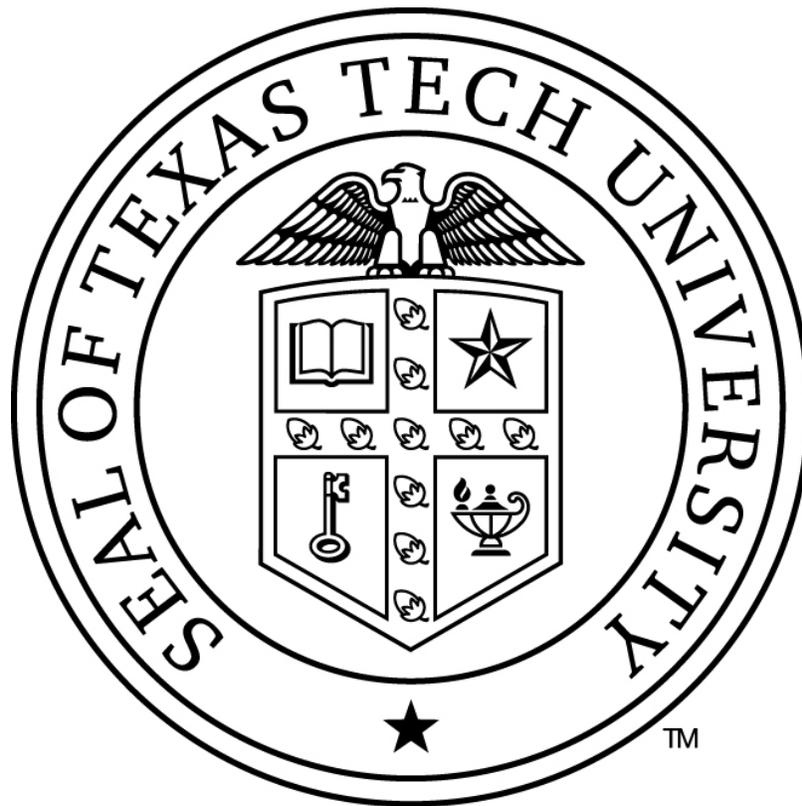


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2006

Texas Tech University

81 years of growth,
progress, educational
excellence, and service
to the State of Texas.

1925-2006

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2006

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY™

Office of the President

November 16, 2006

Honorable Rick Perry
Governor of Texas

Honorable Carole Keeton Strayhorn
Comptroller of Public Accounts

Mr. John O'Brien
Deputy Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

The attached Annual Financial Report of Texas Tech University is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2006. The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the University for the year ended August 31, 2006.

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

Sincerely,

A handwritten signature in black ink that reads "Jon Whitmore". The signature is written in a cursive style and is followed by a long horizontal line that extends to the right.

Jon Whitmore
President



TEXAS TECH UNIVERSITY™

Associate Vice President & Comptroller
Administration and Finance

November 16, 2006

Jon Whitmore
President
Texas Tech University
Lubbock, Texas 79409

Dear President Whitmore:

Submitted herein is the Annual Financial Report of Texas Tech University for the fiscal year ended August 31, 2006, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

If you have any questions, please contact me at 742-3255. Ms. Becky Perez may be contacted at 742-2985 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Sharon Williamson, CPA
Director of Management Reporting

Approved:

Thom Davis, CPA
Associate Vice President & Comptroller
Financial Affairs

Thomas Anderes, PhD
Senior Vice President
Administration & Finance

SSW:nh

Texas Tech University

Board of Regents

Larry Anders Term Expires January 31, 2011Dallas, TX
C. Robert Black..... Term Expires January 31, 2007 Horseshoe Bay, TX
F. Scott Dueser..... Term Expires January 31, 2009Abilene, TX
L. Frederick Francis Term Expires January 31, 2007 El Paso, TX
Mark Griffin Term Expires January 31, 2011 Lubbock, TX
J. Frank Miller, III Term Expires January 31, 2009Dallas, TX
Daniel T. Serna..... Term Expires January 31, 2011 Arlington, TX
Windy Sitton..... Term Expires January 31, 2009 Lubbock, TX
Bob L. Stafford..... Term Expires January 31, 2007Amarillo, TX

Officers of the Board

L. Frederick FrancisChair
J. Frank Miller, III Vice Chair
Ben Lock..... Secretary

Fiscal Officers

Jon Whitmore..... President
Thomas K. Anderes.....Senior Vice President for Administration and Finance
Thom DavisAssociate Vice President for Financial Affairs & Comptroller
Sharon Williamson.....Director of Managerial Reporting

**Texas Tech University
Enrollment Data
For the Year Ended August 31, 2006**

Type of Student	Number of Students by Semester			
	Fall 2005	Spring 2006	Summer Term 2006	
			First	Second
Texas Resident	24,910	23,190	8,462	7,215
Blind/Deaf	5	5	3	3
Competitive Scholarship	15	12	5	7
Dependents	1	2	1	0
Faculty/Staff	21	23	8	9
Foreign	1,369	1,316	656	585
Good Neighbor	0	0	0	0
Hazelwood	11	7	4	3
Independent Study	7	7	4	3
Military	1	1	1	1
Nursing	27	44	1	0
Out-of-State	1,576	1,461	560	446
Teaching/Research Assistant	49	40	19	19
Valedictorian	4	3	1	1
Other	5	4	0	3
Totals	28,001	26,115	9,725	8,295

Enrollment Trend Data (Fall Semester)

Term	Number of Students	Semester Hours
2005	28,001	357,931
2004	28,325	360,475
2003	28,549	359,863
2002	27,569	343,394
2001	25,573	321,249
2000	24,558	310,112
1999	24,249	305,212
1998	24,158	305,338
1997	25,022	314,142
1996	24,717	310,783
1995	24,185	302,955
1994	24,083	297,569
1993	24,007	294,897
1992	24,215	299,015
1991	24,707	304,446

FINANCIAL STATEMENTS

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2006

ASSETS

Current Assets:	
Cash and Cash Equivalents (Note 1)	\$ 121,322,238
Restricted:	
Cash and Cash Equivalents (Note 1)	25,256,501
Legislative Appropriations	30,029,487
Accounts Receivable, net:	
Federal Receivables	5,082,792
Interest and Dividends	942,026
Student Receivables	88,001
Gift Receivables	6,330,886
Accounts Receivable	3,144,536
Other Receivables	7,226,005
Due From Other Agencies (Note 8)	946,281
Prepaid Expenses	10,506,840
Consumable Inventories	514,689
Merchandise Inventories	2,306,074
Loans and Notes Receivable, net	3,816,537
Other Current Assets	902,354
Total Current Assets	<u>218,415,247</u>
Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents (Note 1)	21,146,112
Investments (Note 3)	154,500,760
Gift Receivables	17,545,105
Loans and Notes Receivable, net	776,631
Investments (Note 3)	135,678,004
Capital Assets (Note 2)	
Non-Depreciable	129,587,751
Depreciable	989,795,260
Accumulated Depreciation	<u>(479,731,820)</u>
Total Non-Current Assets	<u>969,297,803</u>
Total Assets	<u>\$ 1,187,713,050</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 9,964,766
Payroll Payable	16,053,475
Liabilities Payable from Restricted Assets	22,093,248
Deferred Revenues	92,498,724
Employees' Compensable Leave (Note 5)	2,577,165
Notes and Loans Payable (Note 5)	13,135,000
Bonds Payable (Note 5)	15,305,684
Funds Held for Others	11,342,999
Other Current Liabilities	2,639,380
Total Current Liabilities	<u>185,610,441</u>

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2006

Non-Current Liabilities:

Interfund Payable (Note 8)	1,221,877
Employees' Compensable Leave (Note 5)	7,731,497
Bonds Payable (Note 5)	281,403,001
Total Non-Current Liabilities	290,356,375
Total Liabilities	\$ 475,966,816

NET ASSETS

Invested in Capital Assets, Net of Related Debt	339,918,113
Restricted:	
Nonexpendable:	
Endowments	93,984,179
Expendable:	
Capital Projects	22,794,797
Higher Education Assistance Fund	12,535,066
Debt Service	11,136,916
Other	37,465,331
Unrestricted (Note 1)	193,911,832
Total Net Assets	711,746,234
Total Liabilities and Net Assets	\$ 1,187,713,050

See Accompanying Notes to the Financial Statements

Texas Tech University
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)
For the Year Ended August 31, 2006

Operating Revenues	
Tuition and Fees	\$ 22,703,918
Tuition and Fees - Pledged	172,782,200
Less Discounts and Allowances	(18,711,022)
Sales and Services of Auxiliary Enterprises - Pledged	70,233,845
Other Sales and Services	2,496,289
Other Sales and Services - Pledged	7,252,647
Federal Grants and Contracts (Schedule 1A)	45,309,345
Federal Grant Pass-Throughs (Schedule 1A)	2,339,899
State Grants and Contracts	3,296,917
State Grant Pass-Throughs (Schedule 1B)	11,185,467
Local Governmental Grants and Contracts	486,573
Nongovernmental Grants and Contracts	10,019,551
Total Operating Revenues	<u>329,395,629</u>
Operating Expenses	
Instruction	160,656,826
Research	42,766,764
Public Service	8,457,070
Academic Support	42,853,972
Student Services	25,705,526
Institutional Support	34,591,571
Operations and Maintenance of Plant	37,285,384
Scholarships and Fellowships	25,646,891
Auxiliary Enterprises	84,722,273
Depreciation and Amortization	25,424,139
Total Operating Expenses	<u>488,110,416</u>
Operating Income (Loss)	<u>(158,714,787)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	148,232,278
Private Gifts	2,495,568
Investment Income	3,634,858
Investment Income - Pledged	25,196,109
Interest Expense on Capital Asset Financing	(14,365,429)
Loss on Sale and Disposal of Capital Assets	(8,586,329)
Net Decrease in Fair Value of Investments	(966,237)
Other Nonoperating Revenues (Expenses)	1,027,117
Other Nonoperating Revenues (Expenses) - Pledged	17,912,320
Total Nonoperating Revenues (Expenses)	<u>174,580,255</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	15,865,468
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	17,886,318
Capital Contributions	3,523,276
Additions to Permanent Endowments	1,817,755
Legislative Transfer Out to TTU System Administration (Note 8)	(3,382,036)
Transfers to TTU Health Sciences Center	(1,485,018)
Transfers to TTU System Administration	(2,991,941)
Transfers to Other State Agencies (Note 8)	(1,108,438)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>14,259,916</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ 30,125,384</u>
Beginning Net Assets (September 1, 2005)	681,620,850
Ending Net Assets (August 31, 2006)	<u>\$ 711,746,234</u>

See Accompanying Notes to the Financial Statements

UNAUDITED

Texas Tech University
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2006

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Instruction	\$ 115,485,298	\$ 27,044,223	\$ 708,200	\$ 1,400,051	\$ 4,877,503
Research	22,749,364	4,023,997	1,090,647	1,724,672	5,106,461
Public Service	3,847,275	881,692	295,056	268,993	609,728
Academic Support	23,880,098	5,547,910	802,847	1,113,954	3,939,032
Student Services	9,636,402	2,259,695	439,621	678,721	1,425,683
Institutional Support	19,294,622	6,538,567	970,493	344,708	1,589,039
Operation and Maintenance of Plant	6,792,644	1,626,006	294,748	15,880	2,073,700
Scholarships and Fellowships	142,655	6,311			
Auxiliary Enterprises	30,110,563	6,214,730	4,044,667	739,889	4,813,972
Depreciation and Amortization					
Total Operating Expenses	\$ 231,938,921	\$ 54,143,131	\$ 8,646,279	\$ 6,286,868	\$ 24,435,118

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Instruction	\$ 1,149,679	\$ 784,356	\$ 1,184,620	\$ 820,268	\$
Research	117,289	410,892	405,576	253,819	
Public Service	189,477	78,690	285,348	163,244	
Academic Support	1,897,938	656,570	1,017,881	568,806	
Student Services	502,109	572,197	295,274	1,319,818	
Institutional Support	372,088	2,043,637	1,540,958	393,438	
Operation and Maintenance of Plant	16,987,673	6,523,603	83,810	60,496	
Scholarships and Fellowships					
Auxiliary Enterprises	9,746,898	3,249,786	1,021,875	580,186	
Depreciation and Amortization					25,424,139
Total Operating Expenses	\$ 30,963,151	\$ 14,319,731	\$ 5,835,342	\$ 4,160,075	\$ 25,424,139

Function	Scholarships	Other Operating	Grand Total
Instruction	\$ 2,977,991	\$ 4,224,637	\$ 160,656,826
Research	1,751,441	5,132,606	42,766,764
Public Service	74,306	1,763,261	8,457,070
Academic Support	541,627	2,887,309	42,853,972
Student Services	202,414	8,373,592	25,705,526
Institutional Support	302,893	1,201,128	34,591,571
Operation and Maintenance of Plant	3,150	2,823,674	37,285,384
Scholarships and Fellowships	25,429,785	68,140	25,646,891
Auxiliary Enterprises	3,755,281	20,444,426	84,722,273
Depreciation and Amortization			25,424,139
Total Operating Expenses	\$ 35,038,888	\$ 46,918,773	\$ 488,110,416

Texas Tech University
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2006

Cash Flows from Operating Activities

Tuition and Fees	\$ 185,949,357
Grants and Contracts	74,127,006
Sales and Services of Auxiliary Enterprises	72,030,278
Other Sales and Services	2,292,655
Payments to Suppliers	(42,348,155)
Payments to Employees	(231,159,956)
Payments for Other Operating Activities	(181,448,531)
Net Cash Used By Operating Activities	<u>(120,557,346)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	139,855,086
Noncapital Gifts and Grants	14,556,871
Payments to Other Components	(7,858,995)
Transfers Out to Other State Agencies	(1,108,438)
Proceeds from Agency Transactions	820,476
Other Noncapital Financing Activities	18,711,417
Net Cash Provided by Noncapital Financing Activities	<u>164,976,417</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuance	172,697,476
Capital Appropriations	17,886,318
Capital Contributions	3,523,276
Purchases of Capital Assets	(59,886,456)
Principal Paid on Capital Debt	(158,555,355)
Interest Paid on Capital Debt	(13,113,364)
Net Cash Used by Capital and Related Financing Activities	<u>(37,448,105)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	31,445,878
Interest and Dividends Received	28,447,127
Purchases of Investments	(52,537,178)
Net Cash Provided by Investing Activities	<u>7,355,827</u>

TOTAL NET CASH FLOWS \$ 14,326,793

Beginning Cash & Cash Equivalents - September 1, 2005 153,398,058

Ending Cash & Cash Equivalents - August 31, 2006 \$ 167,724,851

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(158,714,787)
Adjustments:	
Depreciation Expense	25,424,139
(Increase) Decrease in Accounts Receivables	(1,867,806)
(Increase) Decrease in Loans and Notes Receivable	153,595
(Increase) Decrease in Inventory	566,769
(Increase) Decrease in Prepaid Expenses	5,798,139
(Increase) Decrease in Due From Other Agencies	1,916,615
(Increase) Decrease in Other Assets	(825,939)
Increase (Decrease) in Accounts Payables	(2,877,509)
Increase (Decrease) in Payroll Payables	778,965
Increase (Decrease) in Accrued Liabilities	
Increase (Decrease) in Deferred Revenue	4,966,151
Increase (Decrease) in Compensable Leave	2,084,237
Increase (Decrease) in Due to Other Agencies	(14,280)
Increase (Decrease) in Other Liabilities	2,054,365
Net Cash Used for Operating Activities	<u>(120,557,346)</u>

POLICIES AND NOTES

TEXAS TECH UNIVERSITY

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Texas Tech University 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.

Texas Tech University is one of the three components of the Texas Tech University System. The other two components, reported separately, are Texas Tech University Health Sciences Center and the Texas Tech University System Administration. Texas Tech University includes within this report all components as determined by an analysis of their relationship to Texas Tech University as listed below.

Blended Component Units

Texas Tech Foundation, Inc. is a component unit of the consolidated Texas Tech University System since it serves the fundraising needs of Texas Tech University, Texas Tech University Health Sciences Center and Texas Tech University System Administration. No balances or activities associated with Texas Tech Foundation, Inc. are included in this Annual Financial Report.

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 Texas Tech University 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, Texas Tech University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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.

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, TexPool and TexStar investments.

The University 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.

Texas Tech University – Notes to the Financial Statements (continued)**Cash and Cash Equivalents as reported on the Statement of Net Assets**

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	\$76,346	\$344	\$0	\$76,690
Cash in Bank	(5,341,977)	(1,556,209)	(495,958)	(7,394,144)
Cash in State Treasury	35,149,909			35,149,909
Reimbursement Due From Treasury	8,073			8,073
Repurchase Agreements	18,479,725	5,243,104	1,673,604	25,396,433
TexPool & TexStar Investments	72,950,162	21,569,262	19,968,466	114,487,890
Total Cash and Cash Equivalents	\$121,322,238	\$25,256,501	\$21,146,112	\$167,724,851

Investments

Texas Tech University 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 charges 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 University'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 University programs and initiatives.

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.

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

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.

Accounts Payable and Accrued Liabilities

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.

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 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 13.

Funds Held for Others

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

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

Interfund payables are resources payable to other state agencies for Lone Star that assisted the University with utility costs. This payable is further explained in Note 8.

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 University 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	\$7,544,955
Accounts Receivable	7,951,304
Inventory	2,816,372
FMV Adjustment	13,313
Prepaid Expenses	6,366,109
Imprest Funds	419,346
Balances Subject to Reappropriation	761,909
Future Operating Budgets	98,781,381
Service Department Operating Funds	14,155,191
Student Service Fees	1,974,307
Funds Functioning as Endowments	52,281,891
Unreserved	<u>845,754</u>
Total Unrestricted Net Assets	<u>\$193,911,832</u>

Interfund Activity and Transactions

Texas Tech University 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.

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

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, or (8) Facilities and Other Improvements. The changes to fixed asset balances are summarized below.

Business-type Activities:	Balance 09/01/05	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 08/31/06
Non-depreciable Assets:								
Land and Land Improvements	\$ 3,724,593							\$3,724,593
Construction In Progress	110,570,558		(50,163,723)			20,847,038		81,253,873
Other Capital Assets	43,692,510					916,775		44,609,285
Total Non-depreciable Assets	157,987,661		(50,163,723)			21,763,813		129,587,751
Depreciable Assets:								
Buildings and Bldg Improvements	572,678,361		50,163,723			16,014,495		638,856,579
Infrastructure	24,877,596							24,877,596
Facilities & Other Improvements	126,315,728					4,469,942		130,785,670
Furniture and Equipment	100,710,154	(133,886)		1,196,739	(95,698)	10,206,730	(8,194,034)	103,690,005
Vehicles, Boats and Aircraft	8,564,293	131,407		53,213	(20,200)	1,189,368	(414,394)	9,503,687
Other Capital Assets	76,721,071	(217,003)				5,577,655		82,081,723
Total depreciable assets at historical costs	909,867,203	(219,482)	50,163,723	1,249,952	(115,898)	37,458,190	(8,608,428)	989,795,260
Less Accumulated Depreciation for:								
Buildings and Improvements	(350,554,591)					(12,658,714)		(363,213,305)
Infrastructure	(3,431,261)					(928,803)		(4,360,064)
Facilities & Other Improvements	(18,918,131)					(5,408,814)		(24,326,945)
Furniture and Equipment	(68,176,854)			(60,097)	95,698	(8,679,758)	7,654,559	(69,166,452)
Vehicles, Boats and Aircraft	(5,970,885)				19,526	(783,188)	362,019	(6,372,528)
Other Capital Assets	(7,255,959)					(5,036,567)		(12,292,526)
Total Accumulated Depreciation	(454,307,681)			(60,097)	115,224	(33,495,844)	8,016,578	(479,731,820)
Depreciable Assets, Net	455,559,522	(219,482)	50,163,723	1,189,855	(674)	3,962,346	(591,850)	510,063,440
Business-type Activities Capital Assets, net:	\$613,547,183	\$(219,482)	\$0	\$1,189,855	\$(674)	\$25,726,159	\$(591,850)	\$639,651,191

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

Texas Tech University'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 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 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 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 assets are invested in two investment pools; the Short/Intermediate Term Investment Fund (SITIF) and the Long Term Investment Fund (LTIF). 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 SITIF, which is a fixed income fund. Other assets include securities gifted to Texas Tech University 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, 2006, the carrying amount of deposits was \$(7,394,144) as presented below:

Enterprise Funds

CASH IN BANK – CARRYING AMOUNT	\$ (7,394,144)
Less: Certificates of Deposit including in carrying amount and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral	0
Cash in Bank per AFR	<u>\$ (7,394,144)</u>
Enterprise Funds Current Assets Cash in Bank	\$ (5,341,977)
Enterprise Funds Current Assets Restricted Cash in Bank	(1,556,209)
Enterprise Funds Non-Current Assets Restricted Cash in Bank	(495,958)
Cash in Bank per AFR	<u>\$ (7,394,144)</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, 2006, the total bank balance for Enterprise Funds was \$69,139.

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 University'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 – 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
01	0001	\$0		

Investments

As of August 31, 2006, the fair value of investments is as presented below.

Type of Security	Fair Value
Enterprise Funds	
U. S. Government	
U.S. Treasury Securities	\$73,724,798
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	43,864,088
Equity	32,625,164
International Equity	36,278,236
Repurchase Agreement	25,396,433
Fixed Income Money Market and Bond Mutual Fund	37,130,058
Other Commingled Funds	26,515,634
Other Commingled Funds (Texpool)	106,218,334
Misc. (alternative investments, limited partnerships, guaranteed investment Contract, political subdivision, banker's acceptance, negotiable CD)	48,310,342
Total Investments	<u>\$430,063,087</u>
Non-Current Investments	\$290,178,764
Items in Cash and Cash Equivalents:	
Repurchase Agreements	25,396,433
TexPool & TexStar Investments	<u>114,487,890</u>
Total	<u><u>\$430,063,087</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 the investments or collateral securities that are in the possession of an outside party. The University's investment policy is to require third party custody for the two investment pools, the LTIF and the SITIF. The balances listed below relate to the securities outside of those pools.

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
01	0001	Equity	\$78,155	

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The University's policy is to limit international equity investments to between 10-20% of the LTIF portfolio. The exposure to foreign currency risk as of August 31, 2006, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
01	0001	Argentine peso		0
01	0001	Australian dollar		594,494
01	0001	Bermudan dollar		0
01	0001	Brazilian real		1,174,453
01	0001	Bulgarian lev		4,015
01	0001	Canadian dollar		319,153
01	0001	Cayman dollar		13,205
01	0001	Chilean Peso		79,938
01	0001	Chinese yuan		613,490
01	0001	Cyprus pound		55,200
01	0001	Czech koruna		169,081
01	0001	Danish krone		111,440
01	0001	Egyptian pound		5,018
01	0001	Euro		10,427,496
01	0001	Hong Kong dollar		757,945
01	0001	Hungarian forint		208,490
01	0001	Indian rupee		552,743
01	0001	Indonesian rupiah		76,303
01	0001	Israeli shekel		112,779
01	0001	Japanese yen		5,645,191
01	0001	Jersey pound		0
01	0001	Lithuanian litas		11,040
01	0001	Malaysian ringgit		394,850
01	0001	Mexican peso		485,366
01	0001	New Zealand dollar		37,522
01	0001	Norwegian krone		428,308
01	0001	Phillippino peso		100,298
01	0001	Polish zloty		571,189
01	0001	Pound sterling		4,994,245
01	0001	Romanian leu		68,248
01	0001	Russian ruble		1,006,511
01	0001	Singapore dollar		244,369
01	0001	South African rand		626,725
01	0001	Korean won		2,060,349
01	0001	Swedish krona		639,296
01	0001	Swiss franc		1,509,618
01	0001	Taiwan dollar		1,716,035
01	0001	Thai baht		311,595
01	0001	Turkish lira		161,238
01	0001	Venezuelan bolivar		0
		Total		\$36,278,236

Texas Tech University – 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 University'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. The fixed income portfolio of the LTIF must have an overall weighted average credit rating of "A" or better by Moody's and/or Standard and Poor's. As of August 31, 2006, the University'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	BB	Unrated
01	0001	U.S. Government Agency Obligations	\$43,864,088				
01	0001	Repurchase Agreement	\$25,396,433				
			AAAf	AAf	Af		Unrated
01	0001	Fixed Income Money Market and Bond Mutual Fund					\$37,130,058

Derivative Investing

The University holds collateralized mortgage obligations. These securities were purchased to provide an incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated these securities, along with other securities held by the University, will provide future cash inflows on a time schedule that approximately matches the outflows associated with the University's liabilities. These securities are rated AAA by the major rating agencies.

Note 4: Short-Term Debt

Texas Tech University has no outstanding short-term debt as of August 31, 2006.

Note 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2006, the following changes occurred in liabilities.

Long-Term Liability Category	Balance 09/01/05	Increases	Decreases	Balance 08/31/06	Current Portion
Notes and Loans	\$35,858,000	\$11,477,000	\$34,200,000	\$13,135,000	\$13,135,000
Revenue Bonds	259,532,138	161,220,476	124,043,929	296,708,685	15,305,684
Compensable Leave	8,224,425	2,084,237		10,308,662	2,577,165
Total	\$303,614,563	\$174,781,713	\$158,243,929	\$320,152,347	\$31,017,849

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

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Under state law, the hours accumulated are 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.

Bonds Payable

See Note 13 for detailed information on bond liability balances and transactions.

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 8/31/06 will be retired in fiscal year 2007. Commercial paper has short maturities up to 270 days with interest ranging from 3.51% to 3.55%.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2007	\$13,135,000	\$100,682	\$13,235,682
2008			
2009			
2010			
2011			
All Other Years			
Total Requirements	\$13,135,000	\$100,682	\$13,235,682

Note 6: Capital Leases

Texas Tech University has no outstanding capital leases as of August 31, 2006.

Note 7: Operating Leases

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>	
2007	\$281,889
2008	94,456
Total Minimum Future Lease Rental Payments	\$376,345

Note 8: Interfund Balances/Activities

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
- Legislative Transfers In or Legislative Transfers Out

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

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, 2006, follows:

<u>Interfund Payable</u>	<u>Non-Current Interfund Payable</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515	<u>\$1,221,877</u>	Lone Star
Total Interfund Payable	<u><u>\$1,221,877</u></u>	

<u>Due from Other Agencies</u>	<u>Current Due from Other Agencies</u>
Texas Education Agency (Agency 701)	\$105,693.97
Texas School for the Blind (Agency 771)	73,158.28
Texas Water Development Board (Agency 580)	137,478.78
Texas Parks and Wildlife (Agency 802)	4,450.74
Texas General Land Office (Agency 305)	9,442.01
Texas Tech Health Sciences Center (Agency 739)	200,362.49
Texas Department of Transportation (Agency 601)	36,280.00
Texas Comptroller's Office (Agency 902)	107,919.49
Texas Technology Workforce Development Grant (Agency 781)	<u>271,495.01</u>
Total Due from Other Agencies	<u><u>\$946,280.77</u></u>

<u>Legislative Transfer Out</u>	<u>Amount</u>
Texas Tech University System Administration (Agency 768)	<u>\$3,382,036</u>
Total Legislative Transfer Out	<u><u>\$3,382,036</u></u>

<u>Transfers Out to Other State Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	<u>\$1,108,438</u>
Total Transfers Out to Other Agencies	<u><u>\$1,108,438</u></u>

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

Note 9: Contingent Liabilities

At August 31, 2006, other lawsuits and claims involving Texas Tech University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University 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 University.

Texas Tech University – Notes to the Financial Statements (continued)**Note 10: Continuance Subject to Review**

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

Note 11: Risk Financing and Related Insurance

Texas Tech University 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 University has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The University pays the remainder for employees paid from state funds and 100% of the claims paid for employees 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.

The worker's compensation expense to Texas Tech University for fiscal year ended August 31, 2006 was \$768,906. The unemployment compensation insurance expense to Texas Tech University for fiscal year ended August 31, 2006 was \$89,404. These amounts represent the portion paid by Texas Tech University.

Note 12: Segment Information

Texas Tech University has no reportable segments.

Note 13: Bonded Indebtedness**Bonds Payable**

Several bond issues were outstanding as of August 31, 2006 which are summarized in the paragraphs that follow.

Revenue Financing System Refunding and Improvement Bonds, Series 1996

Purpose:	Financing of arena complex, housing complex, and other capital projects and the advance refunding of Housing Revenue Bonds, Series 1962, 1963, 1966
Original Issue Amount:	\$71,285,000; all authorized bonds have been issued
Issue Date:	December 5, 1996
Interest Rates:	4.00% to 6.00%
Maturity Date Range:	1998 through 2006
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$4,205,000 retired

Texas Tech University – Notes to the Financial Statements (continued)**Revenue Financing System Bonds, Second Series 1996 (Taxable)**

Purpose:	Financing of arena complex, other capital projects, and costs of issuance
Original Issue Amount:	\$7,380,000; all authorized bonds have been issued
Issue Date:	December 5, 1996
Interest Rates:	5.75% to 6.75%
Maturity Date Range:	1998 through 2007
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$875,000 retired

Revenue Financing System Refunding and Improvement Bonds, Series 1999

Purpose:	Current refunding of a portion of Series A Notes, advance refunding of Revenue Bonds, Series 1995, 1996 and financing of a new English building and other projects
Original Issue Amount:	\$99,467,818; all authorized bonds have been issued
Issue Date:	May 4, 1999
Interest Rates:	4.00% to 5.25%
Maturity Date Range:	1999 through 2029
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$2,033,929 retired; \$37,875,000 refunded

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
Original Issue Amount:	\$107,355,000; all authorized bonds have been issued
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; \$2,995,000 retired; \$71,975,000 refunded

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; all authorized bonds have been issued
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; \$1,765,000 retired

Texas Tech University – Notes to the Financial Statements (continued)**Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003**

Purpose:	For current refunding of Series A Notes and Series 1993 bonds, for construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other University construction of capital improvement projects
Original Issue Amount	\$32,995,000; all authorized bonds have been issued
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; \$2,320,000 retired

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 and renovation of the Student Union Building and various dormitories and other University construction of capital improvement projects
Original Issue Amount	\$161,220,476; all authorized bonds have been issued
Issue Date	February 2, 2006
Interest Rates	4.00% to 5.00%
Maturity Date Range	2007 through 2031
Type of Bond	Revenue
Changes in Debt	\$161,220,476 issued; \$0 retired

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 System 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.

Note 14: Subsequent Events

Texas Tech University has no material subsequent events to disclose.

Note 15: Related Parties – Relationship with Texas Tech University

The Alumni Association provided services on behalf of Texas Tech University for which the University paid \$110,000 during the 2006 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

Note 16: Stewardship, Compliance and Accountability

Texas Tech University has no material stewardship, compliance, and accountability issues.

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

Note 17: The Financial Reporting Entity and Joint Ventures

The Financial Reporting Entity

Texas Tech University is an agency of the State of Texas. Texas Tech University has no related organizations or joint ventures or jointly governed organizations.

Note 18: Restatement of Fund Balances and Net Assets

Texas Tech University has no restatement of Fund Balance and Net Assets as of August 31, 2006.

Note 19: Employees Retirement Plans (administering agencies only)

Not applicable

Note 20: Deferred Compensation (administering agencies only)

Not applicable

Note 21: Donor Restricted Endowments

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

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 by the University are summarized in the following table:

Donor-Restricted Endowment	Amount of Net Appreciation	Reported in Net Assets
True Endowments	\$6,858,728	Restricted Nonexpendable
True Endowments	4,770,363	Restricted Expendable
Term Endowments	37,292	Restricted Nonexpendable
Total	\$11,666,383	

Note 22: Management Discussion and Analysis (MD&A)

- Net assets increased by \$30 million for the year ended August 31, 2006 primarily due to an increase in state appropriations, tuition and fee revenues, federal and state grants and contracts, and investment income.
- Capital asset additions totaled \$114 million for the year ended August 31, 2006.

Note 23: Post Employment Health Care and Life Insurance Benefits (UT, A&M, TRS and ERS only)

Not applicable

Note 24: Special and Extraordinary Items

Texas Tech University has no special or extraordinary items for the fiscal year ended August 31, 2006.

Texas Tech University – Notes to the Financial Statements (continued)**Note 25: Disaggregation of Receivable and Payable Balances****Receivables**

Components of receivables as of August 31, 2006 are summarized below.

Type	Net Amount
Federal Receivables	\$5,082,792
Interest and Dividends Receivable	942,026
Student Receivables	88,001
Gift Receivables Current & Noncurrent	23,875,991
Accounts Receivables	3,144,536
Other Receivables	7,215,886
Loans and Notes Receivable Current & Noncurrent	4,593,168
Total Receivables	\$44,942,400

Payables

Components of payables as of August 31, 2006 are summarized below.

Type	Net Amount
Accounts Payable	\$9,964,766
Payroll Payable	16,053,475
Liabilities Payable from Restricted Assets	22,093,248
Total Payables	\$48,111,489

Note 26: Termination Benefits

Texas Tech University has no reportable voluntary or involuntary termination benefits as of August 31, 2006.

SCHEDULES

UNAUDITED

Texas Tech University
 Schedule 1A - Schedule of Expenditures of Federal Awards
 For The Year Ended August 31, 2006

Note 1: Non-Monetary Assistance:

The "Donation Of Federal Surplus Personal Property" is presented at 23.3 percent of the original federal acquisition cost of \$343,589.90. The surplus property is passed through from the Texas Building and Procurement Commission. The federal grantor is the General Services Administration (GSA) and the Federal CFDA number is 39.003. The estimated fair value for fiscal year 2006 is \$80,056.45.

Note 2: Reconciliation:

Federal Grants and Contracts (SRECNA)	\$ 45,309,345.04
Federal Pass-Through Grants from other State Agencies (SRECNA)	2,339,899.14
Total Federal Revenues	<u>47,649,244.18</u>

Reconciling Items:

Non-Monetary Assistance:	
Donation of Federal Surplus Property	80,056.45
New Loans Processed:	
Federal Family Education Loan Program	111,809,043.77
Federal Perkins Loan Program	<u>482,695.00</u>

Total Pass-Through and Expenditures Per Federal Schedule \$ 160,021,039.40

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
Department Of Education				
84.032 Federal Family Education Loans	\$ 111,809,043.77	\$	\$ 111,809,043.77	\$
84.038 Federal Perkins Loan Program	482,695.00	25,588.11	508,283.11	1,371,755.47
Total Department of Education	<u>\$ 112,291,738.77</u>	<u>\$ 25,588.11</u>	<u>\$ 112,317,326.88</u>	<u>\$ 1,371,755.47</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

Texas Tech University does not have CFDA 17.225 awards

Note 6: Agency 501 Only (WIC Program)

Note 7: Federal Deferred Revenue

The deferred revenue of \$524,521.98 is federal grant prepayments that have not yet been earned.

	Balance 9/1/05	Net Change	Balance 8/31/06
10.206	0.00	20,437.65	20,437.65
10.450	0.00	23,985.60	23,985.60
11.611	0.00	29,985.88	29,985.88
12.000	0.00	106,074.19	106,074.19
12.300	26,417.12	(26,417.12)	
12.420	69,387.39	(27,716.25)	41,671.14
12.431	340,625.77	(172,751.12)	167,874.65
12.800	100,847.72	11,866.98	112,714.70
12.901	792.82	(792.82)	0.00
15.000	0.00	5,608.95	5,608.95
15.809	2,000.00		2,000.00
47.041	18,219.50	(18,219.50)	0.00
47.075	10,735.17	(10,735.17)	0.00
66.514	1,042.96	(1,042.96)	0.00
81.104	1,193.93	(1,193.93)	0.00
84.007	457,586.00	(457,586.00)	0.00
84.063	4,755,788.00	(4,755,788.00)	0.00
84.116	6,910.01	(6,910.01)	0.00
84.217	3,500.45	(3,500.45)	0.00
93.647	0.00	14,169.22	14,169.22
	<u>5,795,046.84</u>	<u>(5,270,524.86)</u>	<u>524,521.98</u>

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Texas Tech University
 Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
 For the Year Ended August 31, 2006

Pass-Throughs From:

<u>Texas Emerging Technology Fund - Governor's Office (Agency 300)</u>	
The International Center of Excellence in Agriculture Genomics & Biotechnology	\$ 974,500.00
<u>Texas Department of Agriculture (Agency 551)</u>	
A Novel Method of Biological Control of Feral Hogs in Texas	31,032.61
<u>Texas Commission on Environmental Quality (Agency 582)</u>	
Design and Operation of Land Application Systems	48,248.65
<u>Texas Water Development Board (Agency 580)</u>	
An Integrated Approach to Water Conservation	587,520.63
<u>Texas State Energy Conservation Office (Agency 907)</u>	
Biomass Production from Recycled Waste and Water	5,449.96
<u>Texas Agriculture Experiment Station (Agency 556)</u>	
Texas Cotton	124,529.12
<u>Texas Cooperative Extension (Agency 555)</u>	
Texas Cooperative Extension	17,561.33
<u>Texas Higher Education Coordinating Board (Agency 781)</u>	
Texas Grant Program	8,469,538.00
Advanced Technology Program	(9.44)
Advanced Research Program	803,306.00
College Work Study Program	112,804.31
5th Year Accounting Scholarship	10,986.00
	<hr/>
Total Pass-Throughs from Other Agencies	\$ 11,185,467.17

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Texas Tech University
 Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2006

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 Ref & Imp Bds Ser '96	\$ 71,285,000	4.00%	6.00%	1998	2006	02/15/2006
Rev Fin Sys Bds Tax Ser '96	7,380,000	5.75%	6.75%	1998	2007	N/A
Rev Fin Sys Ref & Imp Bds Ser '99 (TRB)	39,459,000	4.00%	5.25%	1999	2029	02/15/2009
Rev Fin Sys Ref & Imp Bds Ser '99	60,008,818	4.00%	5.25%	1999	2029	02/15/2009
Rev Fin Sys Bds 7th Ser '01	107,355,000	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax 8th Ser '01	42,810,000	3.46%	6.75%	2003	2031	8/15/2012
Rev Fin Sys Ref & Imp Bds 9th Ser '03 (TRB)	22,145,000	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 9th Ser '03	10,850,000	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06 (TRB)	21,579,303	4.00%	5.00%	2007	2029	2/15/2016
Rev Fin Sys Ref & Imp Bds 10th Ser '06	<u>139,641,173</u>	4.00%	5.00%	2007	2031	2/15/2016
Total	<u>\$ 522,513,294</u>					

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Texas Tech University
 Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2006

Description of Issue	Bonds Outstanding 9/1/05	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/06	Amounts Due Within One Year
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds Ser '96	\$ 4,205,000	\$	\$ 4,205,000	\$	\$	\$
Rev Fin Sys Bds Tax Ser '96	1,810,000		875,000		935,000	935,000
Rev Fin Sys Ref & Imp Bds Ser '99 (TRB)	34,353,189		1,296,818	22,175,000	10,881,371	1,346,823
Rev Fin Sys Ref & Imp Bds Ser '99	56,273,949		737,111	15,700,000	39,836,838	4,678,530
Rev Fin Sys Bds Ser '01	95,325,000		2,995,000	71,975,000	20,355,000	2,515,000
Rev Fin Sys Bds Tax Ser '01	38,660,000		1,765,000		36,895,000	2,090,000
Rev Fin Sys Ref & Imp Bds Ser '03 (TRB)	22,145,000		820,000		21,325,000	840,000
Rev Fin Sys Ref & Imp Bds Ser '03	6,760,000		1,500,000		5,260,000	1,105,000
Rev Fin Sys Ref & Imp Bds Ser '06 (TRB)		21,579,303			21,579,303	82,272
Rev Fin Sys Ref & Imp Bds Ser '06		139,641,173			139,641,173	1,713,059
Total	\$ 259,532,138	\$ 161,220,476	\$ 14,193,929	\$ 109,850,000	\$ 296,708,685	\$ 15,305,684

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Texas Tech University
 Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2006

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Bds Tax Ser '96	2007	\$ 935,000	\$ 31,556
Rev Fin Sys Ref & Imp Bds Ser '99 (TRB)	2007	1,346,823	490,566
	2008	1,413,984	431,899
	2009	1,474,890	369,589
	2010	1,543,031	302,607
	2011	913,984	243,896
	All Other Years	4,188,660	454,478
Rev Fin Sys Ref & Imp Bds Ser '99	2007	4,678,530	1,838,988
	2008	3,627,174	1,662,492
	2009	3,788,054	1,502,551
	2010	3,639,944	1,337,789
	2011	3,322,885	1,168,664
	All Other Years	20,780,250	3,314,518
Rev Fin Sys Bds Ser '01	2007	2,515,000	1,071,426
	2008	2,680,000	945,676
	2009	2,810,000	811,676
	2010	2,960,000	664,150
	2011	3,080,000	508,750
	All Other Years	6,310,000	525,247
Rev Fin Sys Bds Tax Ser '01	2007	2,090,000	2,363,936
	2008	2,190,000	2,252,748
	2009	2,315,000	2,130,766
	2010	2,345,000	1,995,802
	2011	245,000	1,857,916
	All Other Years	27,710,000	24,424,161
Rev Fin Sys Ref & Imp Bds Ser '03 (TRB)	2007	840,000	1,029,400
	2008	870,000	999,400
	2009	905,000	963,900
	2010	940,000	927,000
	2011	985,000	883,575
	All Other Years	16,785,000	5,650,638
Rev Fin Sys Ref & Imp Bds Ser '03	2007	1,105,000	200,675
	2008	755,000	169,000
	2009	785,000	138,200
	2010	825,000	106,000
	2011	855,000	68,125
	All Other Years	935,000	47,375
Rev Fin Sys Ref & Imp Bds Ser '06 (TRB)	2007	82,272	1,038,670
	2008	12,677	1,036,771
	2009	15,092	1,036,216
	2010	14,654	1,035,621
	2011	715,455	1,021,019
	All Other Years	20,739,153	10,399,999
Rev Fin Sys Ref & Imp Bds Ser '06	2007	1,713,059	6,532,315
	2008	1,783,716	6,462,379
	2009	1,853,674	6,389,631
	2010	1,933,633	6,313,885
	2011	2,500,259	6,225,207
	All Other Years	129,856,832	58,508,469
Total Principal and Interest		\$ 296,708,685	\$ 169,885,317

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Texas Tech University
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2006

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 Ref & Imp Bds Series 1996			\$ 4,205,000	\$ 126,150
RFS Bds Tax Series 1996			875,000	92,425
RFS Ref & Imp Bds Series 1999 (TRB)			1,296,818	1,106,232
RFS Ref & Imp Bds Series 1999			737,111	2,648,558
RFS Bds 7th Series 2001			2,995,000	7,368,338
RFS Bds Tax 8th Series 2001			1,765,000	2,452,187
RFS Ref & Imp Bds Series 2003 (TRB)			820,000	1,051,225
RFS Ref & Imp Bds Series 2003			1,500,000	234,125
RFS Ref & Imp Bds Series 2006 (TRB)				560,614
RFS Ref & Imp Bds Series 2006				2,757,654
Total	\$ 329,259,987	\$ 281,726,594	\$ 14,193,929	\$ 18,397,508

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Texas Tech University
 Schedule 2E - Defeased Bonds Outstanding
 For the Year Ended August 31, 2006

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Texas Tech University Housing System Revenue Bonds, Series 1962-E	1996	\$ 2,420,000
Texas Tech University Housing System Revenue Bonds, Series 1963-A	1996	383,000
Revenue Financing System Bonds, Series 1995	1999	8,195,600
Revenue Financing System Refunding & Improvement Bonds, Series 1996	1999	37,380,000
Revenue Financing System Refunding & Improvement Bonds, Series 1999 (TRB)	2006	22,175,000
Revenue Financing System Refunding & Improvement Bonds, Series 1999	2006	15,700,000
Revenue Financing System Bonds, Series 2001	2006	71,975,000
		\$ 158,228,600

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Texas Tech University
 Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2006

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds Ser '99 (TRB)	Advanced Refunding	\$ 22,175,000	\$ 21,579,303	\$ 1,735,062	\$ 1,091,597
Rev Fin Sys Ref & Imp Bds Ser '99	Advanced Refunding	15,700,000	15,116,610	1,259,427	957,243
Rev Fin Sys Bds Ser '01	Advanced Refunding	71,975,000	74,464,563	3,625,467	1,361,492
		<u>\$ 109,850,000</u>	<u>\$ 111,160,476</u>	<u>\$ 6,619,956</u>	<u>\$ 3,410,332</u>

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Texas Tech University
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2006

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue (Fund 0255)	\$ 35,149,909.00	\$	\$ 35,149,909.00
Total Cash in State Treasury (Note 1)	\$ 35,149,909.00	\$	\$ 35,149,909.00