	25,039,000	3,387,927	28,426,927
2035-2039	10,250,000	3,924,453	14,174,453
2040-2043	81,975,500	2,678,756	84,654,256
	$ 882,651,000	$ 58,029,658	$ 940,680,658

Rates for all the Authority's bonds are indexed to either the three-month or one-month LIBOR rate and are re-set monthly or quarterly (depending on the bond) by the Trustee.

The following is a summary of changes in revenue bonds payable by the Authority for the years ended August 31, 2014 and 2013:

	Balance at beginning of year	Issued	Repaid or Defeased	Balance at end of year
2014	$ 1,070,874,000	$ -	$ (188,223,000)	$ 882,651,000
2013	$ 1,233,255,000	$ -	$ (162,381,000)	$ 1,070,874,000

The bonds may be redeemed prior to their stated maturity only in authorized denominations. Upon proper notice, bonds may be redeemed in whole or part by lot, at par plus accrued interest to the date of redemption, without premium, at the option of the Authority and with the permission of the credit provider. There are no defeased bonds outstanding as of August 31, 2014.

The Authority is subject to financial covenants imposed by the various bond indentures requiring such things as compliance with certain ratios. Management believes that the Authority was in compliance with all significant financial covenants and bond indentures during 2014 and 2013.

5. VOLUNTARY CLOSING AGREEMENT PROGRAM (VCAP)

In 2009, the Authority learned that Internal Revenue Service audits of student loan issuers who issue tax-exempt “qualified student loan bonds” within the meaning of Section 144 of the Internal Revenue Code of 1986, as amended (the “Code”) were being focused on arbitrage issues related to the tracking of student loans acquired with proceeds of the bonds. In late 2011, it became clear the IRS was interpreting Section 148 to mean certain “loan transfers” between student loan bond issues violate tax law compliance; and therefore, interest on the bonds would not be excludable from gross income of bondholders under Section 103 of the Code. On March 20, 2012, the IRS issued Announcement 2012-14, under which issuers of tax-exempt qualified student loan bonds could enter into a Voluntary Closing Agreement Program (VCAP) on or before July 31, 2012, to resolve all tax law compliance issues relating to the loan tracking issue and preserve the tax-exempt status of those bonds.

Consistent with longstanding industry practice, from time to time over the years the Authority has reallocated qualified student loans made or acquired with the proceeds of each issue of its bonds to other bond issues. The Authority adamantly believes the IRS position is inconsistent with applicable law and practice, but nevertheless submitted a request for a VCAP regarding certain of its bond issues in order to safeguard the continued tax-exemption of the bonds. Currently, none of the Authority’s bonds are under examination by the IRS, and the tax-exempt status of the bonds is not under review in any court, administrative agency, or other proceeding.

Closing Agreement Terms

The Authority has discontinued its use of the longstanding industry practice of reallocating student loans among its bond issues. In 2013, the Authority and the IRS agreed to terms of a settlement in which the Authority paid $1,116,400 to the U.S. Treasury and preserved the tax-exempt status of the bonds under the VCAP. In 2012, the Authority accrued $600,000 based upon management’s belief that any settlement would not exceed this amount. Thus in 2013, the Authority posted a provision for $516,400 for the additional amount paid under the agreement. The agreed upon amount was paid from the Authority’s general fund and not from any funds in outstanding trust estates. Also included in the settlement is that all the bonds under the VCAP are no longer subject to any excess earnings liability (see discussion of Excess Earnings and Arbitrage Liabilities in note 6 below). As such the Authority reversed the excess earnings liability ($675,882) on its Series 2003A bonds in 2013.

6. EXCESS EARNINGS AND ARBITRAGE LIABILITIES

A liability for excess earnings over the allowable spread between the loan yield and bond yield has been included in the financial statements. For the years ended August 31, 2014 and 2013, the Authority made a provision for excess interest of $0 and ($675,882), respectively. The indentures require such excess earnings to be placed in an “excess earnings account” and held until the amount is due to the U.S. Treasury. As noted in Note 5 above, the provision for ($675,882) is the reversal of the Authority’s Series 2003A excess earnings liability due to the elimination of the excess earnings liability included in the VCAP settlement. Federal government excess earnings laws allow for loan forgiveness programs to be employed to reduce the excess earnings amounts that must be remitted to the U.S. Treasury when the bonds are redeemed. The Authority has a loan forgiveness program in which borrowers’ debt is “forgiven” when the debt is reduced to a threshold amount and the borrowers meet all other requirements of the program. The excess earnings liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The excess earnings are periodically adjusted when the calculations reveal the current amount of student loans to be forgiven if the bonds were redeemed.

All of the Authority’s outstanding tax exempt bonds (interest on the bonds is tax exempt from gross income of the certificate owners for federal income tax purposes) are subject to federal government arbitrage rebate laws. These laws limit the earnings rate on funds received by an organization that issues tax exempt bonds. For the years ended August 31, 2014 and 2013 the Authority made a provision for arbitrage rebate of $0 and $0, respectively. The provision recognizes revenues above the rebate limit, which must be remitted to the federal government. The indentures require such arbitrage earnings to be placed in an “arbitrage rebate account” and held until the amount is paid to the U.S. Treasury. The arbitrage liability (for each bond series) is calculated annually on a date set by the Authority and on the bond maturity date. The arbitrage earnings are periodically adjusted when the calculations reveal the current amount of liability if the bonds were redeemed. The arbitrage rebate laws require that generally on every 5th anniversary of the bond issue, payment of 90% of the amount of the liability (if any) must be remitted to the U.S. Treasury. No payment was required in 2014 and 2013.

The following table displays the aggregate changes in the excess earnings and arbitrage rebate payable for the fiscal years ended August 31, 2014 and 2013:

	2014	2013
Beginning balance	$ -	$ 675,882
Additional (reduction to) liability	-	(675,882)
Ending balance	$ -	$ -

7. COMMITMENTS

Under the terms of the 1993 A-D bond indenture, the Authority had a letter of credit agreement with DEPFA Bank plc, under which DEPFA had issued an irrevocable direct pay letter of credit, which was due to expire on April 1, 2020. Under the agreement, the Authority could borrow up to $1,049,315 to fund any amounts needed to pay principal and accrued interest of any Series 1993A bonds that become due in accordance with the indenture. The Authority was required to pay a quarterly letter of credit fee on the amount available. No amount was outstanding as of August 31, 2014 and 2013. Since all of the 1993A bonds have been tendered to DEPFA Bank plc, their commitment has been fulfilled. As noted above the remaining $1,000,000 of Series 1993A "bank bonds" were paid, thus the letter of credit agreement was terminated November 1, 2013.

The Series 2002A-1 Bonds, Series 2002A-2 Bonds, and Series 2002A-3 Bonds were rated "Aaa" by Moody's Investors Service. The Series 2002B Bonds were rated "A2" by Moody's. The bonds were issued as Auction Rate Certificates, but were converted to variable rate demand obligations in April 2006. Moody's is expected to review its rating on an ongoing basis.

The Series 2003-2A-1 Bonds and Series 2003-2A-2 Bonds were rated "Aaa" by Moody's Investors Service. The Series 2003-2B Bonds were rated "A2" by Moody's. The bonds were issued as Auction Rate Certificates, but were converted to variable rate demand obligations in April 2006. Moody's is expected to review its rating on an ongoing basis.

The Series 2003A-1 Bonds, Series 2003A-2A Bonds, 2003A-2B Bonds, and Series 2003A-3 Bonds were rated "Aaa" by Moody's Investors Service. The Series 2003B Bonds were rated "A2" by Moody's. The bonds were issued as Auction Rate Certificates. The 2003A-2A bonds matured October 1, 2005. The remaining 2003 bonds were converted to variable rate demand obligations in April 2006. Moody's is expected to review its rating on an ongoing basis. Under the terms of the 2003 bond indenture, the Authority had a letter of credit agreement with DEPFA Bank plc, under which DEPFA had issued an irrevocable direct pay letter of credit, which was due to expire October 8, 2037. Under the agreement, the Authority could borrow up to $1,087,123 to fund any amounts needed to pay principal and accrued interest of any Series 2003A-1 bonds (tax-exempt bonds) that become due in accordance with the indenture. The Authority was required to pay a quarterly letter of credit fee on the amount available. No amount is outstanding as of August 31, 2014 and 2013. Since all of the 2003A bonds have been tendered to DEPFA Bank plc, their commitment has been fulfilled. As noted above the remaining $1,000,000 of Series 2003A "bank bonds" were paid, thus the letter of credit agreement was terminated November 1, 2013.

The Series 2010-1 Bonds were rated "AAA" by Standard and Poor's and "AAA" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

The Series 2010-2 Bonds were rated "AAA" by Standard and Poor's and "AAA" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

The Series 2011-1 Bonds were rated "AAA" by Standard and Poor's and "AAA" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

The Series 2012-1 Bonds were rated "AA+" by Standard and Poor's and "AAA" by Fitch Ratings. Standard and Poor's and Fitch Ratings are expected to review their ratings on an ongoing basis.

7. COMMITMENTS - CONTINUED

The Bonds are limited obligations of the Authority payable solely from revenue received by the Authority from the assets contained in each trust estate created under an indenture including payments on student loans and investment earnings.

Neither the faith and credit, the taxing power nor any revenue of the State of Texas or any political subdivision thereof are pledged to the payment of the bond principal and interest thereon. The bonds are not a general obligation of the Authority, and the individual board members are not liable.

The Federal Family Education Loan programs in which the Authority participates are subject to audit in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*, as revised April 26, 1996. Pursuant to the provisions of Circular A-133, the major federal financial assistance programs were tested for compliance with applicable grant requirements through August 31, 2014 and 2013. The provisions of this circular do not limit the Authority or other federal agencies or audit officials from making or contracting for audits and evaluations of federal financial assistance programs. As a result, final expenditure reports of grants and contracts submitted to granting agencies in current and prior years are subject to audit and adjustment by such agencies. The effect of such adjustments, if any, is not determinable at this time.

8. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The Authority has one segment that meets the reporting requirements of GASB Statement No. 34.

The outstanding debt payable by the Authority consists mostly of Student Loan Revenue Bonds. Related debt covenants provide that the outstanding debt is payable from the eligible loans pledged under the debt covenants, amounts deposited in the accounts pledged under the debt covenants, and all other revenues and recoveries of principal from the loans purchased with the bond proceeds.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

8. SEGMENT INFORMATION – CONTINUED

Summary financial information for the Student Loan Revenue Bonds as of August 31, 2014 and 2013 (restated) is as follows:

	Surplus Fund		Bond Funds		Total	
	2014	2013	2014	2013 restated	2014	2013 restated
Condensed Statements of Net Position						
Assets:						
Current assets	$ 61,675,536	$ 42,395,963	$ 219,391,082	$ 312,279,060	$ 281,066,618	$ 354,675,023
Noncurrent assets	2,701,510	3,280,753	774,398,083	882,301,773	777,099,593	885,582,526
Total assets	64,377,046	45,676,716	993,789,165	1,194,580,833	1,058,166,211	1,240,257,549
Liabilities:						
Current liabilities	9,016	3,158	109,350,256	176,252,865	109,359,272	176,256,023
Noncurrent liabilities	-	-	773,991,611	895,514,351	773,991,611	895,514,351
Total liabilities	9,016	3,158	883,341,867	1,071,767,216	883,350,883	1,071,770,374
Net position:						
Restricted	-	-	110,447,298	122,813,617	110,447,298	122,813,617
Unrestricted	64,368,030	45,673,558	-	-	64,368,030	45,673,558
Total net position	64,368,030	45,673,558	110,447,298	122,813,617	174,815,328	168,487,175
Total liabilities and net position	$ 64,377,046	$ 45,676,716	$ 993,789,165	$ 1,194,580,833	$ 1,058,166,211	$ 1,240,257,549
Condensed Statements of Revenues, Expenses and Changes in Net Position						
Operating revenues	$ 206,811	$ 166,917	$ 38,086,205	$ 41,579,614	$ 38,293,016	$ 41,746,531
Operating expenses	190,427	616,329	15,970,886	18,258,148	16,161,313	18,874,477
Total operating income (loss)	16,384	(449,412)	22,115,319	23,321,466	22,131,703	22,872,054
Nonoperating revenue	(34,784)	(23,781)	(15,768,766)	(16,307,356)	(15,803,550)	(16,331,137)
Change in net position	(18,400)	(473,193)	6,346,553	7,014,110	6,328,153	6,540,917
Net position—beginning of year—as originally reported	45,673,558	45,507,925	122,813,617	124,969,521	168,487,175	170,477,446
Prior Period Adjustment (Note 9)	-	-	-	(8,531,188)	-	(8,531,188)
Net position—beginning of year—as restated	45,673,558	45,507,925	122,813,617	116,438,333	168,487,175	161,946,258
Transfer from Bonds to Surplus	18,712,872	638,826	(18,712,872)	(638,826)	-	-
Net position—end of year as restated	$ 64,368,030	$ 45,673,558	$ 110,447,298	$ 122,813,617	$ 174,815,328	$ 168,487,175

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

8. SEGMENT INFORMATION – CONTINUED

Condensed Statements of Cash Flows

Net cash provided (used) by:						
Operating activities	$ 19,320,958	$ (2,670,727)	$ 131,352,189	$ 170,698,264	$ 150,673,147	$ 168,027,537
Noncapital financing activities	(36,393)	(525,654)	(204,091,378)	(178,553,750)	(204,127,771)	(179,079,404)
Investing activities	(19,284,565)	3,195,750	72,714,014	8,066,888	53,429,449	11,262,638
Change in cash and cash equivalents	-	(631)	(25,175)	211,402	(25,175)	210,771
Cash and cash equivalents - beginning of year	-	631	304,832	93,430	304,832	94,061
Cash and cash equivalents - end of year	$ -	$ -	$ 279,657	$ 304,832	$ 279,657	$ 304,832

9. NEW ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2012, the Authority implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Managements' Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In March 2012, Government Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Reclassification requirements include that bond issuance costs no longer be recorded as an asset on the statement of net position but rather be expensed as incurred. It also requires that all unamortized balances of deferred bond issuance costs be removed from the statement of net position. Statement No. 65 applies to all state and local governmental entities and is required to be implemented for periods beginning after December 15, 2012 (fiscal year 2014 for the Authority) and requires restatement of all prior year statements presented. In 2014, the Authority implemented Statement No. 65 and as such, restated its 2013 statement of net position, statement of revenues and expenses, and statement of cash flows to show the financial position and results of operations that would have resulted had the Authority implemented Statement No. 65 as of the beginning of 2013.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

9. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED

Changes to the 2013 financial statements are:

	As Previously Reported	As Restated
Statement of Net Position		
Long term bonds payable	$ 891,999,150	$ 895,514,351
Long term bond issue costs net of accumulated amortization - restricted	4,352,314	-
Statement of revenue, expenses and changes in net position		
Interest on bonds	12,514,088	11,850,415
Operating income	22,208,381	22,872,054
Statement of cash flows		
Operating income	22,208,381	22,872,054
Amortization of bond issue costs and original issue discounts	715,933	52,260

Previously reported net position decreased $8,531,188 to reflect the removal (write off) of the prior year's unamortized deferred bond issuance costs.

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION
AUGUST 31, 2014

		Debt Issue										Total Issues
										Surplus	Clearing	and Other
ASSETS		**2012-1**	**2011-1**	**2010-2**	**2010-1**	**2003-2**	**2003**	**2002**	**1993**	**Fund**	**Fund**	**Funds**
Cash and cash equivalents	$	-	-	-	-	188,172	3,174	88,311	-	-	-	279,657
Investments - nonrestricted -- current		-	-	-	-	-	-	-		61,622,269	-	61,622,269
Investments - restricted -- current		10,238,920	6,775,243	3,529,230	7,765,309	5,576,399	2,000,917	6,019,943	-	-	1,045,948	42,951,909
Accrued interest and other accounts receivable		4,261,722	1,432,974	1,010,295	2,227,683	1,514,548	351,487	1,528,235	-	27,786	768,335	13,123,065
Unremitted student loan principal and interest collections due (to) from Clearing Fund		329,226	197,925	96,054	78,538	317,181	72,001	303,551	-	4,137	(1,398,613)	-
Amounts due (to) from other funds		-	-	-	(20,719)	-	-	-	-	20,719	-	-
Student loan notes receivable - net		334,597,673	141,453,346	76,330,473	107,196,070	114,970,300	28,105,450	135,177,395	-	2,701,510	(415,304)	940,116,913
Prepaid expenses		30,492	7,326	1,667	7,859	5,625	6,204	12,600	-	625	-	72,398
Total assets	$	349,458,033	149,866,814	80,967,719	117,254,740	122,572,225	30,539,233	143,130,035	-	64,377,046	366	1,058,166,211
LIABILITIES AND NET POSITION												
LIABILITIES:												
Accounts payable	$	229,163	123,259	68,545	70,499	102,191	23,455	113,187	-	8,105	366	738,770
Accrued interest payable		326,117	305,962	149,497	189,211	13,917	2,671	25,432	-	-	-	1,012,807
Accrued other liabilities		765	766	765	764	908	908	908	-	911	-	6,695
Bonds payable, less unamortized original issue discount of $1,058,389		326,607,611	133,115,000	70,310,000	99,660,000	112,650,000	22,550,000	116,700,000	-	-	-	881,592,611
Total liabilities		327,163,656	133,544,987	70,528,807	99,920,474	112,767,016	22,577,034	116,839,527	-	9,016	366	883,350,883
Net position		22,294,377	16,321,827	10,438,912	17,334,266	9,805,209	7,962,199	26,290,508	-	64,368,030	-	174,815,328
TOTAL LIABILITIES AND NET POSITION	$	349,458,033	149,866,814	80,967,719	117,254,740	122,572,225	30,539,233	143,130,035	-	64,377,046	366	1,058,166,211

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION
AUGUST 31, 2013 (RESTATED)

		Debt Issue										Total Issues
ASSETS		**2012-1**	**2011-1**	**2010-2**	**2010-1**	**2003-2**	**2003**	**2002**	**1993**	**Surplus Fund**	**Clearing Fund**	**and Other Funds**
Cash and cash equivalents	$	-	-	-	-	128,168	8,978	78,899	88,787	-	-	304,832
Investments - nonrestricted -- current		-	-	-	-	-	-	-	-	42,337,704	-	42,337,704
Investments - restricted -- current		8,992,918	7,257,415	4,502,680	7,604,948	36,000,529	7,767,632	36,737,066	6,335,259	-	467,477	115,665,924
Accrued interest and other accounts receivable		5,646,616	1,827,054	1,124,274	3,081,349	1,522,626	422,153	1,570,553	508,169	30,041	932,850	16,665,685
Unremitted student loan principal and interest collections due (to) from Clearing Fund		428,737	99,985	198,964	159,360	152,613	9,846	87,097	31,439	1,150	(1,169,191)	-
Amounts due (to) from other funds		30,230	(179,995)	83,329	58,556	(18,564)	-	-	-	26,444	-	-
Student loan notes receivable - net		385,122,780	159,215,680	87,305,574	125,251,027	121,252,579	32,183,422	117,240,059	34,582,872	3,280,753	(230,905)	1,065,203,841
Prepaid expenses		35,343	8,094	1,667	9,406	5,625	6,204	12,600	-	624	-	79,563
Total assets	$	400,256,624	168,228,233	93,216,488	136,164,646	159,043,576	40,398,235	155,726,274	41,546,526	45,676,716	231	1,240,257,549
LIABILITIES AND NET POSITION												
LIABILITIES:												
Accounts payable	$	252,200	135,597	76,984	54,545	109,650	27,133	96,346	29,779	3,158	231	785,623
Accrued interest payable		388,091	359,393	182,111	218,869	19,953	7,931	34,572	4,090	-	-	1,215,010
Accrued other liabilities		799	798	799	799	799	798	799	799	-	-	6,390
Bonds payable, less unamortized original issue discount of $1,110,649		378,501,351	151,877,000	83,000,000	119,385,000	150,000,000	31,000,000	155,000,000	1,000,000	-	-	1,069,763,351
Total liabilities		379,142,441	152,372,788	83,259,894	119,659,213	150,130,402	31,035,862	155,131,717	1,034,668	3,158	231	1,071,770,374
Net position		21,114,183	15,855,445	9,956,594	16,505,433	8,913,174	9,362,373	594,557	40,511,858	45,673,558	-	168,487,175
TOTAL LIABILITIES AND NET POSITION	$	400,256,624	168,228,233	93,216,488	136,164,646	159,043,576	40,398,235	155,726,274	41,546,526	45,676,716	231	1,240,257,549

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
FOR THE YEAR ENDING AUGUST 31, 2014

		Debt Issue								Non Restricted	Total
		2012-1	2011-1	2010-2	2010-1	2003-2	2003	2002	1993 A-D	Surplus Fund	Funds
REVENUES											
Interest on student loans	$	14,015,447	4,891,789	2,619,420	6,332,504	4,471,631	1,210,236	4,341,853	173,055	139,695	38,195,630
Interest on investments		4,152	3,138	1,976	3,679	7,052	1,737	7,533	1,003	67,116	97,386
Government Subsidy on Student Loans		1,578,620	488,481	349,824	879,021	476,305	120,392	588,652	24,468	10,178	4,515,941
Special allowance income		(8,053,156)	(2,281,784)	(983,673)	(4,501,583)	(1,949,407)	(567,902)	(1,971,702)	34,678	(44,962)	(20,319,491)
Total revenues		7,545,063	3,101,624	1,987,547	2,713,621	3,005,581	764,463	2,966,336	233,204	172,027	22,489,466
OPERATING EXPENSES											
Interest on bonds		4,198,316	1,927,473	960,563	1,182,246	526,640	109,204	542,009	8,049	-	9,454,500
Loan servicing fees		1,181,860	333,269	310,390	527,409	364,052	93,503	317,133	15,079	11,605	3,154,300
Administrative & operating costs paid to Higher Education Servicing Corporation		900,000	315,000	175,200	116,004	585,000	151,500	675,000	43,000	-	2,960,704
Trustee fees		38,945	16,251	10,830	12,856	23,330	19,442	26,030	10,188	1,500	159,372
Provision for excess earnings & arbitrage liability		-	-	-	-	-	-	-	-	-	-
Provision for Estimated VCAP Liability		-	-	-	-	-	-	-	-	-	-
Miscellaneous expense		45,748	43,248	48,248	46,273	19,006	22,504	19,007	11,081	177,322	432,437
Total Operating expenses		6,364,869	2,635,241	1,505,231	1,884,788	1,518,028	396,153	1,579,179	87,397	190,427	16,161,313
CHANGE IN NET POSITION		1,180,194	466,383	482,316	828,833	1,487,553	368,310	1,387,157	145,807	(18,400)	6,328,153
NET POSITION--Beginning of year		21,114,183	15,855,444	9,956,596	16,505,433	8,913,174	9,362,372	594,557	40,511,858	45,673,558	168,487,175
Assets transferred to (from) other Bond Series		-	-	-	-	(595,518)	(1,768,483)	24,308,794	(40,657,665)	18,712,872	-
NET POSITION--End of year	$	22,294,377	16,321,827	10,438,912	17,334,266	9,805,209	7,962,199	26,290,508	-	64,368,030	174,815,328

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

OTHER SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
FOR THE YEAR ENDING AUGUST 31, 2013 (RESTATED)

		Debt Issue								Non Restricted	Total
		2012-1	2011-1	2010-2	2010-1	2003-2	2003	2002	1993 A-D	Surplus Fund	Funds
REVENUES											
Interest on student loans	$	15,577,705	5,227,295	2,762,932	7,111,275	4,512,728	1,330,038	3,880,729	1,056,930	96,747	41,556,379
Interest on investments		20,117	8,521	5,076	10,697	32,846	6,345	31,335	5,045	70,170	190,152
Government Subsidy on Student Loans		1,871,030	684,933	460,436	1,300,462	528,789	172,646	559,962	154,102	3,175	5,735,535
Special allowance income		(8,974,285)	(2,626,279)	(1,296,367)	(5,025,178)	(1,905,019)	(638,014)	(1,689,485)	114,911	(26,956)	(22,066,672)
Total revenues		8,494,567	3,294,470	1,932,077	3,397,256	3,169,344	871,015	2,782,541	1,330,988	143,136	25,415,394
OPERATING EXPENSES											
Interest on bonds		5,325,519	2,333,601	1,196,546	1,437,869	638,242	171,246	663,013	84,379	-	11,850,415
Loan servicing fees		1,434,247	403,109	373,988	609,515	399,343	110,857	293,866	96,111	6,609	3,727,645
Administrative & operating costs paid to Higher Education Servicing Corporation		670,800	324,000	184,800	139,200	650,400	156,000	615,000	175,000	-	2,915,200
Trustee fees		46,423	18,378	10,932	15,958	23,627	19,739	26,327	10,750	875	173,009
Provision for excess earnings & arbitrage liability		-	-	-	-	-	(675,882)	-	-	-	(675,882)
Provision for Estimated VCAP Liability		-	-	-	-	-	-	-	-	516,400	516,400
Miscellaneous expense		47,174	43,350	49,413	47,397	19,152	24,304	19,151	25,304	92,445	367,690
Total Operating expenses		7,524,163	3,122,438	1,815,679	2,249,939	1,730,764	(193,736)	1,617,357	391,544	616,329	18,874,477
CHANGE IN NET POSITION		970,404	172,032	116,398	1,147,317	1,438,580	1,064,751	1,165,184	939,444	(473,193)	6,540,917
NET POSITION—Beginning of year—as originally reported		22,510,250	16,998,544	11,065,184	16,748,333	8,402,900	9,456,651	361,137	39,426,522	45,507,925	170,477,446
Prior Period Adjustment (Note 9)		(2,366,471)	(1,315,132)	(1,224,986)	(1,390,217)	(928,306)	(266,897)	(932,138)	(107,041)	-	(8,531,188)
NET POSITION—Beginning of year—as restated		20,143,779	15,683,412	9,840,198	15,358,116	7,474,594	9,189,754	(571,001)	39,319,481	45,507,925	161,946,258
Assets transferred to (from) other Bond Series		-	-	-	-	-	(892,133)	374	252,933	638,826	-
NET POSITION—End of year (restated)	$	21,114,183	15,855,444	9,956,596	16,505,433	8,913,174	9,362,372	594,557	40,511,858	45,673,558	168,487,175