

# TEXAS TECH UNIVERSITY SYSTEM



## CONSOLIDATED ANNUAL FINANCIAL REPORT

FISCAL YEAR 2010

**ANNUAL FINANCIAL REPORT**

**OF**

**TEXAS TECH UNIVERSITY SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2010

**LUBBOCK, TEXAS**

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# Texas Tech University System

## Board of Regents

Larry K. Anders..... Term Expires January 31, 2011 .....Dallas, TX  
L. Frederick Francis..... Term Expires January 31, 2013 ..... El Paso, TX  
John Huffaker ..... Term Expires January 31, 2015 .....Amarillo, TX  
Mickey L. Long..... Term Expires January 31, 2015 ..... Midland, TX  
Nancy Neal ..... Term Expires January 31, 2015 ..... Lubbock, TX  
John F. Scovell ..... Term Expires January 31, 2013 .....Dallas, TX  
Daniel T. Serna..... Term Expires January 31, 2011 ..... Arlington, TX  
Jerry E. Turner..... Term Expires January 31, 2013 .....Blanco, TX

## Student Regent

Jeff Harris ..... Term Expires May 31, 2011 ..... San Angelo, TX

## Officers of the Board

Larry K. Anders.....Chair  
Jerry E. Turner.....Vice Chair  
Ben W. Lock ..... Secretary

## Fiscal Officers

Kent Hance..... Chancellor  
Jim Brunjes.....Vice Chancellor and Chief Financial Officer  
Guy Bailey..... TTU President  
Tedd Mitchell..... TTUHSC President  
Joseph C. Rallo.....ASU President

# **FINANCIAL STATEMENTS**

**Texas Tech University System**  
**Statement of Net Assets (Unaudited)**  
**August 31, 2010**

**ASSETS**

<b>Current Assets:</b>	
Cash and Cash Equivalents (Note 1)	\$ 351,316,782.11
Restricted:	
Cash and Cash Equivalents (Note 1)	109,153,360.26
Legislative Appropriations	90,503,533.53
Accounts Receivable, net:	
Federal Receivables	20,860,803.77
Interest and Dividends	546,289.42
Patient Receivables	17,153,989.14
Student Receivables	9,605,754.50
Contract Receivables	13,324,871.19
Gift Receivables	22,333,771.74
Accounts Receivable	8,330,347.88
Other Receivables	6,702,078.73
Due From Other Agencies (Note 12)	10,278,171.10
Prepaid Expenses	55,168,434.10
Consumable Inventories	707,171.28
Merchandise Inventories	2,761,225.98
Loans and Notes Receivable, net	4,109,431.91
Other Current Assets	450,000.00
<b>Total Current Assets</b>	<b><u>723,306,016.64</u></b>

**Non-Current Assets:**

Restricted:	
Cash and Cash Equivalents (Note 1)	70,377,795.71
Investments (Note 3)	264,389,903.39
Gift Receivables	40,148,904.84
Loans and Notes Receivable, net	3,233,930.25
Investments (Note 3)	783,769,467.86
Capital Assets (Note 2)	
Non-Depreciable or Non-Amortizable	214,420,719.74
Depreciable or Amortizable	1,978,929,800.18
Accumulated Depreciation and Amortization	<u>(957,264,457.14)</u>
<b>Total Non-Current Assets</b>	<b><u>2,398,006,064.83</u></b>

<b>Total Assets</b>	<b><u>\$ 3,121,312,081.47</u></b>
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**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 43,615,272.28
Payroll Payable	59,674,422.57
Deferred Revenues	170,903,696.00
Due to Other Agencies (Note 12)	2,767,104.18
Employees' Compensable Leave (Note 5)	7,565,753.20
Capital Lease Payable (Note 5)	96,129.47
Claims Payable (Note 5)	1,833,320.14
Notes and Loans Payable (Note 5)	63,637,000.00
Bonds Payable (Note 5)	25,223,408.06
Funds Held for Others	26,839,307.24
Other Current Liabilities	4,427,888.93
<b>Total Current Liabilities</b>	<b><u>406,583,302.07</u></b>

**Texas Tech University System**  
**Statement of Net Assets (Unaudited)**  
**August 31, 2010**

Non-Current Liabilities:	
Employees' Compensable Leave (Note 5)	37,110,565.57
Capital Lease Payable (Note 5)	185,129.31
Claims Payable (Note 5)	16,499,881.26
Bonds Payable (Note 5)	450,165,140.34
Other Non-Current Liabilities	626,072.61
Total Non-Current Liabilities	<u>504,586,789.09</u>
<b>Total Liabilities</b>	<b><u>\$ 911,170,091.16</u></b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	745,618,819.77
Restricted:	
Nonexpendable:	
Endowments	611,227,379.22
Expendable:	
Capital Projects	25,620,658.41
Higher Education Assistance Fund	37,329,351.19
Debt Service	22,413,093.82
Other	196,380,772.23
Unrestricted (Note 1)	571,551,915.67
<b>Total Net Assets</b>	<b><u>2,210,141,990.31</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,121,312,081.47</u></b>

See Accompanying Notes to the Financial Statements

**Texas Tech University System**  
**Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)**  
**For the Year Ended August 31, 2010**

Operating Revenues	
Tuition and Fees	\$ 7,245,429.38
Tuition and Fees - Pledged	320,787,494.22
Less Discounts and Allowances	(52,522,239.07)
Professional Fees	220,755,559.44
Sales and Services of Auxiliary Enterprises - Pledged	103,094,186.10
Other Sales and Services	2,055,888.95
Other Sales and Services - Pledged	14,076,928.37
Federal Grants and Contracts (Schedule 1A)	57,133,685.92
Federal Grants and Contracts - Pledged (Schedule 1A)	3,732,445.59
Federal Grant Pass-Throughs (Schedule 1A)	9,071,119.85
State Grants and Contracts	4,691,834.01
State Grants and Contracts - Pledged	377,174.65
State Grant Pass-Throughs (Schedule 1B)	36,036,487.33
Local Governmental Grants and Contracts	66,146,364.79
Local Governmental Grants and Contracts - Pledged	1,271,112.22
Nongovernmental Grants and Contracts	70,679,069.20
Nongovernmental Grants and Contracts - Pledged	2,490,678.79
Total Operating Revenues	<u>867,123,219.74</u>
Operating Expenses	
Instruction	413,677,108.61
Research	144,787,510.67
Public Service	137,221,226.64
Hospital and Clinic	50,558,401.91
Academic Support	162,147,824.52
Student Services	45,643,962.87
Institutional Support	101,417,651.97
Operations and Maintenance of Plant	73,741,130.75
Scholarships and Fellowships	39,097,283.19
Auxiliary Enterprises	113,191,736.59
Depreciation and Amortization	78,849,084.49
Total Operating Expenses	<u>1,360,332,922.21</u>
Operating Income (Loss)	<u>(493,209,702.47)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	379,596,416.94
Federal Grants and Contracts (Schedule 1A)	42,826,533.32
Federal Grants Pass Throughs (Schedule 1A)	18,485,112.10
Private Gifts	49,828,676.55
Private Gifts - Pledged	6,108,481.59
Investment Income (Expense)	47,793,565.02
Investment Income (Expense) - Pledged	7,869,023.39
Interest Expense on Capital Asset Financing	(23,282,355.71)
Loss on Sale and Disposal of Capital Assets	(6,717,389.75)
Net Increase in Fair Value of Investments	31,594,888.79
Other Nonoperating Revenues (Expenses)	4,805,295.38
Other Nonoperating Revenues (Expenses) - Pledged	5,266,786.95
Total Nonoperating Revenues (Expenses)	<u>564,175,034.57</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	70,965,332.10
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	45,968,915.00
Capital Contributions	61,118,839.95
Lapsed Appropriations	(3,039.70)
Additions to Permanent Endowments	3,328,638.80
Legislative Transfer Out (Note 12)	(2,947,222.36)
Increase Net Assets - Interagency Transfer Capital Assets (Note 12)	28,965.96
Decrease Net Assets - Interagency Transfer Capital Assets (Note 12)	(2,329.72)
Transfers Out to Other State Agencies (Note 12)	(8,098,463.10)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>99,394,304.83</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ 170,359,636.93</u>
Beginning Net Assets (September 1, 2009)	2,039,782,353.38
Ending Net Assets (August 31, 2010)	<u>\$ 2,210,141,990.31</u>



UNAUDITED

Texas Tech University System  
Matrix of Operating Expenses by Natural Classification  
For the Year Ended August 31, 2010

Function	Salaries and Wages	Payroll Related Costs	Cost of Goods Sold	Professional Fees and Services	Travel
Instruction	\$ 296,000,533.01	\$ 62,312,013.56	\$ 532,868.54	\$ 8,228,917.93	\$ 4,571,824.06
Research	85,052,645.79	18,215,393.87	494.00	2,091,594.31	4,481,532.45
Public Service	53,149,699.06	13,062,616.47	71,139.28	47,771,456.28	1,177,888.03
Hospitals and Clinics	37,236,649.92	9,574,533.90		141,901.52	38,064.51
Academic Support	82,747,363.09	20,893,111.60	80,166.00	6,477,110.89	4,435,894.36
Student Services	22,521,663.72	5,671,272.67	14,043.25	1,493,651.25	1,805,738.39
Institutional Support	59,000,231.21	15,926,115.08	(981.93)	3,220,530.36	1,345,121.43
Operation and Maintenance of Plant	16,157,771.50	4,294,598.62		1,685,900.15	117,689.81
Scholarships and Fellowships	40,000.00	2,916.83			
Auxiliary Enterprises	39,061,575.80	9,293,964.92	10,019,381.97	1,567,889.57	4,850,243.95
Depreciation and Amortization					
Total Operating Expenses	\$ 690,968,133.10	\$ 159,246,537.52	\$ 10,717,111.11	\$ 72,678,952.26	\$ 22,823,996.99

Function	Materials and Supplies	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction
Instruction	\$ 9,175,243.56	\$ 2,579,155.03	\$ 1,162,685.33	\$ 1,799,231.65	\$ 1,015,645.77
Research	15,278,463.33	1,116,065.63	2,752,323.69	713,240.92	356,599.42
Public Service	12,661,492.36	691,983.99	559,627.72	1,081,274.48	325,785.50
Hospitals and Clinics	2,791,776.90	45,906.58	20,699.44	161,202.18	17,862.90
Academic Support	9,446,297.77	5,022,946.99	2,707,593.79	2,598,862.94	1,652,008.04
Student Services	3,049,874.60	1,014,447.25	903,741.49	956,927.67	1,797,299.75
Institutional Support	3,898,883.70	1,886,663.08	5,251,095.18	1,994,587.23	634,861.45
Operation and Maintenance of Plant	2,706,287.65	22,666,274.82	15,432,822.34	355,054.90	32,781.92
Scholarships and Fellowships					
Auxiliary Enterprises	11,339,976.40	9,041,131.94	7,536,393.75	1,868,082.97	589,841.25
Depreciation and Amortization					
Total Operating Expenses	\$ 70,348,296.27	\$ 44,064,575.31	\$ 36,326,982.73	\$ 11,528,464.94	\$ 6,422,686.00

Function	Depreciation and Amortization	Scholarships	Bad Debt	Interest	Other Operating
Instruction	\$	\$ 2,411,216.33	\$ 3,396.50	\$ 1,538.70	\$ 23,882,838.64
Research		3,332,447.41		4,249.18	11,392,460.67
Public Service		217,662.27	532.54	1,655.50	6,448,413.16
Hospitals and Clinics				416.70	529,387.36
Academic Support		4,024,282.93		7,102.79	22,055,083.33
Student Services		243,865.37		1,788.73	6,169,648.73
Institutional Support		106,828.63	191,566.40	2,236.38	7,959,913.77
Operation and Maintenance of Plant				1,075.79	10,290,873.25
Scholarships and Fellowships		38,574,551.61			479,814.75
Auxiliary Enterprises		4,685,046.30		6,495.91	13,331,711.86
Depreciation and Amortization	78,849,084.49				
Total Operating Expenses	\$ 78,849,084.49	\$ 53,595,900.85	\$ 195,495.44	\$ 26,559.68	\$ 102,540,145.52

Function	Grand Total
Instruction	\$ 413,677,108.61
Research	144,787,510.67
Public Service	137,221,226.64
Hospitals and Clinics	50,558,401.91
Academic Support	162,147,824.52
Student Services	45,643,962.87
Institutional Support	101,417,651.97
Operation and Maintenance of Plant	73,741,130.75
Scholarships and Fellowships	39,097,283.19
Auxiliary Enterprises	113,191,736.59
Depreciation and Amortization	78,849,084.49
Total Operating Expenses	\$ 1,360,332,922.21

**Texas Tech University System**  
**Statement of Cash Flows (Unaudited)**  
**For the Year Ended August 31, 2010**

<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 287,276,712.45
Grants and Contracts	257,283,915.70
Sales and Services of Auxiliary Enterprises	124,188,275.41
Collections from Patients and Insurers	220,149,241.14
Collections of Loans to Students	4,916,423.38
Other Sales and Services	5,239,809.11
Payments for Other Sales and Services	(1,326,839.03)
Other Operating Activities	8,488,411.04
Payments to Suppliers	(268,295,671.77)
Payments to Employees	(690,691,615.42)
Payments for Loans Issued to Students	(1,279,464.46)
Payments for Auxiliary Enterprises	(325,241.03)
Payments for Other Operating Activities	(332,403,775.10)
Net Cash Used By Operating Activities	<u>(386,779,818.58)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State Appropriations	373,902,091.47
Noncapital Gifts	70,789,794.38
Grants and Contracts	61,358,070.42
Transfers Out to Other State Agencies	(6,299,076.50)
Payments for Agency Transactions	(3,589,704.15)
Proceeds from Agency Transactions	594,553.94
Proceeds Other Noncapital Financing Activities	7,255,040.49
Payments for Other Noncapital Financing Activities	(6,044,937.86)
Other Noncapital Financing Activities	3,109,997.28
Net Cash Provided by Noncapital Financing Activities	<u>501,075,829.47</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from Capital Debt Issuances	32,602,446.52
Capital Appropriations	53,850,417.92
Proceeds from Capital Gifts and Grants	4,714,165.10
Purchases of Capital Assets	(135,078,144.74)
Principal Paid on Capital Debt	(44,015,256.48)
Interest Paid on Capital Debt	(23,583,252.12)
Net Cash Used by Capital and Related Financing Activities	<u>(111,509,623.80)</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from Investment Sales and Maturities	495,789,069.33
Interest and Investment Income	51,647,133.95
Purchases of Investments	(629,673,562.72)
Net Cash Used by Investing Activities	<u>(82,237,359.44)</u>
TOTAL NET CASH FLOWS	<u>\$ (79,450,972.35)</u>
Beginning Cash & Cash Equivalents - September 1, 2009	610,298,910.43
Ending Cash & Cash Equivalents - August 31, 2010	<u>\$ 530,847,938.08</u>
<b>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities</b>	
Operating Loss	(493,209,702.47)
Adjustments:	
Depreciation Expense	78,849,084.49
Bad Debt Expense	195,495.44
(Increase) Decrease in Accounts Receivables	(7,928,972.70)
(Increase) Decrease in Loans and Notes Receivable	(1,703,010.89)
(Increase) Decrease in Inventory	249,034.64
(Increase) Decrease in Due From Other Agencies	(3,696,993.95)
(Increase) Decrease in Prepaid Expenses	(11,182,895.13)
(Increase) Decrease in Other Assets	837,157.12
Increase (Decrease) in Accounts Payables	(2,268,661.01)
Increase (Decrease) in Payroll Payables	7,799,811.28
Increase (Decrease) in Deferred Revenue	36,652,036.47
Increase (Decrease) in Compensable Leave	4,076,270.53
Increase (Decrease) in Claims Payable	2,079,338.49
Increase (Decrease) in Due To Other Agencies	2,624,807.95
Increase (Decrease) in Other Liabilities	(152,618.84)
Net Cash Used for Operating Activities	<u>(386,779,818.58)</u>

## **POLICIES AND NOTES**

## TEXAS TECH UNIVERSITY SYSTEM

### Notes to the Financial Statements

#### Note 1: Summary of Significant Accounting Policies

##### Reporting Entity

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

Components of the Texas Tech University System include Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University and Texas Tech University System Administration. The Texas Tech University System includes within this report all components as determined by an analysis of their relationship to the Texas Tech University System as described below for blended component units.

##### Blended Component Units

The Texas Tech University Foundation is a not-for-profit 501(c)(3) organization, exempt from income taxes. The Texas Tech University Foundation was founded to financially support Texas Tech University, Texas Tech University Health Sciences Center and Texas Tech University System Administration. Based on the application of the GASB Standard No. 14 criteria, the Texas Tech Foundation has been blended into these financial statements because of the significance of its financial relationship with the System.

Texas Tech Physician Associates (TTPA) is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TTPA was create for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC.

The Robert G. Carr and Nona K. Carr Scholarship Foundation was established for the benefit of Angelo State University. The Foundation is included in the Texas Tech University System financial statements as a blended component unit.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial statements to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

##### **Basis of Accounting**

The accounting records of the Texas Tech University System are maintained using a modified accrual basis of accounting. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB Statements 34 and 35. For financial reporting purposes, the Texas Tech University System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

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

**Cash and Cash Equivalents**

For the purpose of financial statement reporting, cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Included in this category are demand deposits in banks, local funds held by the state, state reimbursements in transit, repurchase agreements, Blackrock temp fund, TexPool and TexStar investments.

The System records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value. Investment pool cash equivalents are recorded at fair value.

**Cash and Cash Equivalents as reported on the Statement of Net Assets**

	<b>Current Unrestricted</b>	<b>Current Restricted</b>	<b>Non-Current Restricted</b>	<b>Total</b>
Cash on Hand	\$289,376.84	\$6,630.00	\$0.00	\$296,006.84
Cash in Bank	7,114,206.85	(6,447,923.55)	(3,039,671.47)	(2,373,388.17)
Reimburse from Treasury	5,039,575.68			5,039,575.68
Cash in State Treasury	69,834,470.45			69,834,470.45
Blackrock Temp Fund	13,847,696.63	5,340,944.45	819,723.88	20,008,364.96
Repurchase Agreements	34,056,966.31	13,130,209.81	2,001,508.08	49,188,684.20
TexPool & TexStar Investments	221,134,489.35	97,123,499.55	70,596,235.22	388,854,224.12
<b>Total Cash and Cash Equivalents</b>	<b>\$351,316,782.11</b>	<b>\$109,153,360.26</b>	<b>\$70,377,795.71</b>	<b>\$530,847,938.08</b>

**Investments**

Texas Tech University System accounts for its investments at fair market value, as determined by quoted market prices, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

**Restricted Assets**

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

**Inventories**

Inventories include both merchandise inventories on hand for sale and consumable inventories such as maintenance supplies, housing supplies, janitorial supplies, office supplies, and telecommunications supplies. Inventories are valued at cost, generally utilizing the last-in, first-out method.

**Receivables**

Accounts receivable consist of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts.

Federal receivable includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures disbursed by the System’s grants and contracts department.

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

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

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

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

**Prepaid Expenses**

Disbursements for insurances, subscriptions, prepaid postage, prepaid travel costs and similar services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods.

**Loans and Notes Receivable**

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

**Capital Assets**

Furniture, equipment, and vehicles with a cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds for buildings, building improvements, facilities and other improvements are \$100,000. The capitalization threshold for infrastructure is \$500,000. These assets are capitalized at cost. Donated assets are reported at fair market value as of the acquisition date. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charges to operating expenses in the year in which the expense was incurred. Depreciation is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

**Accounts Payable**

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

**Deferred Revenues**

Deferred Revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Employees' Compensable Leave Balances**

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

**Texas Tech University System – Notes to the Financial Statements (continued)****Notes and Loans Payable**

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 5.

**Bonds Payable**

Texas Tech University System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 6.

**Funds Held for Others**

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

**Net Assets**

Net Assets are the difference between fund assets and liabilities. They are presented in three separate classes: Invested in Capital Assets - Net of Related Debt, Restricted and Unrestricted.

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

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

***Restricted Net Assets***

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

***Unrestricted Net Assets***

Unrestricted net assets consist of net assets, which do not meet the definition of restricted net assets. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be moved or modified.

**Unrestricted Net Assets as reported on the Statement of Net Assets**

Reserved for:	
Encumbrances	\$34,818,543.18
Accounts Receivable	58,173,314.07
Inventory	3,468,397.26
Prepaid Expenses	14,819,776.81
Imprest Funds	593,349.59
Balances Subject to Reappropriation	848,208.24
Working Capital	44,162.50
Self-Insured Plans	33,495,785.06
Fair Market Value Adjustment	1,860,060.22
Future Operating Budgets	90,953,905.35
Service Department Operating Funds	23,038,910.58
Student Service Fees	631,224.96
Funds Functioning as Endowments	103,952,857.19
Unreserved	204,853,420.66
<b>Total Unrestricted Net Assets</b>	<b>\$571,551,915.67</b>

**Texas Tech University System - Notes to the Financial Statements (continued)**

**Interfund Activity and Transactions**

Texas Tech University System is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units. Interfund transactions are defined as financial transactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

**Note 2: Capital Assets**

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as either (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, (8) Facilities and Other Improvements, (9) Land Use Rights, (10) Computer Software, (11) Other Intangible Capital Assets. The changes to fixed asset balances are summarized below.

	Balance		Reclassifications	Reclassification	Reclassifications			Balance
	09/01/09	Adjustments	Completed CIP	Inc-Int'gy Trans	Dec-Int'gy Trans	Additions	Deletions	08/31/10
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Non-depreciable or Non-amortizable Assets</b>								
Land and Land Improvements	\$14,127,666.83						(\$200,000.00)	\$13,927,666.83
Construction in Progress	183,639,568.56		(93,701,865.99)			45,729,563.03	(488,557.37)	135,178,708.23
Other Tangible Capital Assets	51,933,169.04					13,381,175.64		65,314,344.68
Total Non-depreciable or Non-amortizable Assets	249,700,404.43		(93,701,865.99)			59,110,738.67	(688,557.37)	214,420,719.74
<b>Depreciable Assets</b>								
Buildings and Building Improvements	1,212,029,564.24		93,677,659.99			36,654,423.28	(9,655,778.91)	1,332,705,868.60
Infrastructure	39,801,855.99					1,917,417.30		41,719,273.29
Facilities and Other Improvements	159,135,381.33					3,396,787.97		162,532,169.30
Furniture and Equipment	212,770,574.31	(21,118,868.47)	24,206.00	99,464.70	(7,600.00)	34,387,874.80	(10,082,417.63)	216,073,233.71
Vehicle, Boats and Aircraft	15,341,467.17	(6,862.83)		21,713.00	(80,739.15)	1,669,149.56	(458,853.64)	16,485,874.11
Other Capital Assets	135,321,708.53					8,634,736.81	(464,220.82)	143,492,224.52
Total Depreciable Assets	1,774,400,551.57	(21,125,731.30)	93,701,865.99	121,177.70	(88,339.15)	86,660,389.72	(20,661,271.00)	1,913,008,643.53
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(636,110,217.33)					(35,684,978.57)	5,889,560.45	(665,905,635.45)
Infrastructure	(10,068,794.26)					(1,446,088.91)		(11,514,883.17)
Facilities and Other Improvements	(48,230,316.79)					(7,078,656.56)		(55,308,973.35)
Furniture and Equipment	(136,056,918.35)	14,705,823.01		(70,498.74)	7,600.00	(16,817,972.00)	8,393,278.02	(129,838,688.06)
Vehicles, Boats and Aircraft	(10,198,857.42)	(2.02)		(16,542.72)	80,739.15	(1,256,514.12)	436,897.00	(10,954,280.13)
Other Capital Assets	(53,328,141.08)					(7,928,622.30)	13,163.76	(61,243,599.62)
Total Accumulated Depreciation	(893,993,245.23)	14,705,820.99		(87,041.46)	88,339.15	(70,212,832.46)	14,732,899.23	(934,766,059.78)
Depreciable Assets, Net	880,407,306.34	(6,419,910.31)	93,701,865.99	34,136.24	0.00	16,447,557.26	(5,928,371.77)	978,242,583.75
<b>Amortizable Assets - Intangible</b>								
Computer Software		21,112,178.22				45,803,073.29	(994,094.86)	65,921,156.65
Total Amortizable Assets - Intangible		21,112,178.22				45,803,073.29	(994,094.86)	65,921,156.65
Less Accumulated Amortization for:								
Computer Software		(14,705,823.01)				(8,636,252.03)	843,677.68	(22,498,397.36)
Total Accumulated Amortization		(14,705,823.01)				(8,636,252.03)	843,677.68	(22,498,397.36)
Amortizable Assets - Intangible, Net		6,406,355.21				37,166,821.26	(150,417.18)	43,422,759.29
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$1,130,107,710.77</b>	<b>(\$13,555.10)</b>	<b>\$0.00</b>	<b>\$34,136.24</b>	<b>\$0.00</b>	<b>\$112,725,117.19</b>	<b>(\$6,767,346.32)</b>	<b>\$1,236,086,062.78</b>



**Texas Tech University System – Notes to the Financial Statements (continued)****Note 3: Deposits, Investments, and Repurchase Agreements**

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

The governing investment policy is Regents' Rules Chapter 09, "Investment, Endowments, and Income Producing Lands." The majority of Texas Tech University System assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF). Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities and is operated using total return philosophy. Other institutional funds not in the LTIF are invested in the STIF, which is a fixed income fund. Other assets include securities gifted to Texas Tech University System with written donor instructions to maintain in their original form, and bond proceeds invested in external investment pools.

**Deposits of Cash in Bank**

As of August 31, 2010, the carrying amount of deposits was \$(2,373,388.17) as presented below.

**Business-Type Activities**

Cash in Bank -- Carrying Amount	\$(2,373,388.17)
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0
Total Cash in Bank per AFR	<u>\$(2,373,388.17)</u>

Proprietary Funds Current Assets Cash in Bank	\$7,114,206.85
Proprietary Funds Current Assets Restricted Cash in Bank	(6,447,923.55)
Proprietary Funds Non-Current Assets Restricted Cash in Bank	<u>(3,039,671.47)</u>
Cash in Bank per AFR	<u>\$(2,373,388.17)</u>

These amounts consist of all cash in local banks and are included on the Statement of Net Assets as part of current unrestricted and restricted "Cash and Cash Equivalents" and non-current restricted "Cash and Cash Equivalents".

As of August 31, 2010, the total **bank balance** for Business-Type Activities was \$9,955,731.48.

**Custodial credit risk** for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System's policy is to require collateralization of bank balances in excess of FDIC protection. The balance below was transferred to the University's primary depository, which has sufficient collateral, after fiscal year-end.

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

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
05	9999	\$0		

**Investments**

As of August 31, 2010, the fair value of investments is as presented below.

Type of Security	Fair Value
<b>Business-Type Activities</b>	
U.S. Government	
U.S. Treasury Securities	\$ 21,881.25
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	101,717,062.27
Corporate Obligations	53,863.44
Corporate Asset and Mortgage Backed Securities	1,770.50
Equity	39,573,036.60
International Obligations	728,142.32
Repurchase Agreement	49,188,684.20
Fixed Income Money Market and Bond Mutual Fund	336,627,142.53
Mutual Funds	7,592,851.05
Other Commingled Funds	116,862,667.55
Other Commingled Funds (Texpool)	328,656,281.63
International Other Commingled Funds	86,598,294.00
Real Estate	44,218,765.93
Externally Managed Investments – Domestic	368,682,248.97
Externally Managed Investments – International	15,732,118.07
Misc (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	<u>9,955,834.22</u>
Total Investments	<u><u>\$1,506,210,644.53</u></u>
Reconciliation of Investments – Business-Type Activities	
Non-Current Investments per Statement of Net Assets	\$1,048,159,371.25
Items in Cash and Cash Equivalents per Note 1:	
Repurchase Agreements	49,188,684.20
Blackrock Temp Fund	20,008,364.96
TexPool & TexStar Investments	<u>388,854,224.12</u>
Total	<u><u>\$1,506,210,644.53</u></u>

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

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

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
05	9999	Equity	\$1,835,043.11	

**Foreign currency risk** for investments is the risk that changes in exchange rates will adversely affect the investment. The System's policy is limit international equity investments to between 10-30% of the LTIF portfolio. The exposure to foreign currency risk as of August 31, 2010, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligations	International Other Commingled Funds	Externally Managed Investments - International
05	9999	Australian dollar		\$1,090,620.82	
05	9999	Brazilian real	\$ 56,886.11	5,528,411.62	
05	9999	Canadian dollar		2,359,144.32	
05	9999	Chinese yuan		5,457,987.22	
05	9999	Colombian peso	193,412.81		
05	9999	Czech koruna		918,452.73	
05	9999	Danish krone		628,698.16	
05	9999	Egyptian pound	113,772.24	368,182.17	
05	9999	Euro	307,185.03	9,808,810.24	\$6,005,768.32
05	9999	Hong Kong dollar		3,616,271.57	
05	9999	Hungarian forint	22,754.45		
05	9999	Indian rupee		1,805,116.33	
05	9999	Indonesian rupiah		2,554,991.99	
05	9999	New Israeli shekel		658,318.50	
05	9999	Japanese yen		11,121,302.03	
05	9999	Malaysian ringgit		974,243.72	
05	9999	Mexican peso	34,131.68	2,432,363.98	
05	9999	Norwegian krone		324,865.78	
05	9999	Peruvian Nuevo		286,191.28	
05	9999	Pound sterling		9,217,292.86	
05	9999	Russian ruble		262,986.58	
05	9999	Singapore dollar		2,462,142.89	
05	9999	South African rand		3,606,876.59	
05	9999	South Korean won		5,721,013.69	
05	9999	Swedish krona		1,004,180.32	
05	9999	Swiss franc		6,001,879.43	
05	9999	New Taiwan dollar		4,322,244.21	
05	9999	Thai baht		2,090,476.41	
05	9999	New Turkish lira		1,975,228.57	
05	9999	United States dollar			9,726,349.75
		Total	\$728,142.32	\$86,598,294.01	\$15,732,118.07

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

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the STIF must hold securities that are at least rated investment grade. As of August 31, 2010, the System's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$101,717,062.27					
05	9999	Corporate Obligations						\$53,863.44
05	9999	Corporate Asset and Mortgage Back Securities	\$1,770.50					
05	9999	Repurchase Agreement	\$49,188,684.20					
05	9999	International Obligations		\$71,664.07	\$225,609.10	\$303,466.36	\$125,633.30	\$1,769.49
			<b>AAAf</b>	<b>AAf</b>			<b>Af</b>	<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$20,012,228.40					\$316,614,914.13

**Derivative Investing**

The System has no material direct derivative investments. Investment managers in invested vehicles like hedge funds do employ derivatives, and the values associated with those managers reflect those securities.

**Note 4: Short-Term Debt**

Texas Tech University System has no outstanding short-term debt as of August 31, 2010.

**Note 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2010, the following changes occurred in liabilities.

Business-Type Activity	Balance 09/01/09	Additions	Reductions	Balance 08/31/10	Amounts Due Within One Year	Amounts Due Thereafter
Claims Payable	\$16,253,862.91	\$2,079,338.49	\$0.00	\$18,333,201.40	\$1,833,320.14	\$16,499,881.26
Capital Lease Payable		373,313.12	92,054.34	281,258.78	96,129.47	185,129.31
Notes and Loans	44,367,000.00	32,161,000.00	12,891,000.00	63,637,000.00	63,637,000.00	
Revenue Bonds	501,726,956.47		26,338,408.07	475,388,548.40	25,223,408.06	450,165,140.34
Compensable Leave	40,600,048.24	4,759,013.57	682,743.04	44,676,318.77	7,565,753.20	37,110,565.57
<b>Total</b>	<b>\$602,947,867.62</b>	<b>\$39,372,665.18</b>	<b>\$40,004,205.45</b>	<b>\$602,316,327.35</b>	<b>\$98,355,610.87</b>	<b>\$503,960,716.48</b>

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

**Claims Payable**

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

**Employees' Compensable Leave**

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

**Bonds Payable**

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

**Pollution Remediation Obligations**

Texas Tech University is waiting further review by the Texas Commission on Environmental Quality to determine the responsible party and the cost for pollution remediation activities on land that the University owns in Carson County, Texas as well as one area surrounding a chemical storage overflow tank with the University's Fiber Biopolymer Research Institute.

**Capital Lease Obligations**

See Note 7 for detailed information on capital lease obligations.

**Notes and Loans Payable**

Commercial paper was issued during the fiscal year to finance various construction projects. Debt service for the obligation is provided in general appropriation for tuition revenue bonds and revenue from various projects. All commercial paper outstanding at 8/31/10 will mature in fiscal year 2011.

Commercial paper has short maturities up to 270 days with interest rates ranging from .15% to .5%.

*Summary of Debt Service Requirements for Notes Payable*

Fiscal Year	Principal	Interest	Total
2011	\$63,637,000.00	\$1,436,084.30	\$65,073,084.30
2012			
2013			
2014			
2015			
All Other Years			
<b>Total Requirements</b>	<b>\$63,637,000.00</b>	<b>\$1,436,084.30</b>	<b>\$65,073,084.30</b>

**Texas Tech University System – Notes to the Financial Statements (continued)****Note 6: Bonded Indebtedness****Bonds Payable**

Several bond issues were outstanding as of August 31, 2010 which are summarized in the paragraphs that follow.

**Revenue Financing System Bonds, Seventh Series 2001**

Purpose:	Financing of renovation of Jones Stadium, Student Union and Student Recreational Center, and other projects, current refunding of a portion of Series A Notes, and costs of issuance. Also, financing for projects in El Paso and Lubbock.
Original Issue Amount:	\$126,865,000
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$3,795,000.00 retired

**Revenue Financing System Bonds, Eighth Series 2001 (Taxable)**

Purpose:	Financing of renovation of Jones Stadium and costs of issuance
Original Issue Amount:	\$42,810,000
Issue Date:	January 23, 2002
Interest Rates:	3.46% to 6.75%
Maturity Date Range:	2003 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$2,345,000.00 retired

**Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003**

Purpose:	Refunding of Series A Notes and Series 1993 bonds, construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other System construction of capital improvement projects and costs of issuance
Original Issue Amount:	\$97,265,000
Issue Date:	September 23, 2003
Interest Rates:	2.00% to 5.25%
Maturity Date Range:	2003 through 2023
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$4,500,000.00 retired

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

**Revenue Financing System Refunding and Improvement Bonds, Tenth Series 2006**

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

Original Issue Amount: \$220,915,000.01;

Issue Date: February 2, 2006

Interest Rates: 4.00% to 5.00%

Maturity Date Range: 2006 through 2031

Type of Bond: Revenue

Changes in Debt: \$0 issued; \$3,425,000.01 retired

**Revenue Financing System Refunding and Improvement Bonds, 12<sup>th</sup> Series 2009**

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

Original Issue Amount \$170,825,000.00

Issue Date March 3, 2009

Interest Rates 3.00% to 5.25%

Maturity Date Range 2009 through 2038

Type of Bond Revenue

Changes in Debt \$0 issued; \$11,965,000.00 retired

**Pledged Future Revenues**

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

	<b>Business-Type Activities</b>
Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$693,836,224.31
Term of Commitment Year Ending 08/31	2038
Percentage of Revenue Pledged	Unable to estimate
Current Year Pledged Revenue	\$576,009,312.26
Current Year Principal and Interest Paid	\$49,764,389.77
<b>Pledged Revenue Sources:</b>	
Business-Type Activities – Operating income from current unrestricted funds	

**Texas Tech University System – Notes to the Financial Statements (continued)****Sources of Debt-Service Revenue**

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

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

Description	Year	Principal	Interest	Total
All Issues	2011	\$2,922,166.66	\$1,775,859.86	\$4,698,026.52
	2012	2,925,628.09	1,825,499.94	4,751,128.03
	2013	2,889,092.88	1,680,100.06	4,569,192.94
	2014-2018	14,248,744.18	6,237,375.00	20,486,119.18
	2019-2023	7,327,378.04	3,304,029.44	10,631,407.48
	2024-2028	4,025,000.00	1,900,250.00	5,925,250.00
	2029-2033	5,110,000.00	791,250.00	5,901,250.00
Totals		\$39,448,009.85	\$17,514,364.30	\$56,962,374.15

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$4,119,317 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

**Note 7: Capital Leases**

The System has entered into long-term capital leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The following is a summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of 8/31/10:

Assets Under Capital Leases	Business-Type Activities
Equipment	\$474,499.80
Less: Accumulated Depreciation	(5,461.92)
Total	\$469,037.88



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

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year end, are as follows:

Future Minimum Lease Payments	Business-Type Activities			
	Year	Principal	Interest	Total
2011		\$96,129.47	\$11,905.95	\$108,035.42
2012		98,165.50	7,279.82	105,445.32
2013		77,569.53	2,987.83	80,557.36
2014		9,394.28	59.15	9,453.43
Total		<u>\$281,258.78</u>	<u>\$22,232.75</u>	<u>\$303,491.53</u>

**Note 8: Operating Leases**

Included in the expenditures reported in the financial statements is the following amount of rent paid or due under operating lease obligations:

<u>Fund Type</u>	
Enterprise Fund – Fund Type 05	\$4,598,393.56

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

<u>Fiscal Year</u>	
2011	\$4,711,116.38
2012	4,547,779.81
2013	4,533,410.82
2014	4,643,508.82
2015	4,702,660.86
Total Minimum Future Lease Rental Payments	<u>\$23,138,476.69</u>

**Note 9: Retirement Plans**

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher’s Retirement System and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2010 are:

	<u>Year Ended August 31, 2010</u>
Member Contributions	\$17,268,175
Employer Contributions	<u>18,385,302</u>
Total	<u>\$35,653,477</u>

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

Not applicable

**Note 11: Post Employment Health Care and Life Insurance Benefits (UT, A&M, TRS and ERS only)**

Not applicable

**Texas Tech University System – Notes to the Financial Statements (continued)****Note 12: Interfund Activity and Transactions**

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

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

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

Individual balances and activity at August 31, 2010, follows:

<u>Due from Other Agencies</u>	<u>Amount</u>
Office of the Governor (Agency 300)	\$9,111.03
Department of State Health Services (Agency 537)	730,627.54
Texas Department of Agriculture (Agency 551)	235,634.94
Texas Education Agency (Agency 701)	376,765.34
Texas School for the Blind (Agency 771)	91,075.87
Texas Water Development Board (Agency 580)	57,885.51
Texas Commission on Environmental Quality (Agency 582)	57,210.98
Texas Parks Wildlife (Agency 802)	78,187.82
Texas Workforce Commission (Agency 320)	644,204.63
Texas Department of Motor Vehicles (Agency 608)	107,823.22
University of Texas Medical Branch at Galveston (Agency 723)	14,165.87
University of Texas Health Science-Houston (Agency 744)	22,985.87
University of Texas Health Science-San Antonio (Agency 745)	25,720.44
Texas State University – San Marcus (Agency 754)	17,903.94
Stephen F. Austin University (Agency 755)	377,942.98
Texas Higher Education Coordinating Board (Agency 781)	2,243,823.71
State Energy Conservation Office (Agency 907)	36,028.94
University of Texas System (Agency 720)	5,151,072.47
<b>Total Due from Other Agencies</b>	<b>\$10,278,171.10</b>

<u>Due to Other Agencies</u>	<u>Amount</u>
Office of the Governor (Agency 300)	\$2,547,735.34
Texas A&M Health Science Center (Agency 709)	24,407.52
Texas Women's University (Agency 731)	28,491.81
Texas Education Agency (Agency 701)	290.89
University of Texas at Tyler (Agency 750)	1,951.45
West Texas A&M University (Agency 757)	77,064.50
Texas Parks Wildlife (Agency 802)	1,280.70
Texas State University – San Marcus (Agency 754)	7,482.00
Stephen F. Austin University (Agency 755)	27,292.09
Texas Higher Education Coordinating Board (Agency 781)	51,107.88
<b>Total Due to Other Agencies</b>	<b>\$2,767,104.18</b>

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

<u>Transfers Out to Other State Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	\$2,769,563.42
Texas State University System (Agency 758)	1,799,386.60
Texas Public Finance Authority (Agency 347)	501,913.89
Texas Department of State Health Services (Agency 529)	3,027,599.19
<b>Total Transfers Out to Other State Agencies</b>	<b>\$8,098,463.10</b>

<u>Increase Net Assets - Interagency Capital Asset Transfers</u>	<u>Amount</u>
University of Houston (Agency 730)	\$524.87
University of Texas at Austin (Agency 721)	2,743.08
University of Texas Health Science at San Antonio (Agency 745)	25,698.01
<b>Total Interagency Capital Asset Transfers</b>	<b>\$28,965.96</b>

<u>Decrease Net Assets - Interagency Capital Asset Transfers</u>	<u>Amount</u>
Department of Public Safety (Agency 405)	\$2,329.72
<b>Total Interagency Capital Asset Transfers</b>	<b>\$2,329.72</b>

<u>Legislative Transfers Out</u>	<u>Amount</u>
Texas State University System (Agency 758)	\$2,947,222.36
<b>Total Legislative Transfers Out</b>	<b>\$2,947,222.36</b>

The detailed State Grant Pass-Through information is listed on Schedule 1B – Schedule of State Grant Pass-Throughs from/to State Agencies.

**Note 13: Continuance Subject to Review**

Texas Tech University System is not subject to the Texas Sunset Act.

**Note 14: Adjustments to Fund Balances/Net Assets**

Texas Tech University System has no restatement of Fund Balance or Net Assets as of August 31, 2010.

There were three errors found in the FY09 financial statements after the 2009 State of Texas Annual Financial Report was published. These corrections were made to Texas Tech University's FY09 financial statements and were submitted to the Comptroller's Office. These errors resulted in a reclassification of expenses and a correction to the cash flow statement, but did not result in a restatement of Fund Balances or Net Assets. The restated ending balances are shown below:

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

<b>Expense Reclassification and Cash Flow Statement Correction</b>	<b>Restated Ending Balance</b>
SRECNA – Operating Expenses Instruction	\$432,649,477.63
SRECNA – Operating Expenses Research	98,680,770.61
SRECNA – Operating Expenses Scholarships and Fellowships	35,243,490.70
Matrix Expenses – Instruction Salaries and Wages	318,319,834.50
Matrix Expenses – Research Salaries and Wages	53,359,206.74
Matrix Expenses – Research Scholarships	1,498,065.62
Matrix Expenses – Scholarships and Fellowships	35,182,597.79
Matrix Expenses – Student Services Travel	1,745,085.46
Matrix Expenses – Student Services Other Expenses	4,580,444.44
Statement of Cash Flows – Tuition and Fees	244,079,788.52
Statement of Cash Flows – Sales and Services of Auxiliary Enterprises	99,901,720.44

**Note 15: Contingencies and Commitments**

At August 31, 2010, lawsuits and claims involving Texas Tech University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

**Note 16: Subsequent Events**

The Texas Tech University System had no material subsequent events after August 31, 2010.

**Note 17: Risk Management**

Texas Tech University System by State law is required to be a participant in the Workers Compensation Program and Pool managed by the State Office of Risk Management (SORM). The University is assessed fees by SORM based upon claims experience, claim incidences, payroll size and FTE. SORM also determines the methodology for allocation to the major fund groups. The State Office of Risk Management pays all WCI claims. The Worker's Compensation pool for the fiscal year was funded by a .25 percent charge on non-educational and general gross payroll for paying its proportionate share of the SORM assessment.

The System has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The System pays the remainder for employees paid from state funds and 100% of the claims paid from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

**Note 18: Management Discussion and Analysis**

The Texas Tech University System is composed of three component institutions – Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University. These three separate academic institutions are governed by the ten-member Board of Regents. The Regents are appointed by the Governor of the State of Texas to six-year terms with the exception of a student Regent who is appointed to a one-year term. The Chancellor is the chief executive officer of the System and is appointed by and reports directly to the Board of Regents. The Chancellor and his staff are supported by the administrative agency, the Texas Tech University System Administration.

## **Texas Tech University System – Notes to the Financial Statements (continued)**

Texas Tech University, based in Lubbock, is one of the state's largest major comprehensive universities and the only such institution within an area of some 350,000 square miles. Over 30,000 students enroll annually, coming from 50 states and more than 80 foreign countries. These students choose from among 152 undergraduate, 107 masters, and 64 doctoral programs.

Texas Tech University Health Sciences Center has an enrollment of approximately 3,000 students in its schools of medicine, nursing, allied health, pharmacy, and the graduate school of biomedical sciences. The Lubbock campus serves as the administrative hub for the Health Sciences Center, with regional campuses located in Amarillo, El Paso and the Permian Basin (Odessa/Midland), and with academic centers in Dallas and Abilene.

Angelo State University, based in San Angelo, was established in 1928 as San Angelo College; in 1965 new legislation was passed to create Angelo State College. ASU's campus covers more than 268 acres and enrolls more than 6,200 students from 210 of Texas 254 counties and 41 other states and 22 countries. The Texas Legislature (80th Regular Session) passed H.B. 3564 and pursuant to the statute, the governance, control, management and property of Angelo State University were transferred from the Texas State University System to the Texas Tech University System,, effective September 1, 2007.

The Texas Tech University System employs more than 18,000 faculty and staff.. The total enrollment across all components is more than 39,000 students

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

### **Note 19: The Financial Reporting Entity**

#### **The Financial Reporting Entity**

The Texas Tech University System is an agency of the State of Texas. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System. The component units discussed below this note are included in the System's reporting entity because of the significance of their operational or financial relationships with the System.

#### **Individual Component Unit Disclosures**

The Texas Tech University Foundation is a not-for-profit 501(c)(3) organizations, exempt from income taxes. The Texas Tech University Foundation was founded to financially support Texas Tech University, Texas Tech University Health Sciences Center and Texas Tech University System Administration. Based on the application of the GASB Standard No. 14 criteria, the Texas Tech Foundation has been blended into these financial statements because of the significance of its financial relationship with the System.

Texas Tech Physician Associates (TTPA) is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas. TTPA was create for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The TTPA board consists of nine directors appointed by TTUHSC.

The Robert G. Carr and Nona K. Carr Scholarship Foundation was established for the benefit of Angelo State University. The Foundation is included in the Texas Tech University System financial statements as a blended component unit.

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

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

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

**Note 21: N/A**

**Note 22: Donor-Restricted Endowments**

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech University System endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets are summarized in the following table:

<u>Donor-Restricted Endowment</u>	<u>Amount of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	\$32,913,790.31	Restricted Nonexpendable
Term Endowments	49,138.74	Restricted Nonexpendable
Total	<u>\$32,962,929.05</u>	

**Note 23: Extraordinary and Special Items**

The Texas Tech University System has no special or extraordinary items to report.

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

**Receivables**

Components of receivables as of August 31, 2010 are summarized below.

<u>Type</u>	<u>Net Amount</u>
Federal Receivables	\$20,860,803.77
Interest and Dividends Receivable	546,289.42
Patient Receivables	17,153,989.14
Student Receivables	9,605,754.50
Contract Receivables	13,324,871.19
Gift Receivables Current & Non-Current	62,482,676.58
Accounts Receivables	8,330,347.88
Loans & Notes Receivable Current & Non-Current	7,343,362.16
Other Receivables	6,702,078.73
<b>Total Receivables</b>	<u>\$146,350,173.37</u>

**Contractual Arrangements and Concentrations of Credit Risk**

The TTU Health Sciences Center provides care to patients covered by various third party payers such as Medicare, Medicaid, and private insurance companies and health maintenance organizations (HMOs).

The TTU Health Sciences Center provides primary, secondary and tertiary health care services to counties in west Texas, eastern New Mexico, and the Oklahoma panhandle region, as well as border regions in southwest Texas. Patient care centers are located in the Texas cities of Amarillo, El Paso, Lubbock and Odessa.

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

Concentrations of gross patient accounts receivables are depicted in the table below. Management does not believe there are significant credit risks associated with the listed payers, other than the self pay and medically indigent category. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivables are reported in this Annual Financial Report net of allowances for bad debts, contractual adjustments, and charity care.

<b>Type</b>	<b>Gross Amount</b>
Medicare	\$5,729,500.61
Medicaid	8,485,404.92
Managed Care, including Blue Cross	7,525,610.63
Commercial	3,831,998.28
Self Pay and Medically Indigent	17,244,602.34
Other	373,489.25
<b>Total Gross Patient Accounts Receivable</b>	<b>\$43,190,606.03</b>

**Payables**

Components of payables as of August 31, 2010 are summarized below.

<b>Type</b>	<b>Net Amount</b>
Accounts Payable	\$43,615,272.28
Payroll Payable	59,674,422.57
<b>Total Payables</b>	<b>\$103,289,694.85</b>

**Note 25: Termination Benefits**

Texas Tech University System has no reportable voluntary or involuntary termination benefits as of August 31, 2010.

**Note 26: Segment Information**

Texas Tech University System has no reportable segments as of August 31, 2010.

**Note 27: Medical Patient Revenues**

Patient charges for the medical practice plan are reported net of contractual adjustments and charity care. Components of gross medical patient charges for the year ended August 31, 2010 are summarized below.

Gross Medical Patient Charges	\$336,351,850.69
Less Contractual Adjustments	(183,887,305.70)
Less Bad Debt	(30,049,205.14)
<b>Net Medical Patient Charges</b>	<b>\$122,415,339.85</b>

Certain charges processed through the medical patient accounting system (IDX) are not classified in this Annual Financial Report as professional fees and instead are reported as revenues from local and private grants and contracts. Also, some professional fees reported in this Annual Financial Report are not processed through the medical patient accounting system and include fees collected in the practice plans for allied health sciences, nursing and pharmacy.

TTU Health Sciences Center provides care to patients who meet defined criteria under the charity care policy at amounts less than established rates. A patient is classified as an eligible charity patient based on federal poverty guidelines. Because TTU Health Sciences Center does not pursue collection of amounts determined to qualify as charity care, such charges are included in gross patient charges but are not included in net patient charges.

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

Patient charges earned under third party contractual arrangements are primarily from fixed rate agreements which, for Medicare and Medicaid, are updated annually by the federal government and state government, respectively. Gross patient services charges under the Medicare and Medicaid programs for the year ended August 31, 2010 were \$159,013,041. Compliance with these programs is complex and can be subject to future government interpretation as well as potential regulatory action. For the Medicaid program in Texas, and other government programs, contractual adjustments are reported as charity care as defined in Article III of the General Appropriations Act of the 81st Texas Legislature.



# **SCHEDULES**

UNAUDITED

Texas Tech University System  
 Schedule 1A - Schedule of Expenditures of Federal Awards  
 For The Year Ended August 31, 2010

**Note 1: Non-Monetary Assistance:**

Texas Tech University System did not receive any non-monetary assistance for the year ended August 31, 2010.

**Note 2: Reconciliation:**

Federal Grants and Contracts (SRECNA)	\$ 57,133,685.92
Federal Grants and Contracts - Pledged (SRECNA)	3,732,445.59
Federal Grants and Contracts Pass Throughs (SRECNA)	9,071,119.85
Non-Operating Federal Grant and Contracts (SRECNA)	42,826,533.32
Non-Operating Federal Grants and Contracts Pass Throughs (SRECNA)	<u>18,485,112.10</u>
Total Federal Revenues	131,248,896.78

Reconciling Items:

Non-Monetary Assistance:	
New Loans Processed	189,946,509.38
Federal Revenues Received Under Vendor Relationship	<u>(1,991,318.73)</u>
Total Pass-Through and Expenditures Per Federal Schedule	<u>\$ 319,204,087.43</u>

**Note 3: Student Loans Processed and Administrative Costs Recovered:**

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$	\$	\$	\$ 159,850.46
93.264 Nurse Faculty Loan Program	15,227.00		15,227.00	131,437.04
93.364 Nursing Student Loans	46,425.00		46,425.00	31,911.06
Total U.S. Department of Health and Human Services	<u>\$ 61,652.00</u>	<u>\$</u>	<u>\$ 61,652.00</u>	<u>\$ 323,198.56</u>
U.S. Department of Education				
84.032 Federal Family Education Loans	\$ 181,824,502.38	\$	\$ 181,824,502.38	\$
84.268 Federal Direct Student Loans	7,363,619.00		7,363,619.00	
84.038 Federal Perkins Loan Program	696,736.00		696,736.00	4,460,218.65
Total Department of Education	<u>\$ 189,884,857.38</u>	<u>\$</u>	<u>\$ 189,884,857.38</u>	<u>\$ 4,460,218.65</u>

**Note 4: Government Publications**

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

**Note 5: Unemployment Insurance Funds**

Does not apply to Texas Tech University System

**Note 6: (Agency 501 Only)**

UNAUDITED

Texas Tech University System  
 Schedule 1A - Schedule of Expenditures of Federal Awards  
 For The Year Ended August 31, 2010

**Note 7: Federal Deferred Revenue**

The deferred revenue of \$1,143,222.72 is federal grant prepayments that have not yet been earned.

	Balance 9/1/09	Net Change	Balance 8/31/10
10.000 \$		\$ 4,716.46	\$ 4,716.46
10.001	2,400.00	63,543.41	65,943.41
10.200		17,917.63	17,917.63
10.206		73,336.44	73,336.44
10.290	17,907.21	(944.07)	16,963.14
10.303		3,366.81	3,366.81
10.600	1,950.00		1,950.00
10.903	1,215.80	0.29	1,216.09
11.000		2,500.00	2,500.00
11.617		0.02	0.02
12.000	7,267.49	45,844.32	53,111.81
12.300	203,663.56	(181,445.37)	22,218.19
12.401		18,638.56	18,638.56
12.420	8,991.31	(8,991.31)	
12.431	922,826.25	(638,746.00)	284,080.25
12.630	919.64	(919.64)	
12.800	72,322.36	(55,955.73)	16,366.63
14.850		4,812.16	4,812.16
15.000		14.60	14.60
15.506		263.76	263.76
15.812	1,683.92	(1,030.37)	653.55
16.560		449.35	449.35
17.259		7,919.97	7,919.97
17.260		10,119.65	10,119.65
43.000		7,647.75	7,647.75
43.001		8,818.57	8,818.57
43.002		4.93	4.93
45.149		6,000.00	6,000.00
47.041		13,517.59	13,517.59
47.049		33,025.36	33,025.36
47.075		36.21	36.21
47.076		719.94	719.94
47.078		10,247.38	10,247.38
47.082		2,394.50	2,394.50
66.509		2,593.76	2,593.76
66.513	10,961.33	(10,960.01)	1.32
81.000		1,043.73	1,043.73
81.049	31,147.45	(31,147.45)	
81.087		3,219.60	3,219.60
81.117		0.01	0.01
84.007		41,186.65	41,186.65
84.027		42,708.27	42,708.27
84.069		33,358.00	33,358.00
84.116	4,763.97	(4,763.97)	
84.325		1,209.34	1,209.34
84.378		34,438.25	34,438.25
84.928	26,988.63	(3,344.07)	23,644.56
93.000	26,482.73	41,182.42	67,665.15
93.104		354.65	354.65
93.121		45,060.87	45,060.87
93.173		12,510.00	12,510.00
93.217		11,446.21	11,446.21
93.283	11,221.22	50,699.09	61,920.31
93.600	28,334.38	(27,623.12)	711.26
93.701		1,209.43	1,209.43
93.837	18,919.00	(18,919.00)	
93.855		0.01	0.01
93.856	1,867.85		1,867.85
93.940		50,387.05	50,387.05
93.969	14,185.23	(1,063.45)	13,121.78
93.994	3,317.66	(913.21)	2,404.45
94.006	1,894.49	295.01	2,189.50
	<u>\$ 1,421,231.48</u>	<u>\$ (278,008.76)</u>	<u>\$ 1,143,222.72</u>

Texas Tech University System  
 Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies  
 For the Year Ended August 31, 2010

**Pass-Throughs From:**

<u>Texas Emerging Technology Fund - Governor's Office (Agency 300)</u>	
Texas Emerging Technology Grant	\$ 188,354.79
Texas Wide Open for Business Region	
<u>Commission on State Emergency Communications (Agency 477)</u>	
Poison Control Centers	170,616.55
<u>Texas Department of Agriculture (Agency 551)</u>	
Enology and Viticulture Education and Research Grant	250,099.25
Enology Grant	118,928.66
Food and Fibers Research Grant	493,156.72
Molecular Breeding for Improvement	574.11
Multidisciplinary Approach to Study	29,254.26
New Approach to Impart Super Oleoph	28,177.54
T09 50 Self Cleaning Cotton Nanofiber	14,099.11
Tb 8053 08 Enhancing Cotton Fiber E	84,220.11
Texas Agricultural Research Database	25,912.03
<u>Texas Commission on Environmental Quality (Agency 582)</u>	
Effectiveness and Utility of Surface Application and Soil Percolation for Removal of Pharmaceutical and Personal Care Product Microcontaminants	93,616.73
Manual for Designing Surface Application of OSSF Wastewater Effluent	23,978.54
Refining the Application Rates for On-Site Surface Application	47,050.89
TEHI Texarkana Wood Air Quality Assessment	136,431.00
Design and Operation of Land Application Stern from a Water Nitrogen a	151.64
<u>Texas Food and Fiber Commission (Agency 904)</u>	
T0764 Development of Value Added	
<u>Texas Water Development Board (Agency 580)</u>	
WSC - Agriculture Water Conservation	573,788.86
<u>Texas Agrilife Research Station (Agency 556)</u>	
Feedyard	86,000.00
<u>Department of State Health Services (Agency 537)</u>	
BCCS Grant Odessa FY 2010	61,776.67
Epilepsy Project	201,509.30
Poison Control Network	538,988.69
Obesity	25,762.70
SHS Child W Spec Health Care Needs	19,147.90
Tuberculosis Elimination Program	5,300.00
HIV Testing	2,760.00
FQHC Capital Infrastructure	59,301.70
Radiopharmaceutical Mfg	600,000.00
Family Health Services	44,605.73
<u>Texas Parks and Wildlife Dept (Agency 802)</u>	
Brazos Bend Mammals Survey	1,200.00
<u>University of Texas System (Agency 720)</u>	
Joint Admission Medical Program (JAMP)	166,875.65
<u>Texas Higher Education Coordinating Board (Agency 781)</u>	
General Academic Enrollment Growth	179,620.64
Texas Course Readiness Project	(33,159.51)
College Readiness Initiative	(19,134.97)
Work Study Mentorship Program	(2,828.23)
Top 10% Scholarships	1,200,702.00
Texas Research Incentive Program - HB51	10,820,319.85
Texas Grant Program	15,492,103.00
Advanced Research Program	1,027,434.00
College Work Study Program	193,743.02
5th Year Accounting Scholarship	21,400.00
Engineering Recruitment Program	64,001.92
Nursing Shortage Reduction	1,163,680.00
Nursing Innovation Grant Hospital Partnerships	182,719.00
Texas Professional Nursing	8,284.00
Professional Nursing Aid	29,200.00
Family Practice Residency	1,258,955.49
Primary Care Residency Program	390,000.00
Nursing and Allied Health	(19,987.49)
Minority Health Research/Education	(12,204.52)
<b>Total Pass-Throughs from Other Agencies</b>	<b>\$ 36,036,487.33</b>
<b>Pass-Through To:</b>	
<u>Texas Agrilife Extension Service (Agency 555)</u>	
Texas Enology-Joint Appointment for Brent Trela 2009-2010	\$ 18,028.68
An Integrated Approach to Water Conservation	42,996.97
<b>Total Pass-Through To Other Agencies</b>	<b>\$ 61,025.65</b>

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Texas Tech University System  
 Schedule 2A - Miscellaneous Bond Information  
 For the Year Ended August 31, 2010

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Revenue Bonds						
Rev Fin Sys Bds 7th Ser '01	126,865,000.00	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax 8th Ser '01	42,810,000.00	3.46%	6.75%	2003	2031	8/15/2012
Rev Fin Sys Ref & Imp Bds 9th Ser '03	97,265,000.00	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	220,915,000.01	4.00%	5.00%	2006	2031	2/15/2016
Rev Fin Sys Ref & Imp Bds 12th Ser '09	170,825,000.00	3.00%	5.25%	2009	2038	2/15/2019
Total	<u>\$ 658,680,000.01</u>					

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Texas Tech University System  
 Schedule 2B - Changes in Bonded Indebtedness  
 For the Year Ended August 31, 2010

Description of Issue	Bonds Outstanding 9/1/09	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/10
Revenue Bonds					
Rev Fin Sys Bds Ser '01	\$ 15,965,000.00	\$	\$ 3,795,000.00	\$	\$ 12,170,000.00
Rev Fin Sys Bds Tax Ser '01	30,300,000.00		2,345,000.00		27,955,000.00
Rev Fin Sys Ref & Imp Bds Ser '03	75,635,000.00		4,500,000.00		71,135,000.00
Rev Fin Sys Ref & Imp Bds Ser '06	208,299,999.99		3,425,000.01		204,874,999.98
Rev Fin Sys Ref & Imp Bds Ser '09	163,465,000.00		11,965,000.00		151,500,000.00
Total	<u>\$ 493,664,999.99</u>	<u>\$</u>	<u>\$ 26,030,000.01</u>	<u>\$</u>	<u>\$ 467,634,999.98</u>

Description of Issue	Unamortized Premium	Net Bonds Outstanding 8/31/10	Amounts Due Within One Year
Revenue Bonds			
Rev Fin Sys Bds Ser '01	\$	\$ 12,170,000.00	\$ 3,960,000.00
Rev Fin Sys Bds Tax Ser '01		27,955,000.00	245,000.00
Rev Fin Sys Ref & Imp Bds Ser '03		71,135,000.00	4,700,000.00
Rev Fin Sys Ref & Imp Bds Ser '06		204,874,999.98	4,925,000.00
Rev Fin Sys Ref & Imp Bds Ser '09	7,753,548.42	159,253,548.42	11,393,408.06
Total	<u>\$ 7,753,548.42</u>	<u>\$ 475,388,548.40</u>	<u>\$ 25,223,408.06</u>

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Texas Tech University System  
 Schedule 2C - Debt Service Requirements  
 For the Year Ended August 31, 2010

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Bds 7th Ser '01			
	2011	\$ 3,960,000.00	\$ 659,450.00
	2012	3,995,000.00	451,550.00
	2013	4,215,000.00	231,825.00
Rev Fin Sys Bds Tax 8th Ser '01			
	2011	245,000.00	1,857,915.00
	2012	260,000.00	1,843,215.00
	2013	310,000.00	1,825,665.00
	2014	330,000.00	1,804,740.00
	2015	1,390,000.00	1,782,465.00
	2016- 2020	4,490,000.00	7,994,662.50
	2021 - 2025	7,720,000.00	5,960,205.00
	2026 - 2030	10,645,000.00	3,043,920.00
	2031	2,565,000.00	169,290.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03			
	2011	4,700,000.00	3,516,125.00
	2012	4,495,000.00	3,286,250.00
	2013	4,735,000.00	3,055,500.00
	2014	4,475,000.00	2,819,656.25
	2015	4,720,000.00	2,578,287.50
	2016 - 2020	27,685,000.00	8,798,193.75
	2021 - 2023	20,325,000.00	1,558,625.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06			
	2011	4,925,000.00	9,638,194.96
	2012	5,160,000.00	9,410,694.96
	2013	5,410,000.00	9,146,444.96
	2014	10,245,000.01	8,755,069.96
	2015	10,780,000.00	8,229,444.96
	2016 - 2020	68,549,999.98	32,376,547.30
	2021 - 2025	63,684,999.99	16,484,789.94
	2026 - 2030	33,570,000.00	3,568,712.52
	2031	2,550,000.00	57,375.00
Rev Fin Sys Ref & Imp Bds 12th Ser '09			
	2011	11,085,000.00	6,890,081.26
	2012	9,430,000.00	6,479,781.26
	2013	9,590,000.00	6,099,381.26
	2014	9,810,000.00	5,760,431.26
	2015	9,375,000.00	5,378,906.26
	2016 - 2020	32,005,000.00	21,272,781.30
	2021 - 2025	30,505,000.00	14,060,531.30
	2026 - 2030	25,100,000.00	6,088,200.04
	2031 - 2035	8,400,000.00	2,766,778.15
	2036 - 2038	6,200,000.00	499,537.50
Total Principal and Interest		\$ 467,634,999.98	\$ 226,201,224.15

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Texas Tech University System  
 Schedule 2D - Analysis of Funds Available for Debt Service  
 For the Year Ended August 31, 2010

Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds:				
RFS Bds 7th Series 2001			\$ 3,795,000.00	\$ 858,687.50
RFS Bds Tax 8th Series 2001			2,345,000.00	1,995,801.00
RFS Ref & Imp Bds 9th Series 2003			4,500,000.00	3,723,625.00
RFS Ref & Imp Bds 10th Series 2006			3,425,000.01	9,805,195.00
RFS Ref & Imp Bds 12th Series 2009			11,965,000.00	7,351,081.26
Total	\$ 576,009,312.26	\$ 460,473,123.90	\$ 26,030,000.01	\$ 23,734,389.76



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Texas Tech University System  
Schedule 2E - Defeased Bonds Outstanding  
For the Year Ended August 31, 2010

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds		
Revenue Financing System Bonds, 7th Series 2001	2006	<u>\$ 81,985,000.00</u>
		<u>\$ 81,985,000.00</u>

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Texas Tech University System  
 Schedule 2F - Early Extinguishment and Refunding  
 For the Year Ended August 31, 2010

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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Texas Tech University System  
 Schedule 3 - Reconciliation of Cash in State Treasury  
 For the Year Ended August 31, 2010

Cash in State Treasury	Unrestricted	Restricted	Total
Local Revenue (Fund 0227)	\$ 3,175,435.39	\$	\$ 3,175,435.39
Local Revenue (Fund 0239)	9,470,482.42		9,470,482.42
Local Revenue (Fund 0255)	46,691,399.96		46,691,399.96
Local Revenue (Fund 0269)	60,246.29		60,246.29
Permanent Health Fund - El Paso Campus (Fund 0820)	6,556,603.95		6,556,603.95
Permanent Health Fund - Other Campuses (Fund 0821)	3,880,302.44		3,880,302.44
Total Cash in State Treasury (Note 1)	\$ 69,834,470.45	\$	\$ 69,834,470.45