

TEXAS TECH UNIVERSITY SYSTEM



CONSOLIDATED ANNUAL FINANCIAL REPORT

FISCAL YEAR 2009

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2009

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY SYSTEM

Office of the Chancellor

November 18, 2009

Honorable Rick Perry
Governor of Texas

Honorable Susan Combs
Texas Comptroller

Mr. John O'Brien
Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

To Agency Heads Addressed:

The Financial Report of Texas Tech University System, 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, 2009. Neither the State Auditor nor TTUS Office of Audit Services has audited the accompanying annual financial report and, therefore, neither has 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, 2009.

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 "Kent Hance", written in a cursive style.

Kent Hance
Chancellor



TEXAS TECH UNIVERSITY™

Office of Financial Affairs

November 18, 2009

Chancellor Kent Hance
Texas Tech University System
Lubbock, Texas 79409

Dear Chancellor Hance:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2009, 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 statewide requirements embedded in Governmental Accounting Standards Board (GASB) 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 (CAFR); 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,

Sharon Williamson, CPA
Director of Managerial Reporting

Approved:

Jim Brunjes
Texas Tech University System
Chief Financial Officer

SSW:nh

Texas Tech University System

Board of Regents

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

Student Regent

Kyle R. Miller..... Term Expires May 31, 2010 Plainview, TX

Officers of the Board

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

Fiscal Officers

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

FINANCIAL STATEMENTS

Texas Tech University System
Statement of Net Assets (Unaudited)
August 31, 2009

ASSETS

Current Assets:	
Cash and Cash Equivalents (Note 1)	\$ 396,439,437.39
Restricted:	
Cash and Cash Equivalents (Note 1)	128,399,370.73
Legislative Appropriations	92,839,153.14
Accounts Receivable, net:	
Federal Receivables	17,948,343.70
Interest and Dividends	745,213.86
Patient Receivables	13,136,602.84
Student Receivables	11,231,978.66
Contract Receivables	13,921,544.56
Gift Receivables	27,393,275.80
Accounts Receivable	9,096,265.73
Other Receivables	2,068,310.42
Due From Other Agencies (Note 12)	6,571,420.19
Prepaid Expenses	41,810,278.73
Consumable Inventories	520,525.77
Merchandise Inventories	3,196,906.13
Loans and Notes Receivable, net	2,691,381.63
Other Current Assets	360,825.00
Total Current Assets	768,370,834.28
Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents (Note 1)	85,460,102.31
Investments (Note 3)	233,147,086.11
Gift Receivables	46,464,237.12
Loans and Notes Receivable, net	2,948,969.64
Investments (Note 3)	639,512,965.25
Capital Assets (Note 2)	
Non-Depreciable	249,700,404.43
Depreciable	1,774,400,551.57
Accumulated Depreciation	(893,993,245.23)
Total Non-Current Assets	2,137,641,071.20
Total Assets	\$ 2,906,011,905.48

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 44,199,500.60
Payroll Payable	53,457,251.90
Unclaimed Property Due to State Treasury	46,581.96
Deferred Revenues	134,251,659.53
Interfund Payable (Note 12)	259,459.77
Employees' Compensable Leave (Note 5)	7,063,513.72
Claims Payable (Note 5)	1,625,386.29
Notes and Loans Payable (Note 5)	44,367,000.00
Bonds Payable (Note 5)	26,228,297.91
Funds Held for Others	25,201,397.40
Other Current Liabilities	4,752,243.81
Total Current Liabilities	341,452,292.89

Texas Tech University System
Statement of Net Assets (Unaudited)
August 31, 2009

ASSETS

Non-Current Liabilities:

Unclaimed Property Due to State Treasury	80,534.24
Employees' Compensable Leave (Note 5)	33,536,534.52
Claims Payable (Note 5)	14,628,476.62
Bonds Payable (Note 5)	475,498,658.56
Other Non-Current Liabilities	1,033,055.27
Total Non-Current Liabilities	<u>524,777,259.21</u>
Total Liabilities	<u>\$ 866,229,552.10</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	643,064,787.18
Restricted:	
Nonexpendable:	
Endowments	565,408,610.75
Expendable:	
Capital Projects	48,470,163.74
Higher Education Assistance Fund	33,988,726.97
Debt Service	20,218,993.04
Other	176,936,987.57
Unrestricted (Note 1)	551,694,084.13
Total Net Assets	<u>2,039,782,353.38</u>
Total Liabilities and Net Assets	<u>\$ 2,906,011,905.48</u>

See Accompanying Notes to the Financial Statements

Texas Tech University System
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)
For the Year Ended August 31, 2009

Operating Revenues	
Tuition and Fees	\$ 10,532,112.57
Tuition and Fees - Pledged	268,761,881.60
Less Discounts and Allowances	(36,661,543.78)
Professional Fees	216,063,187.70
Sales and Services of Auxiliary Enterprises - Pledged	99,104,611.35
Other Sales and Services	3,095,731.02
Other Sales and Services - Pledged	10,297,714.05
Federal Grants and Contracts (Schedule 1A)	42,608,759.76
Federal Grants and Contracts - Pledged (Schedule 1A)	3,246,344.56
Federal Grant Pass-Throughs (Schedule 1A)	7,664,057.39
State Grants and Contracts	5,636,341.29
State Grants and Contracts - Pledged	149,637.48
State Grant Pass-Throughs (Schedule 1B)	26,246,583.70
Local Governmental Grants and Contracts	98,915,879.58
Local Governmental Grants and Contracts - Pledged	816,794.68
Nongovernmental Grants and Contracts	36,917,350.48
Nongovernmental Grants and Contracts - Pledged	2,557,429.67
Total Operating Revenues	<u>795,952,873.10</u>
Operating Expenses	
Instruction	432,649,477.63
Research	98,680,770.61
Public Service	135,532,446.58
Academic Support	173,541,460.92
Student Services	41,128,969.12
Institutional Support	91,374,837.34
Operations and Maintenance of Plant	81,091,073.57
Scholarships and Fellowships	35,243,490.70
Auxiliary Enterprises	108,038,008.14
Depreciation and Amortization	68,123,935.90
Total Operating Expenses	<u>1,265,404,470.51</u>
Operating Income (Loss)	<u>(469,451,597.41)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	359,514,137.93
Federal Grants and Contracts (Schedule 1A)	22,496,065.22
Private Gifts	63,736,275.28
Private Gifts - Pledged	11,124,671.70
Investment Income (Expense)	(23,961,013.35)
Investment Income (Expense) - Pledged	10,858,888.32
Interest Expense on Capital Asset Financing	(21,606,485.51)
Loss on Sale and Disposal of Capital Assets	(1,061,495.78)
Net Decrease in Fair Value of Investments	(46,521,132.02)
Other Nonoperating Revenues (Expenses)	3,661,083.69
Other Nonoperating Revenues (Expenses) - Pledged	7,477,328.41
Total Nonoperating Revenues (Expenses)	<u>385,718,323.89</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	(83,733,273.52)
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	45,968,915.00
Capital Contributions	2,113,825.68
Lapsed Appropriations	(150.76)
Additions to Permanent Endowments	492,194.60
Legislative Transfer Out (Note 12)	(3,119,951.43)
Increase Net Assets - Interagency Transfer Capital Assets (Note 12)	53,105.32
Decrease Net Assets - Interagency Transfer Capital Assets (Note 12)	(12,603.63)
Transfers Out to Other State Agencies (Note 12)	(15,175,722.60)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>30,319,612.18</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ (53,413,661.34)</u>
Beginning Net Assets (September 1, 2008)	2,080,492,349.45
Restatement of Beginning Net Assets (Note 14)	<u>12,703,665.27</u>
Ending Net Assets (August 31, 2009)	<u>\$ 2,039,782,353.38</u>

See Accompanying Notes to the Financial Statements

Note: Please see Note 28 in the Notes to the Financial Statements for information about a correction we made to our financial statement after the State of Texas Annual Financial Report was published for fiscal year 2009.

UNAUDITED

Texas Tech University System
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2009

Function	Salaries and Wages	Payroll Related Costs	Cost of Goods Sold	Professional Fees and Services	Travel
Instruction	\$ 318,319,834.50	\$ 72,000,300.09	\$ 848,131.05	\$ 9,542,667.33	\$ 3,307,187.39
Research	53,359,206.74	10,758,553.43	54,474.85	1,746,745.77	3,492,789.02
Public Service	54,048,403.64	12,786,770.39	105,334.94	42,919,053.78	1,019,581.71
Academic Support	91,076,117.33	19,607,091.66	41,147.68	9,760,786.05	4,992,663.06
Student Services	20,061,128.76	4,877,600.63	15,412.24	1,288,700.54	1,745,085.46
Institutional Support	54,808,105.00	14,051,330.75	4,858.00	2,642,758.64	1,276,884.87
Operation and Maintenance of Plant	15,285,154.75	3,846,760.83		463,656.07	111,486.44
Scholarships and Fellowships	46,455.00	3,427.68			
Auxiliary Enterprises	37,839,916.64	8,998,512.40	9,845,121.38	1,336,379.94	4,917,103.79
Depreciation and Amortization					
Total Operating Expenses	\$ 644,844,322.36	\$ 146,930,347.86	\$ 10,914,480.14	\$ 69,700,748.12	\$ 20,862,781.74

Function	Materials and Supplies	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction
Instruction	\$ 9,268,763.29	\$ 1,683,411.02	\$ 811,200.39	\$ 1,292,838.83	\$ 948,513.80
Research	15,042,248.24	1,609,240.89	2,005,524.50	380,078.13	358,354.86
Public Service	15,207,701.29	1,175,915.09	873,855.23	1,325,423.45	412,299.20
Academic Support	18,315,943.07	5,835,176.41	3,630,736.34	2,288,866.18	1,845,156.94
Student Services	3,415,830.06	758,569.31	1,189,201.01	975,485.37	1,926,760.95
Institutional Support	3,837,885.31	1,596,468.29	1,990,804.38	2,077,312.43	1,008,486.34
Operation and Maintenance of Plant	12,095,576.13	24,152,335.39	18,893,488.32	398,630.65	39,411.77
Scholarships and Fellowships	1,584.72			320.00	1,030.91
Auxiliary Enterprises	10,960,066.64	8,076,847.83	5,018,781.59	1,989,166.25	781,593.35
Depreciation and Amortization					
Total Operating Expenses	\$ 88,145,598.75	\$ 44,887,964.23	\$ 34,413,591.76	\$ 10,728,121.29	\$ 7,321,608.12

Function	Depreciation and Amortization	Scholarships	Bad Debt	Claims and Losses	Interest
Instruction	\$	\$ 2,430,078.18	\$ 44.37	\$ 102.84	\$ 1,461.37
Research		1,498,065.62	20,734.76		6,731.05
Public Service		231,498.22		35,500.00	1,045.24
Academic Support		5,765,719.72		1,478,378.86	6,892.40
Student Services		258,457.15	35,429.46		863.74
Institutional Support		10,317.25	978,045.24		7,938.16
Operation and Maintenance of Plant					5,912.05
Scholarships and Fellowships		35,182,597.79	0.76		
Auxiliary Enterprises		3,746,122.65			4,103.10
Depreciation and Amortization	68,123,935.90				
Total Operating Expenses	\$ 68,123,935.90	\$ 49,122,856.58	\$ 1,034,254.59	\$ 1,513,981.70	\$ 34,947.11

Function	Other Operating	Grand Total
Instruction	\$ 12,194,943.18	\$ 432,649,477.63
Research	8,348,022.75	98,680,770.61
Public Service	5,390,064.40	135,532,446.58
Academic Support	8,896,785.22	173,541,460.92
Student Services	4,580,444.44	41,128,969.12
Institutional Support	7,083,642.68	91,374,837.34
Operation and Maintenance of Plant	5,798,661.17	81,091,073.57
Scholarships and Fellowships	8,073.84	35,243,490.70
Auxiliary Enterprises	14,524,292.58	108,038,008.14
Depreciation and Amortization		68,123,935.90
Total Operating Expenses	\$ 66,824,930.26	\$ 1,265,404,470.51

Note: Please see Note 28 in the Notes to the Financial Statements for information about a correction we made to our financial statement after the State of Texas Annual Financial Report was published for fiscal year 2009.

Texas Tech University System
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2009

Cash Flows from Operating Activities

Tuition and Fees	\$ 244,079,788.52
Grants and Contracts	218,100,193.89
Sales and Services of Auxiliary Enterprises	99,901,720.44
Collections from Patients and Insurers	223,811,522.74
Collections of Loans to Students	3,989,523.71
Other Sales and Services	11,781,579.88
Other Operating Activities	5,257,674.54
Payments to Suppliers	(278,646,596.81)
Payments to Employees	(654,114,976.33)
Payments for Loans Issued to Students	(931,099.70)
Payments for Auxiliary Enterprises	(271,374.43)
Payments for Other Operating Activities	(278,636,888.14)
Net Cash Used By Operating Activities	<u>(405,678,931.69)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	363,713,206.61
Noncapital Gifts and Grants	100,902,181.60
Proceeds from Direct Lending	42,616,926.57
Payments for Direct Lending	(42,763,786.00)
Transfers Out to Other State Agencies	(5,388,110.40)
Payments for Agency Transactions	(15,588.94)
Other Noncapital Financing Activities	3,705,926.91
Net Cash Provided by Noncapital Financing Activities	<u>462,770,756.35</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuances	192,198,459.85
Capital Appropriations	49,824,045.36
Proceeds from Capital Gifts and Grants	2,031,523.53
Purchases of Capital Assets	(122,979,937.32)
Principal Paid on Capital Debt	(121,643,308.54)
Interest Paid on Capital Debt	(22,001,252.65)
Payments for Other Capital Related Activities	(362,283.39)
Net Cash Used by Capital and Related Financing Activities	<u>(22,932,753.16)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	84,014,645.61
Interest and Dividends Received	50,570,976.34
Purchases of Investments	(121,728,699.34)
Net Cash Provided by Investing Activities	<u>12,856,922.61</u>

TOTAL NET CASH FLOWS \$ 47,015,994.11

Beginning Cash & Cash Equivalents - September 1, 2008 563,282,916.32

Ending Cash & Cash Equivalents - August 31, 2009 \$ 610,298,910.43

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(469,451,597.41)
Adjustments:	
Depreciation Expense	68,123,935.90
Bad Debt Expense	18,980.26
(Increase) Decrease in Accounts Receivables	(1,409,319.00)
(Increase) Decrease in Loans and Notes Receivable	419,422.18
(Increase) Decrease in Inventory	637,147.21
(Increase) Decrease in Due From Other Agencies	665,254.79
(Increase) Decrease in Prepaid Expenses	818,228.10
(Increase) Decrease in Other Assets	1,624,268.86
Increase (Decrease) in Accounts Payables	(6,522,809.90)
Increase (Decrease) in Payroll Payables	(3,556,315.73)
Increase (Decrease) in Deferred Revenue	3,526,199.74
Increase (Decrease) in Compensable Leave	2,441,810.66
Increase (Decrease) in Claims Payable	(2,373,744.09)
Increase (Decrease) in Due To Other Agencies	36,608.33
Increase (Decrease) in Other Liabilities	(677,001.59)
Net Cash Used for Operating Activities	<u>(405,678,931.69)</u>

Note: Please see Note 28 in the Notes to the Financial Statements for information about a correction we made to our financial statement after the State of Texas Annual Financial Report was published for fiscal year 2009.

POLICIES AND NOTES

TEXAS TECH UNIVERSITY SYSTEM

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

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

Blended Component Units

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

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

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

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

Basis of Accounting

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

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

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

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

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

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	\$183,412.70	\$2,483.00	\$0.00	\$185,895.70
Cash in Bank	393,592.28	(17,221,251.52)	(420,609.07)	(17,248,268.31)
Reimburse from Treasury	4,663,559.89			4,663,559.89
Cash in State Treasury	48,860,115.70			48,860,115.70
Repurchase Agreements	45,989,385.49	18,029,985.62	2,511,082.74	66,530,453.85
TexPool & TexStar Investments	296,349,371.33	127,588,153.63	83,369,628.64	507,307,153.60
Total Cash and Cash Equivalents	\$396,439,437.39	\$128,399,370.73	\$85,460,102.31	\$610,298,910.43

Investments

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

Restricted Assets

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

Inventories

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

Receivables

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

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

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

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

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

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

Prepaid Expenses

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

Loans and Notes Receivable

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

Capital Assets

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

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 System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 13.

Texas Tech University System – Notes to the Financial Statements (continued)**Funds Held for Others**

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

Interfund Payable

Interfund payables are resources payable to other state agencies for Lone Star that assisted the System with utility costs. This payable is further explained in Note 12.

Net Assets

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

Unrestricted Net Assets as reported on the Statement of Net Assets

Reserved for:	
Encumbrances	\$33,678,626.57
Accounts Receivable	62,879,138.22
Inventory	3,717,431.90
Prepaid Expenses	12,467,990.95
Imprest Funds	301,968.06
Balances Subject to Reappropriation	540,332.82
Working Capital	35,557.50
Self-Insured Plans	33,646,964.20
Fair Market Value Adjustment	295,046.76
Fire and Extended Coverage Loss	5,992,451.00
Future Operating Budgets	74,304,614.42
Service Department Operating Funds	19,362,766.01
Student Service Fees	704,526.50
Funds Functioning as Endowments	84,921,975.99
Unreserved	218,914,693.23
Total Unrestricted Net Assets	\$551,694,084.13

Interfund Activity and Transactions

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

Texas Tech University System - 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 09/01/08	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 08/31/09
Non-depreciable Assets:								
Land and Land Improvements	\$14,127,666.83							\$14,127,666.83
Construction In Progress	151,078,392.99	(3,464.28)	(73,422.97)			32,638,062.82		183,639,568.56
Other Capital Assets	48,361,514.54					3,571,654.50		51,933,169.04
Total Non-depreciable Assets	213,567,574.36	(3,464.28)	(73,422.97)			36,209,717.32		249,700,404.43
Depreciable Assets:								
Building & Building Improvements	1,169,232,745.11					43,544,813.59	(747,994.46)	1,212,029,564.24
Infrastructure	35,808,458.80					3,993,397.19		39,801,855.99
Facilities & Other Improvements	155,934,676.43		73,422.97			3,127,281.93		159,135,381.33
Furniture and Equipment	192,296,156.37	(49.95)		202,197.78		28,991,635.29	(8,719,365.18)	212,770,574.31
Vehicles, Boats and Aircraft	14,630,090.98				(12,603.63)	1,281,174.04	(557,194.22)	15,341,467.17
Other Capital Assets	127,763,976.52	(381,483.69)				8,175,052.89	(235,837.19)	135,321,708.53
Total depreciable assets at historical costs	1,695,666,104.21	(381,533.64)	73,422.97	202,197.78	(12,603.63)	89,113,354.93	(10,260,391.05)	1,774,400,551.57
Less Accumulated Depreciation for:								
Buildings and Improvements	(603,594,320.37)					(32,774,294.40)	258,397.44	(636,110,217.33)
Infrastructure	(8,647,934.62)					(1,420,859.64)		(10,068,794.26)
Facilities & Other Improvements	(41,330,593.03)					(6,899,723.76)		(48,230,316.79)
Furniture & Equip	(125,753,243.62)	(320.88)		(149,092.46)		(18,296,662.13)	8,142,400.74	(136,056,918.35)
Vehicles, Boats And Aircraft	(9,539,638.43)				12,603.63	(1,195,873.53)	524,050.91	(10,198,857.42)
Other Capital Assets	(45,979,190.57)	(6,124.80)				(7,536,522.44)	193,696.73	(53,328,141.08)
Total Accumulated Depreciation	(834,844,920.64)	(6,445.68)		(149,092.46)	12,603.63	(68,123,935.90)	9,118,545.82	(893,993,245.23)
Depreciable Assets, Net	860,821,183.57	(387,979.32)	73,422.97	53,105.32	0.00	20,989,419.03	(1,141,845.23)	880,407,306.34
Business-type Capital Assets, net:	\$1,074,388,757.93	\$(391,443.60)	\$0.00	\$53,105.32	\$0.00	\$57,199,136.35	\$(1,141,845.23)	\$1,130,107,710.77

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

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

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

Deposits of Cash in Bank

As of August 31, 2009, the carrying amount of deposits was \$(17,248,268.31) as presented below.

Business-Type Activities

Cash in Bank -- Carrying Amount	\$(17,248,268.31)
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0
Total Cash in Bank per AFR	<u>\$(17,248,268.31)</u>

Proprietary Funds Current Assets Cash in Bank	\$393,592.28
Proprietary Funds Current Assets Restricted Cash in Bank	(17,221,251.52)
Proprietary Funds Non-Current Assets Restricted Cash in Bank	(420,609.07)
Cash in Bank per AFR	<u>\$(17,248,268.31)</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, 2009, the total **bank balance** for Business-Type Activities was \$11,568,761.53.

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

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

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

Investments

As of August 31, 2009, the fair value of investments is as presented below.

Type of Security	Fair Value
Business-Type Activities	
U.S. Government	
U.S. Treasury Securities	\$ 100,014,088.50
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	55,743,509.87
Corporate Obligations	50,000.00
Corporate Asset and Mortgage Backed Securities	2,420.20
Equity	91,870,836.31
International Equity	66,908,973.81
Repurchase Agreement	66,530,453.85
Fixed Income Money Market and Bond Mutual Fund	138,349,407.17
Other Commingled Funds	148,631,865.93
Other Commingled Funds (Texpool)	434,844,822.97
Real Estate	1,130,825.71
Alternative Investments – Domestic	319,922,758.31
Alternative Investments – International	6,226,832.59
Misc (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	16,270,863.59
Total Investments	<u>\$1,446,497,658.81</u>
Reconciliation of Investments – Business-Type Activities	
Non-Current Investments per Statement of Net Assets	\$ 872,660,051.36
Items in Cash and Cash Equivalents per Note 1:	
Repurchase Agreements	66,530,453.85
TexPool & TexStar Investments	507,307,153.60
Total	<u>\$1,446,497,658.81</u>

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

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
05	9999	Equity	\$1,599,349.21	

Texas Tech University System – 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 System's policy is limit international equity investments to between 10-30% of the LTIF portfolio. The exposure to foreign currency risk as of August 31, 2009, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Alternative Investment	International Equity
05	9999	Argentine peso		\$20,604.56
05	9999	Australian dollar		627,781.75
05	9999	Bermudan dollar		139.34
05	9999	Brazilian real		3,870,066.44
05	9999	Canadian dollar		1,917,791.43
05	9999	Cayman dollar		23.05
05	9999	Chilean Peso		61,813.67
05	9999	Chinese yuan		2,828,197.44
05	9999	Colombian peso		216,743.85
05	9999	Czech koruna		82,418.23
05	9999	Danish krone		80,264.58
05	9999	Egyptian pound		267,859.26
05	9999	Euro	6,177,017.93	7,468,731.21
05	9999	Hong Kong dollar		3,470,732.35
05	9999	Hungarian forint		61,813.67
05	9999	Indian rupee		1,407,528.91
05	9999	Indonesian rupiah		897,033.68
05	9999	New Israeli shekel		164,836.47
05	9999	Japanese yen		9,996,146.92
05	9999	Malaysian ringgit		490,370.61
05	9999	Mexican peso		619,476.18
05	9999	Moroccan dirham		41,209.12
05	9999	New Zealand dollar		5.67
05	9999	Norwegian krone		19.50
05	9999	Phillippino peso		123,627.35
05	9999	Polish zloty	49,814.66	556,323.07
05	9999	Pound sterling		8,540,046.95
05	9999	Russian ruble		2,616,778.88
05	9999	Singapore dollar		2,764,913.87
05	9999	South African rand		432,695.72
05	9999	South Korean won		6,157,141.28
05	9999	Swedish krona		347,723.11
05	9999	Swiss franc		3,545,726.65
05	9999	Taiwan dollar		3,171,664.92
05	9999	Thai baht		1,760,629.40
05	9999	New Turkish lira		2,300,094.72
		Total	\$6,226,832.59	\$66,908,973.81

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the STIF must hold securities that are at least rated investment grade. As of August 31, 2009, the System's credit quality distribution for securities with credit risk exposure was as follows.

Standard &
Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$55,743,509.87				
05	9999	Corporate Obligations					\$50,000.00
05	9999	Corporate Asset and Mortgage Back Securities	\$2,420.20				
05	9999	Repurchase Agreement	\$66,530,453.85				
			AAAf	AAf	Af		Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$3,903.80				\$138,345,503.37

Derivative Investing

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

Note 4: Short-Term Debt

Texas Tech University System has no outstanding short-term debt as of August 31, 2009.

Texas Tech University System– Notes to the Financial Statements (continued)**Note 5: Long-Term Liabilities****Changes in Long-Term Liabilities**

During the year ended August 31, 2009, the following changes occurred in liabilities.

Business- Type Activity	Balance 09/01/08	Additions	Reductions	Balance 08/31/09	Amounts Due Within One Year	Amounts Due Thereafter
Claims Payable	\$18,627,607.00		\$2,373,744.09	\$16,253,862.91	\$1,625,386.29	\$14,628,476.62
Notes and Loans	74,268,000.00	40,808,000.00	70,709,000.00	44,367,000.00	44,367,000.00	
Revenue Bonds	389,045,000.00	178,923,701.38	66,241,744.91	501,726,956.47	26,228,297.91	475,498,658.56
Compensable Leave	38,158,237.58	4,264,705.94	1,822,895.28	40,600,048.24	7,063,513.72	33,536,534.52
Total	\$520,098,844.58	\$223,996,407.32	\$141,147,384.28	\$602,947,867.62	\$79,284,197.92	\$523,663,669.70

Claims Payable

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

Employees' Compensable Leave

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

Bonds Payable

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

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 8/31/09 will mature in fiscal year 2010.

Pollution Remediation Obligations

Texas Tech University is waiting further review by the Texas Commission on Environmental Quality to determine the responsible party and the cost for pollution remediation activities on land that the University owns in Carson County, Texas.

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

Commercial paper has short maturities up to 270 days with interest rates ranging from .2% to 7.75%.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2010	\$44,367,000.00	\$99,859.69	\$44,466,859.69
2011			
2012			
2013			
2014			
All Other Years			
Total Requirements	<u>\$44,367,000.00</u>	<u>\$99,859.69</u>	<u>\$44,466,859.69</u>

Note 6: Bonded Indebtedness**Bonds Payable**

Several bond issues were outstanding as of August 31, 2009 which are summarized in the paragraphs that follow.

Revenue Financing System Refunding and Improvement Bonds, Sixth 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. Also, financing for projects in Amarillo, Midland, and Lubbock.
Original Issue Amount:	\$115,100,000
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; \$6,070,000.00 retired, \$39,245,000.00 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. Also, financing for projects in El Paso and Lubbock.
Original Issue Amount:	\$126,865,000
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$3,605,000.00 retired

Texas Tech University System – Notes to the Financial Statements (continued)**Revenue Financing System Bonds, Eighth Series 2001 (Taxable)**

Purpose:	Financing of renovation of Jones Stadium and costs of issuance
Original Issue Amount:	\$42,810,000
Issue Date:	January 23, 2002
Interest Rates:	3.46% to 6.75%
Maturity Date Range:	2003 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$2,315,000.00 retired

Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003

Purpose:	Refunding of Series A Notes and Series 1993 bonds, construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other System construction of capital improvement projects and costs of issuance
Original Issue Amount:	\$97,265,000
Issue Date:	September 23, 2003
Interest Rates:	2.00% to 5.25%
Maturity Date Range:	2003 through 2023
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$4,320,000.00 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, renovation of the Student Union Building, Medical Education Building project in El Paso and various dormitories and other University construction of capital improvement projects
Original Issue Amount:	\$220,915,000;
Issue Date:	February 2, 2006
Interest Rates:	4.00% to 5.00%
Maturity Date Range:	2006 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$3,290,000.00 retired

Texas Tech University System – Notes to the Financial Statements (continued)**Revenue Financing System Refunding and Improvement Bonds, 12th Series 2009**

Purpose:	For current refunding of Series A Notes and Series 1999 bonds, to pay for construction of the new College of Business Administration Building, renovation of the existing College of Business Administration Building, construction of the Lanier Professional Development Center, construction of the Student Leisure Pool, and other System construction of capital improvement projects. Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects. For advanced refunding of ASU portion of Texas State University System bonds and construction of Centennial Village.
Original Issue Amount	\$170,825,000.00; all authorized bonds have been issued
Issue Date	February 2, 2009
Interest Rates	3.00% to 5.25%
Maturity Date Range	2009 through 2038
Type of Bond	Revenue
Changes in Debt	\$170,825,000.00 issued; \$7,360,000.00 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 components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

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

Description	Year	Principal	Interest	Total
All Issues	2010	\$2,636,420.62	\$2,110,188.34	\$4,746,608.96
	2011	2,792,166.66	1,982,844.20	4,775,010.86
	2012	2,925,628.09	1,856,601.78	4,782,229.87
	2013-2017	14,460,906.55	7,057,503.00	21,518,409.55
	2018-2022	9,884,812.22	3,808,884.42	13,693,696.64
	2023-2027	3,835,000.00	2,092,000.00	5,927,000.00
	2028-2032	4,870,000.00	1,034,750.00	5,904,750.00
	2033	1,125,000.00	56,250.00	1,181,250.00
Totals		\$42,529,934.14	\$19,999,021.74	\$62,528,955.88

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

A portion of the ASU debt above represents Tuition Revenue Bonds historically funded by the Texas Legislature through General Revenue Appropriations. ASU was appropriated \$3,935,894 during the current fiscal year for Tuition Revenue Bond debt service. ASU expects future Legislative appropriations to meet debt service requirements for Tuition Revenue bonds.

Note 7: Capital Leases

As of August 31, 2009, Texas Tech University System had no outstanding capital leases.

Note 8: 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>	
2010	\$3,807,879.75
2011	3,922,116.14
2012	4,039,779.63
2013	4,160,973.01
2014	4,285,802.20
Total Minimum Future Lease Rental Payments	<u>\$20,216,550.73</u>

Note 9: Retirement Plans

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher's Retirement System and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2009 are:

	<u>Year Ended August 31, 2009</u>
Member Contributions	\$15,254,884.00
Employer Contributions	<u>16,552,038.91</u>
Total	<u>\$31,806,922.91</u>

Note 10: Deferred Compensation (administering agencies only)

Not applicable

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

Not applicable

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

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

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

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

Individual balances and activity at August 31, 2009, follows:

<u>Current Interfund Payable</u>	<u>Amount</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515	\$259,459.77	Lone Star
Total Interfund Payable	\$259,459.77	

<u>Due from Other Agencies</u>	<u>Amount</u>
Texas Education Agency (Agency 701)	188,930.73
Texas School for the Blind (Agency 771)	111,574.84
Texas Water Development Board (Agency 580)	252,820.50
Texas Commission on Environmental Quality (Agency 582)	128,404.37
Texas Parks Wildlife (Agency 802)	130,789.77
Texas Workforce Commission (Agency 320)	210,615.06
Texas Department of Transportation (Agency 601)	137,126.73
Texas Higher Education Coordinating Board (Agency 781)	39,975.71
University of Texas System (Agency 720)	5,371,182.48
Total Due from Other Agencies	\$ 6,571,420.19

<u>Transfers Out to Other State Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	\$1,995,456.15
Texas State University System (Agency 758)	9,787,612.20
Texas Public Finance Authority (Agency 347)	492,654.25
Texas Department of State Health Services (Agency 529)	2,900,000.00
Total Transfers Out to Other State Agencies	\$15,175,722.60

<u>Increase Net Assets - Interagency Capital Asset Transfers</u>	<u>Amount</u>
Texas Department of Public Safety (Agency 405)	\$12,189.80
University of Texas at Austin (Agency 721)	531.44
University of Texas Medical Branch at Galveston (Agency 723)	35,680.23
University of Texas Health Science at San Antonio (Agency 745)	4,703.85
Total Interagency Capital Asset Transfers	\$53,105.32

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

<u>Decrease Net Assets - Interagency Capital Asset Transfers</u>	<u>Amount</u>
San Angelo State School (Agency 539)	<u>\$12,603.63</u>
Total Interagency Capital Asset Transfers	<u>\$12,603.63</u>

<u>Legislative Transfers Out</u>	<u>Amount</u>
Texas State University System (Agency 758)	<u>\$3,119,951.43</u>
Total Legislative Transfers Out	<u>\$3,119,951.43</u>

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

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances/Net Assets

The System has a restatement of beginning net assets for fiscal year 2009 due to an incorrect interest expense accrual in fiscal years 2002 through 2008. The cumulative effect to interest expense is presented below.

Net Assets as Reported at 8/31/08	\$2,080,492,349.45
Restatements	
Other Current Liabilities - Decrease	<u>\$12,703,665.27</u>
Restated Net Assets at 8/31/08	<u>\$2,093,196,014.72</u>

Note 15: Contingent Liabilities

At August 31, 2009, lawsuits and claims involving Texas Tech University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

Note 16: Subsequent Events

The Texas Tech University System had no material subsequent events after August 31, 2009.

Note 17: Risk Management

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

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

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

Note 18: Management Discussion and Analysis

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

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

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

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

The Texas Tech University System employs more than 18,000 faculty and staff. The annual combined budget of the System totals is approximately \$1.3 billion; approximately \$423 million of these funds are provided by the State's General Revenue. The total enrollment across all components is more than 39,000 students

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

Note 19: The Financial Reporting Entity

The Financial Reporting Entity

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

Texas Tech University System – Notes to the Financial Statements (continued)**Individual Component Unit Disclosures**

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

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

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

Related Parties – Relationship with Texas Tech University System

The Texas Tech Alumni Association provided services on behalf of Texas Tech University for which the University paid \$110,000 during the 2009 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

The Angelo State University Alumni Association contributed \$94,759.03 to ASU during the 2009 fiscal year for operation of the alumni office. ASU paid \$11,310.79 above the contributed amount for maintaining the records of the students who have graduated from ASU.

The Angelo State University Foundation is a non-profit organization with the sole purpose of supporting educational and other activities of ASU. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation expended \$764,106.63 on behalf of ASU during the year ended August 31, 2009. During the year, ASU furnished limited staff assistance to the Foundation.

Note 20: Stewardship, Compliance and Accountability

Effective September 1, 2001, the Texas Tech University System changed the basis of financial reporting from modified accrual to full accrual. This change was in response to the implementation of Governmental Accounting Standards Board statements 34 and 35. The Texas Tech University System has no other material stewardship, compliance, or accountability issues.

Note 21: N/A**Note 22: Donor-Restricted Endowments**

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

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

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

Donor-Restricted Endowment	Amount of Net Appreciation	Reported in Net Assets
True Endowments	\$6,321,144.16	Restricted Nonexpendable
Term Endowments	27,611.23	Restricted Nonexpendable
Total	<u>\$6,348,755.39</u>	

Note 23: Extraordinary and Special Items

The Texas Tech University System has no special or extraordinary items to report for the fiscal year ended August 31, 2009.

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

Components of receivables as of August 31, 2009 are summarized below.

Type	Net Amount
Federal Receivables	\$17,948,343.70
Interest and Dividends Receivable	745,213.86
Patient Receivables	13,136,602.84
Student Receivables	11,231,978.66
Contract Receivables	13,921,544.56
Gift Receivables Current & Non-Current	73,857,512.92
Accounts Receivables	9,096,265.73
Loans & Notes Receivable Current & Non-Current	5,640,351.27
Other Receivables	2,068,310.42
Total Receivables	<u>\$147,646,123.96</u>

Contractual Arrangements and Concentrations of Credit Risk

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

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

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

Type	Gross Amount
Medicare	\$5,199,713.91
Medicaid	8,294,185.61
Managed Care, including Blue Cross	6,589,227.40
Commercial	4,643,121.36
Self Pay and Medically Indigent	15,901,733.44
Other	330,297.22
Total Gross Patient Accounts Receivable	<u>\$40,958,278.94</u>

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

Components of payables as of August 31, 2009 are summarized below.

Type	Net Amount
Accounts Payable	\$44,150,003.01
Payroll Payable	53,457,251.90
Total Payables	\$97,607,254.91

Note 25: Termination Benefits

Texas Tech University System has no reportable voluntary or involuntary termination benefits as of August 31, 2009.

Note 26: Segment Information

Texas Tech University System has no reportable segments.

Note 27: Medical Patient Revenues

Patient charges for the medical practice plan are reported net of contractual adjustments and charity care. Components of gross medical patient charges for the year ended August 31, 2009 are summarized below.

Gross Medical Patient Charges	\$296,119,348.94
Less Contractual Adjustments	(95,539,789.36)
Less Charity Care	(75,541,299.02)
Net Medical Patient Charges	<u>\$125,038,260.56</u>

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

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

Patient charges earned under third party contractual arrangements are primarily from fixed rate agreements which, for Medicare and Medicaid, are updated annually by the federal government and state government, respectively. Gross patient services charges under the Medicare and Medicaid programs for the year ended August 31, 2009 were \$153,177,412.71. Compliance with these programs is complex and can be subject to future government interpretation as well as potential regulatory action. For the Medicaid program in Texas, and other government programs, contractual adjustments are reported as charity care as defined in Article III of the General Appropriations Act of the 80th Texas Legislature.

Texas Tech University System – Notes to the Financial Statements (continued)**Note 28: Correction after FY09 State of Texas Annual Financial Report Published**

Texas Tech University System found three errors in the financial statements after the fiscal year 2009 State of Texas Annual Financial Report was published. The corrections have been made to the financial statements in this report. Also, the corrected financial statements have been submitted to the Comptroller's office and the corrections for each financial statement are shown below.

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
SRECNA – Operating Expenses			
Instruction	\$432,647,449.30	\$2,028.33	\$432,649,477.63
SRECNA – Operating Expenses			
Research	101,275,082.02	(2,594,311.41)	98,680,770.61
SRECNA – Operating Expenses			
Scholarships and Fellowships	32,651,207.62	2,592,283.08	35,243,490.70
Net Effect of Correction	<u>\$566,573,738.94</u>	<u>\$0.00</u>	<u>\$566,573,738.94</u>

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
Matrix Expenses – Instruction Salaries and Wages	\$318,317,806.17	\$2,028.33	\$318,319,834.50
Matrix Expenses – Research Salaries and Wages	53,361,235.07	(2,028.33)	53,359,206.74
Matrix Expenses – Research Scholarships	4,090,348.70	(2,592,283.08)	1,498,065.62
Matrix Expenses – Scholarships and Fellowships Scholarships	32,590,314.71	2,592,283.08	35,182,597.79
Net Effect of Correction	<u>\$408,359,704.65</u>	<u>\$0.00</u>	<u>\$408,359,704.65</u>

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
Matrix Expenses – Student Services Travel	\$3,643,734.91	(\$1,898,649.45)	\$1,745,085.46
Matrix Expenses – Student Services Other Expenses	2,681,794.99	1,898,649.45	4,580,444.44
Net Effect of Correction	<u>\$6,325,529.90</u>	<u>\$0.00</u>	<u>\$6,325,529.90</u>

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
Statement of Cash Flows – Tuition and Fees	\$265,809,758.03	(\$21,729,969.51)	\$244,079,788.52
Statement of Cash Flows – Sales and Services of Auxiliary Enterprises	78,171,750.93	21,729,969.51	99,901,720.44
Net Effect of Correction	<u>\$343,981,508.96</u>	<u>\$0.00</u>	<u>\$343,981,508.96</u>

SCHEDULES

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Texas Tech University System
Schedule 1A - Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2009

Note 1: Non-Monetary Assistance:

Texas Tech University System did not receive any non-monetary assistance for the year ended August 31, 2009.

Note 2: Reconciliation:

Federal Grants and Contracts (SRECNA)	\$ 42,608,759.76
Federal Grants and Contracts - Pledged (SRECNA)	3,246,344.56
Federal Grants and Contracts Pass Throughs (SRECNA)	7,664,057.39
Non-Operating Federal Grant and Contracts (SRECNA)	<u>22,496,065.22</u>
Total Federal Revenues	76,015,226.93

Reconciling Items:

Non-Monetary Assistance:	
Donation of Federal Surplus Property	
New Loans Processed	193,206,459.70
Pass Through from Texas A&M Research Foundation	
Total Pass-Through and Expenditures Per Federal Schedule	<u>\$ 269,221,686.63</u>

Note 3: Student Loans Processed and Administrative Costs Recovered:

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$ 90,784.00	\$	\$ 90,784.00	\$ 167,378.09
93.264 Nurse Faculty Loan Program				155,069.17
93.364 Nursing Student Loans				31,911.06
Total U.S. Department of Health and Human Services	<u>\$ 90,784.00</u>	<u>\$</u>	<u>\$ 90,784.00</u>	<u>\$ 354,358.32</u>
U.S. Department of Education				
84.032 Federal Family Education Loans	\$ 192,285,686.03	\$	\$ 192,285,686.03	\$
84.038 Federal Perkins Loan Program	829,989.67	25,558.00	855,547.67	4,362,289.01
Total Department of Education	<u>\$ 193,115,675.70</u>	<u>\$ 25,558.00</u>	<u>\$ 193,141,233.70</u>	<u>\$ 4,362,289.01</u>

Note 4: Government Publications

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

Note 5: Unemployment Insurance Funds

Does not apply to Texas Tech University System

Note 6: (Agency 501 Only)

Note 7: Federal Deferred Revenue

The deferred revenue of \$1,421,231.59 is federal grant prepayments that have not yet been earned.

	Balance 9/1/08	Net Change	Balance 8/31/09
10.001	\$	\$ 2,400.00	\$ 2,400.00
10.200	20,365.30	(20,365.30)	
10.206	2,098.26	(2,098.26)	
10.290		17,907.21	17,907.21
10.600		1,950.00	1,950.00
10.903	1,975.55	(759.75)	1,215.80
12.000	34,827.16	(27,559.67)	7,267.49
12.300		203,663.56	203,663.56
12.420		8,991.31	8,991.31
12.431	319,708.58	603,117.67	922,826.25
12.630	919.64		919.64
12.800	81,694.44	(9,372.08)	72,322.36
12.910	85,046.29	(85,046.29)	
15.812	3,325.39	(1,641.47)	1,683.92
20.761	10,264.37	(10,264.37)	
45.168	5,032.16	(5,032.16)	
47.041	10,608.91	(10,608.91)	
66.513	6,503.28	4,458.16	10,961.44
81.049		31,147.45	31,147.45
84.116		4,763.97	4,763.97
84.215	2,005.84	(2,005.84)	
84.325	23,063.03	(23,063.03)	
84.367	32,971.29	(32,971.29)	
84.928	17,398.97	9,589.66	26,988.63
93.000	16,429.43	10,053.30	26,482.73
93.283		11,221.22	11,221.22
93.358	32,134.65	(32,134.65)	
93.399	10,022.45	(10,022.45)	
93.600		28,334.38	28,334.38
93.837		18,919.00	18,919.00
93.856		1,867.85	1,867.85
93.969		14,185.23	14,185.23
93.994		3,317.66	3,317.66
94.006		1,894.49	1,894.49
	<u>\$ 716,394.99</u>	<u>\$ 704,836.60</u>	<u>\$ 1,421,231.59</u>

Texas Tech University System
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2009

Pass-Throughs From:

<u>Texas Emerging Technology Fund - Governor's Office (Agency 300)</u>	
Texas Emerging Technology Grant	\$ 1,531,807.82
Texas Wide Open for Business Region	48,000.00
<u>Texas Department of Agriculture (Agency 551)</u>	
Texas Enology - Teaching Research and Extension Program	334,916.69
<u>Texas Commission on Environmental Quality (Agency 582)</u>	
Design and Operation of Land Application Systems	190,709.42
<u>Texas Food and Fiber Commission (Agency 904)</u>	
T0764 Development of Value Added	355,191.76
<u>Texas Water Development Board (Agency 580)</u>	
An Integrated Approach to Water Conservation	589,206.17
<u>Texas State Energy Conservation Office (Agency 907)</u>	
Utilizing Agricultural BioMass in Energy Production	38,709.17
<u>Texas Agrilife Research Station (Agency 556)</u>	
Development of a Reference SSR Map of Tetraploid Peanut	306.72
<u>Department of State Health Services (Agency 537)</u>	
DSHS Program Funding	469,300.05
<u>Employee Retirement System of Texas (Agency 327)</u>	
State Kids Insurance Program	88,733.55
<u>Texas Parks and Wildlife Dept (Agency 802)</u>	
TPW Intern	5,082.00
Mitchell County Texas Poppy	5,000.00
<u>University of Texas System (Agency 720)</u>	
UT Bitterweed Toxicosis	22,378.68
<u>University of Texas - San Antonio (Agency 743)</u>	
Small Business Development Center	91,080.06
<u>Texas Higher Education Coordinating Board (Agency 781)</u>	
THECB Learning Object Repository	(2,328.04)
College Readiness Stand-P16 Spec Adv	15,000.00
College Readiness-Outreach	50,000.00
Technology Workforce Development	(154,818.42)
Higher Education Performance Incentive	4,896,999.00
Work Study Mentorship Program	55,000.00
Texas Grant Program	14,149,770.00
Advanced Research Program	9,674.33
Advanced Technology Program	(11.88)
College Work Study Program	233,433.79
5th Year Accounting Scholarship	25,852.00
Engineering Recruitment Program	72,974.97
Nursing Shortage Reduction	29,660.00
Nursing Innovation Grant Hospital Partnerships	668,039.00
CRU-Professional Services & Grants-Vertical	(12,278.92)
Family Practice Residency	1,141,470.00
Family Practice Rural and Public Health Rotation	31,083.78
Financial Aid Professional Nursing	49,581.00
Primary Care Residency Program	390,000.00
Nursing and Allied Health	319,012.00
Minority Health Research/Education	508,049.00
Total Pass-Throughs from Other Agencies	\$ 26,246,583.70

Pass-Through To:

<u>West Texas A&M University (Agency 757)</u>	
Texas Course Redesign Project	\$ 4,500.00
<u>Texas Agrilife Extension Service (Agency 555)</u>	
Agricultural Water Demonstration Initiative FARM	96,168.51
Total Pass-Through To Other Agencies	\$ 100,668.51

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Texas Tech University System
Schedule 2A - Miscellaneous Bond Information
For the Year Ended August 31, 2009

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 6th Ser '99	115,100,000.44	4.00%	5.25%	1999	2029	2/15/2009
Rev Fin Sys Bds 7th Ser '01	126,865,000.00	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax 8th Ser '01	42,810,000.00	3.46%	6.75%	2003	2031	8/15/2012
Rev Fin Sys Ref & Imp Bds 9th Ser '03	97,265,000.00	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	220,915,000.01	4.00%	5.00%	2006	2031	2/15/2016
Rev Fin Sys Ref & Imp Bds 12th Ser '09	170,825,000.00	3.00%	5.25%	2009	2038	2/15/2019
Total	<u>\$ 773,780,000.45</u>					

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Texas Tech University System
Schedule 2B - Changes in Bonded Indebtedness
For the Year Ended August 31, 2009

Description of Issue	Bonds Outstanding 9/1/08	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/09
Revenue Bonds					
Rev Fin Sys Ref & Imp Bds Ser '99	\$ 45,315,000.00	\$	\$ 6,070,000.00	\$ 39,245,000.00	\$
Rev Fin Sys Bds Ser '01	19,570,000.00		3,605,000.00		15,965,000.00
Rev Fin Sys Bds Tax Ser '01	32,615,000.00		2,315,000.00		30,300,000.00
Rev Fin Sys Ref & Imp Bds Ser '03	79,955,000.00		4,320,000.00		75,635,000.00
Rev Fin Sys Ref & Imp Bds Ser '06	211,590,000.00		3,290,000.01		208,299,999.99
Rev Fin Sys Ref & Imp Bds Ser '09		170,825,000.00	7,360,000.00		163,465,000.00
Total	<u>\$ 389,045,000.00</u>	<u>\$ 170,825,000.00</u>	<u>\$ 26,960,000.01</u>	<u>\$ 39,245,000.00</u>	<u>\$ 493,664,999.99</u>

Description of Issue	Unamortized Premium	Net Bonds Outstanding 8/31/09	Amounts Due Within One Year
Revenue Bonds			
Rev Fin Sys Ref & Imp Bds Ser '99	\$	\$	\$
Rev Fin Sys Bds Ser '01		15,965,000.00	3,795,000.00
Rev Fin Sys Bds Tax Ser '01		30,300,000.00	2,345,000.00
Rev Fin Sys Ref & Imp Bds Ser '03		75,635,000.00	4,500,000.00
Rev Fin Sys Ref & Imp Bds Ser '06		208,299,999.99	3,425,000.01
Rev Fin Sys Ref & Imp Bds Ser '09	8,061,956.48	171,526,956.48	12,163,297.90
Total	<u>\$ 8,061,956.48</u>	<u>\$ 501,726,956.47</u>	<u>\$ 26,228,297.91</u>

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Texas Tech University System
Schedule 2C - Debt Service Requirements
For the Year Ended August 31, 2009

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Bds 7th Ser '01	2010	\$ 3,795,000.00	\$ 858,687.50
	2011	3,960,000.00	659,450.00
	2012	3,995,000.00	451,550.00
	2013	4,215,000.00	231,825.00
Rev Fin Sys Bds Tax 8th Ser '01	2010	2,345,000.00	1,995,801.00
	2011	245,000.00	1,857,915.00
	2012	260,000.00	1,843,215.00
	2013	310,000.00	1,825,665.00
	2014	330,000.00	1,804,740.00
	2015 - 2019	4,615,000.00	8,306,175.00
	2020 - 2024	7,235,000.00	6,443,797.50
	2025 - 2029	9,985,000.00	3,702,930.00
	2030 - 2031	4,975,000.00	497,640.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03	2010	4,500,000.00	3,723,625.00
	2011	4,700,000.00	3,516,125.00
	2012	4,495,000.00	3,286,250.00
	2013	4,735,000.00	3,055,500.00
	2014	4,475,000.00	2,819,656.25
	2015 - 2019	26,275,000.00	10,206,981.25
	2020 - 2023	26,455,000.00	2,728,125.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2010	3,425,000.01	9,805,194.96
	2011	4,925,000.00	9,638,194.96
	2012	5,160,000.00	9,410,694.96
	2013	5,410,000.00	9,146,444.96
	2014	10,245,000.01	8,755,069.96
	2015 - 2019	63,474,999.98	35,395,241.05
	2020 - 2024	66,859,999.99	19,597,466.15
	2025 - 2029	43,815,000.00	5,497,250.02
	2030 - 2031	4,985,000.00	226,912.50
Rev Fin Sys Ref & Imp Bds 12th Ser '09	2010	11,965,000.00	7,351,081.26
	2011	11,085,000.00	6,890,081.26
	2012	9,430,000.00	6,479,781.26
	2013	9,590,000.00	6,099,381.26
	2014	9,810,000.00	5,760,431.26
	2015 - 2019	36,155,000.00	22,976,781.30
	2020 - 2024	29,005,000.00	15,548,281.30
	2025 - 2029	30,390,000.00	7,478,053.17
	2030 - 2034	7,975,000.00	3,189,756.28
	2035 - 2038	8,060,000.00	873,862.50
Total Principal and Interest		\$ 493,664,999.99	\$ 249,935,613.87

UNAUDITED

Texas Tech University System
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2009

Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds:				
RFS Bds 6th Series 1999		\$	6,070,000.00	\$ 1,135,587.50
RFS Bds 7th Series 2001			3,605,000.00	1,047,950.00
RFS Bds Tax 8th Series 2001			2,315,000.00	2,130,765.50
RFS Ref & Imp Bds 9th Series 2003			4,320,000.00	3,900,025.00
RFS Ref & Imp Bds 10th Series 2006			3,290,000.01	9,939,494.99
RFS Ref & Imp Bds 12th Series 2009			7,360,000.00	3,548,151.57
Total	\$ 523,830,973.00	\$ 430,254,577.04	\$ 26,960,000.01	\$ 21,701,974.56

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Texas Tech University System
Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2009

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

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Texas Tech University System
Schedule 2F - Early Extinguishment and Refunding
For the Year Ended August 31, 2009

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds					
Rev Fin Sys Bds Ser '99	Current Refunding	\$ 39,245,000.00	36,950,000.00	4,363,123.00	3,875,711.00
		<u>\$ 39,245,000.00</u>	<u>\$ 36,950,000.00</u>	<u>\$ 4,363,123.00</u>	<u>\$ 3,875,711.00</u>

Note: In fiscal year 2009, \$8,005,000 of Texas State University System debt on behalf of Angelo State University was refunded and the new debt was financed by the Texas Tech University System on behalf of Angelo State University. The refunded bonds were Angelo State University's portion of the Texas State University's 1998A and 1998B series of bonds. This refunding resulted in a total debt service savings of \$757,367 and a present value savings of \$675,715.

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Texas Tech University System
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2009

Cash in State Treasury	Unrestricted	Restricted	Total
Local Revenue (Fund 0227)	\$ 4,179,868.31	\$	\$ 4,179,868.31
Local Revenue (Fund 0239)	1,897,071.05		1,897,071.05
Local Revenue (Fund 0255)	32,312,073.49		32,312,073.49
Local Revenue (Fund 0269)	49,497.59		49,497.59
Permanent Health Fund - El Paso Campus (Fund 0820)	6,572,612.05		6,572,612.05
Permanent Health Fund - Other Campuses (Fund 0821)	3,848,993.21		3,848,993.21
Total Cash in State Treasury (Note 1)	\$ 48,860,115.70	\$	\$ 48,860,115.70