

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2006

ANNUAL FINANCIAL REPORT

OF

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**

FOR THE YEAR ENDED AUGUST 31, 2006

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY SYSTEM

Office of the Chancellor

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

To Agency Heads Addressed:

The Financial Report of Texas Tech University System Administration, with which this letter is bound, 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 System 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 System to provide a summary of the System's financial records.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald R. Haragan".

Donald R. Haragan, Ph.D.
Interim Chancellor



TEXAS TECH UNIVERSITY™

Associate Vice President & Comptroller
Administration and Finance

November 16, 2006

Interim Chancellor Donald R. Haragan
Texas Tech University System Administration
Lubbock, Texas 79409

Dear Interim Chancellor Haragan:

Submitted herein is the Annual Financial Report of Texas Tech University System Administration 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 of 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.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Williamson".

Sharon Williamson, CPA
Director of Managerial Reporting and Special Projects

Approved:

Jim Brunjes
Texas Tech University System Administration
Chief Financial Officer

A handwritten signature in cursive script that reads "Jim Brunjes".

Texas Tech University System Administration

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, IIIVice Chair
Ben Lock..... Secretary

Fiscal Officers

Donald R. Haragan.....Interim Chancellor
Jim Brunjes.....Vice Chancellor and Chief Financial Officer

FINANCIAL STATEMENTS

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

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 1)	\$ 3,390,309
Restricted:	
Cash and Cash Equivalents (Note 1)	(293)
Legislative Appropriations	675,034
Accounts Receivable, net:	
Interest and Dividends	(77,057)
Other	386
Prepaid Expenses	1,876
Total Current Assets	3,990,255

Non-Current Assets:

Investments (Note 3)	4,106,994
Capital Assets (Note 2)	
Depreciable	364,855
Accumulated Depreciation	(161,442)
Total Non-Current Assets	4,310,407

Total Assets	\$ 8,300,662
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 352,212
Payroll Payable	989,360
Employees' Compensable Leave (Note 5)	155,362
Funds Held for Others	1,468
Total Current Liabilities	1,498,402

Non-Current Liabilities:

Employees' Compensable Leave (Note 5)	466,087
Total Non-Current Liabilities	466,087

Total Liabilities	\$ 1,964,489
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	203,413
Unrestricted (Note 1)	6,132,760

Total Net Assets	6,336,173
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Total Liabilities and Net Assets	\$ 8,300,662
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See Accompanying Notes to the Financial Statements

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

Operating Expenses	
Institutional Support	\$ 17,247,168
Depreciation and Amortization	<u>42,873</u>
Total Operating Expenses	<u>17,290,041</u>
Operating Income (Loss)	<u>(17,290,041)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	1,883,180
Investment Income	4,597,419
Loss on Sale and Disposal of Capital Assets	(29,038)
Decrease in Fair Value of Investments	(78,723)
Other Nonoperating Revenues (Expenses)	<u>57,184</u>
Total Nonoperating Revenues (Expenses)	<u>6,430,022</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(10,860,019)
Other Revenues, Expenses, Gains, Losses and Transfers	
Legislative Transfer In (Note 8)	6,676,158
Transfers In from Components	<u>4,508,484</u>
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>11,184,642</u>
TOTAL CHANGES IN NET ASSETS	<u><u>\$ 324,623</u></u>
Beginning Net Assets (September 1, 2005)	<u>6,011,550</u>
Ending Net Assets (August 31, 2006)	<u><u>\$ 6,336,173</u></u>

See Accompanying Notes to the Financial Statements

UNAUDITED

**Texas Tech University System Administration
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
Institutional Support	\$ 10,901,043	\$ 2,120,769	\$ 925,720	\$ 297,390	\$ 312,221
Depreciation and Amortization					
Total Operating Expenses	\$ 10,901,043	\$ 2,120,769	\$ 925,720	\$ 297,390	\$ 312,221

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Institutional Support	\$ 209,417	\$ 170,168	\$ 466,877	\$ 201,564	\$
Depreciation and Amortization					42,873
Total Operating Expenses	\$ 209,417	\$ 170,168	\$ 466,877	\$ 201,564	\$ 42,873

Function	Scholarships	Other Operating	Grand Total
Institutional Support	\$ 500	\$ 1,641,499	\$ 17,247,168
Depreciation and Amortization			42,873
Total Operating Expenses	\$ 500	\$ 1,641,499	\$ 17,290,041

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

Cash Flows from Operating Activities

Payments to Employees	\$ (6,288,913)
Payments for Other Operating Activities	(10,983,327)
Net Cash Used By Operating Activities	<u>(17,272,240)</u>

Cash Flows from Noncapital Financing Activities

Proceeds from State Appropriations	2,065,777
Transfers In from Other Components	11,184,642
Proceeds from Agency Transactions	1,552
Proceeds from Other Noncapital Financing Activities	<u>57,184</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,309,155</u>

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets	(67,759)
Net Cash Used by Capital and Related Financing Activities	<u>(67,759)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	919,525
Proceeds from Interest and Investment Income	4,658,727
Purchases of Investments	<u>(3,073,100)</u>
Net Cash Provided by Investing Activities	<u>2,505,152</u>

TOTAL NET CASH FLOWS	\$ <u>(1,525,692)</u>
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Beginning Cash & Cash Equivalents - September 1, 2005	4,915,708
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Ending Cash & Cash Equivalents - August 31, 2006	<u>\$ 3,390,016</u>
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Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(17,290,041)
Adjustments:	
Depreciation Expense	42,873
(Increase) Decrease in Accounts Receivable	1,495
(Increase) Decrease in Prepaid Expenses	(140)
Increase (Decrease) in Accounts Payable	57,352
Increase (Decrease) in Payroll Payable	(204,925)
Increase (Decrease) in Compensable Leave	<u>121,146</u>
Net Cash Used for Operating Activities	<u>(17,272,240)</u>

POLICIES AND NOTES

TEXAS TECH UNIVERSITY SYSTEM ADMINISTRATION

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies**Reporting Entity**

The Texas Tech University System Administration 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.

Blended Component Unit

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 System Administration are maintained using a modified accrual basis. 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 System Administration is considered a special-purpose government engaged only in business-type activities. Accordingly, Texas Tech University System Administration'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.

Texas Tech University System Administration 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

	Current Unrestricted	Current Restricted	Total
Cash In Bank	\$ (4,500,836)	\$(1,925)	\$(4,502,761)
Reimbursement Due from Comptroller	1,466		1,466
Repurchase Agreements	771,466	330	771,796
TexPool & TexStar Investments	7,118,213	1,302	7,119,515
Total Cash and Cash Equivalents	\$ 3,390,309	\$(293)	\$3,390,016

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

The Texas Tech University System Administration accounts for its investments at fair 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.

Receivables

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

Prepaid Expenses

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

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 value on the acquisition date. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charged to operating expenses 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

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

Employees' Compensable Leave Balances

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

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.

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

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	\$227,519
Imprest Funds	600
Fair Market Value Adjustment	(91,809)
Future Operating Budgets	<u>5,996,450</u>
Total Unrestricted Net Assets	<u>\$6,132,760</u>

Interfund Activity and Transactions

Texas Tech University System Administration 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, 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	Inc- Int'agy Trans	Dec- Int'agy Trans	Additions	Deletions	Balance 08/31/06
Depreciable Assets:								
Furniture and Equipment	\$185,179						(\$29,038)	\$156,141
Vehicles, Boats and Aircraft	140,955					67,759		208,714
Total depreciable assets at historical costs	326,134					67,759	(29,038)	364,855
Less Accumulated Depreciation for:								
Furniture and Equipment	(67,727)					(24,072)	17,076	(74,723)
Vehicles, Boats and Aircraft	(50,842)					(35,877)		(86,719)
Total Accumulated Depreciation	(118,569)					(59,949)	17,076	(161,442)
Depreciable Assets, Net	207,565					7,810	(11,962)	203,413
Business-type Activities Capital Assets, net:	\$207,565					\$7,810	(\$11,962)	\$203,413

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

Note 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University System Administration’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 Administration 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 Administration 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 Administration 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 Administration assets are invested in two investment pools; the Short/Intermediate Term Investment Fund (SITIF) and Long Term Investment Fund (LTIF). The SITIF is the principal cash fund of the Texas Tech University System and the commingled endowment/institutional fund is the LTIF.

Deposits of Cash in Bank

As of August 31, 2006, the carrying amount of deposits was \$(4,502,761) as presented below.

Enterprise Funds

CASH IN BANK – CARRYING AMOUNT	\$ (4,502,761)
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	0
Cash in Bank per AFR	<u>\$ (4,502,761)</u>
Enterprise Funds Current Assets Cash in Bank	\$ (4,500,836)
Enterprise Funds Current Assets Restricted Cash in Bank	(1,925)
Cash in Bank per AFR	<u>\$ (4,502,761)</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”.

As of August 31, 2006, the total bank balance for Enterprise Funds was \$0.

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

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	\$2,239,881
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	1,333,027
Repurchase Agreement	771,796
Fixed Income Money Market and Bond Mutual Fund	534,086
Other Commingled Funds	3,131,100
Other Commingled Funds (Texpool)	<u>3,988,415</u>
Total Investments	<u>\$11,998,305</u>
Non-Current Investments	\$4,106,994
Items in Cash and Cash Equivalents:	
Repurchase Agreements	771,796
TexPool & TexStar Investments	<u>7,119,515</u>
Total	<u>\$11,998,305</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System Administration’s investment policy limits fixed income securities held by the SITIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the SITIF 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 System’s credit quality distribution for securities with credit risk exposure is presented below.

Standard & Poor’s

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	Unrated
01	0001	U.S. Government Agency Obligations	\$1,333,207				
01	0001	Repurchase Agreement	771,796				
			AAAf	AAf	Af		Unrated
01	0001	Fixed Income Money Market and Bond Mutual Fund					\$534,086

Derivative Investing

Texas Tech University System Administration 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 Texas Tech University System Administration, will provide future cash inflows on a time schedule that approximately matches the outflows associated with the System Administration’s liabilities. These securities are rated AAA by the major rating agencies.

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

Note 4: Short-Term Debt

Texas Tech University System Administration has no short-term debt outstanding 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
Compensable Leave	\$500,303	\$121,146	\$0	\$621,449	\$155,362
Total	\$500,303	\$121,146	\$0	\$621,449	\$155,362

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. 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.

Note 6: Capital Leases

The Texas Tech University System Administration has no capital leases.

Note 7: Operating Leases

The Texas Tech University System Administration has no operating leases.

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:

Transfers In or Transfers Out
 Legislative Transfers In or Legislative Transfers Out

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>Legislative Transfer In</u>	<u>Amount</u>
Texas Tech University (Agency 733)	\$3,382,036
Texas Tech University Health Sciences Center (Agency 739)	3,294,122
Total Legislative Transfer In	\$6,676,158

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

Note 9: Contingent Liabilities

At August 31, 2006, no material lawsuits or claims involving the Texas Tech University System Administration were pending.

Note 10: Continuance Subject to Review

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

Note 11: Risk Financing and Related Insurance

Texas Tech System Administration 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 System 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. SORM pays all WCI claims. The Worker's Compensation plan 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 for employees 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 12: Segment Information

The Texas Tech University System Administration has no reportable segments.

Note 13: Bonded Indebtedness

The Texas Tech University System Administration has no bonded indebtedness.

Note 14: Subsequent Events

The Texas Tech University System Administration has no material subsequent events to disclose.

Note 15: Related Parties – Relationship with Texas Tech University System Administration

The Texas Tech University System Administration has no related parties to report.

Note 16: Stewardship, Compliance and Accountability

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

Note 17: The Financial Reporting Entity

The Financial Reporting Entity

Texas Tech University System Administration is the executive arm of the Texas Tech University System. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System Administration. Texas Tech University System Administration has no related organizations or joint ventures or jointly governed organizations.

Texas Tech University System Administration – Notes to the Financial Statements (continued)**Note 18: Restatement of Fund Balances and Net Assets**

Texas Tech University System Administration has no restatement of Fund Balance and Net Assets.

Note 19: Employee Retirement Plans (administering agencies only)

Not applicable

Note 20: Deferred Compensation (administering agencies only)

Not applicable

Note 21: Donor Restricted Endowments

Texas Tech University System Administration has no endowments.

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

Texas Tech University System Administration has no material highlights to include for fiscal year 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 System Administration has no special or extraordinary items to disclose for the year ended August 31, 2006.

Note 25: Disaggregation of Receivable and Payable Balances**Receivables**

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

<u>Type</u>	<u>Net Amount</u>
Interest and Dividends Receivable	\$(77,057)
Accounts Receivables	386
Total Receivables	<u><u>\$(76,671)</u></u>

Payables

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

<u>Type</u>	<u>Net Amount</u>
Accounts Payable	\$352,212
Payroll Payable	989,360
Total Payables	<u><u>\$1,341,572</u></u>

Note 26: Termination Benefits

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

SCHEDULES

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable