

TEXAS TECH UNIVERSITY SYSTEM ADMINISTRATION



ANNUAL FINANCIAL REPORT FISCAL YEAR 2009

ANNUAL FINANCIAL REPORT

OF

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**

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 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, 2009. Neither the State Auditor nor TTUS Office of Audit Services have 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 Administration
Lubbock, Texas 79409

Dear Chancellor Hance:

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

SSW:nh

Texas Tech University System Administration

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

FINANCIAL STATEMENTS

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

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 1)	\$ 2,880,208.45
Restricted:	
Cash and Cash Equivalents (Note 1)	54,511.21
Legislative Appropriations	876,055.18
Accounts Receivable, net:	
Interest and Dividends	3,735.51
Other	2,220.84
Prepaid Expenses	22,895.64
	<hr/>
Total Current Assets	3,839,626.83

Non-Current Assets:

Restricted:	
Cash and Cash Equivalents (Note 1)	5,299,922.92
Investments (Note 3)	535,025.61
Investments (Note 3)	1,222,647.85
Capital Assets (Note 2)	
Depreciable	2,077,030.42
Accumulated Depreciation	(421,573.34)
	<hr/>
Total Non-Current Assets	8,713,053.46

Total Assets	<u><u>\$ 12,552,680.29</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 148,870.74
Payroll Payable	1,165,054.67
Employees' Compensable Leave (Note 5)	114,124.96
Notes and Loans Payable (Note 5)	969,235.68
Other Current Liabilities	2,181.52
	<hr/>
Total Current Liabilities	2,399,467.57

Non-Current Liabilities:

Employees' Compensable Leave (Note 5)	836,916.36
	<hr/>
Total Non-Current Liabilities	836,916.36

Total Liabilities	<u><u>\$ 3,236,383.93</u></u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	686,221.40
Restricted:	
Nonexpendable:	
Endowments	253,533.48
Expendable	
Capital Projects	3,534,566.85
Other	105,625.45
Unrestricted (Note 1)	4,736,349.18
	<hr/>
Total Net Assets	9,316,296.36

Total Liabilities and Net Assets	<u><u>\$ 12,552,680.29</u></u>
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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, 2009

Operating Revenues	
State Grant Pass-Throughs (Schedule 1B)	\$ 15,000.00
Nongovernmental Grants and Contracts	30,000.00
Total Operating Revenues	45,000.00
Operating Expenses	
Research	\$ 6,239.84
Public Service	15,000.00
Institutional Support	15,142,577.79
Operations and Maintenance of Plant	112,465.91
Scholarships and Fellowships	17,745.00
Depreciation and Amortization	119,762.00
Total Operating Expenses	15,413,790.54
Operating Income (Loss)	(15,368,790.54)
Nonoperating Revenues (Expenses)	
Legislative Revenue	1,593,395.36
Private Gifts	20,200.00
Investment Income (Expense)	(55,354.56)
Investment Income (Expense) - Pledged	2,026,328.89
Interest Expense on Capital Asset Financing	(2,181.52)
Net Decrease in Fair Value of Investments	(6,286.88)
Other Nonoperating Revenues (Expenses)	22,362.04
Other Nonoperating Revenues (Expenses) - Pledged	81,498.39
Total Nonoperating Revenues (Expenses)	3,679,961.72
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(11,688,828.82)
Other Revenues, Expenses, Gains, Losses and Transfers	
Legislative Transfer In (Note 12)	5,096,188.00
Transfers In from Components	4,881,968.13
Total Other Revenues, Expenses, Gains, Losses and Transfers	9,978,156.13
TOTAL CHANGES IN NET ASSETS	\$ (1,710,672.69)
Beginning Net Assets (September 1, 2008)	11,026,969.05
Ending Net Assets (August 31, 2009)	\$ 9,316,296.36

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, 2009

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Research	\$ 4,500.00	\$ 292.92	\$	\$ 1,446.92	\$
Public Service				3,669.39	145.90
Institutional Support	9,685,874.77	2,105,898.71	854,420.75	468,145.55	360,489.34
Operation and Maintenance of Plant			8,500.00		
Scholarships and Fellowships					
Depreciation and Amortization					
Total Operating Expenses	\$ 9,690,374.77	\$ 2,106,191.63	\$ 862,920.75	\$ 473,261.86	\$ 360,635.24

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Research	\$	\$	\$	\$	\$
Public Service				1,448.75	
Institutional Support	224,857.98	161,794.47	515,726.41	95,781.53	
Operation and Maintenance of Plant					
Scholarships and Fellowships					
Depreciation and Amortization					119,762.00
Total Operating Expenses	\$ 224,857.98	\$ 161,794.47	\$ 515,726.41	\$ 97,230.28	\$ 119,762.00

Function	Scholarships	Interest	Other Operating	Grand Total
Research	\$	\$	\$	\$ 6,239.84
Public Service			9,735.96	15,000.00
Institutional Support		5.01	669,583.27	15,142,577.79
Operation and Maintenance of Plant			103,965.91	112,465.91
Scholarships and Fellowships	17,745.00			17,745.00
Depreciation and Amortization				119,762.00
Total Operating Expenses	\$ 17,745.00	\$ 5.01	\$ 783,285.14	\$ 15,413,790.54

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

Cash Flows from Operating Activities

Grants and Contracts	\$ 45,000.00
Payments to Suppliers	(619,659.99)
Payments to Employees	(4,981,143.73)
Payments for Other Operating Activities	(9,007,241.56)
Net Cash Used By Operating Activities	<u>(14,563,045.28)</u>

Cash Flows from Noncapital Financing Activities

Proceeds from State Appropriations	1,368,596.20
Noncapital Gifts and Grants	20,685.00
Transfers In from Other Components	9,978,156.13
Payments for Agency Transactions	(190.03)
Proceeds from Other Noncapital Financing Activities	91,513.39
Net Cash Provided by Noncapital Financing Activities	<u>11,458,760.69</u>

Cash Flows from Capital and Related Financing Activities

Net Cash Used by Capital and Related Financing Activities	<u>0.00</u>
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Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	2,394,623.57
Proceeds from Interest and Investment Income	1,863,231.41
Purchases of Investments	(706,239.05)
Net Cash Provided by Investing Activities	<u>3,551,615.93</u>

TOTAL NET CASH FLOWS

\$ 447,331.34

Beginning Cash & Cash Equivalents - September 1, 2008

7,787,311.24

Ending Cash & Cash Equivalents - August 31, 2009

\$ 8,234,642.58

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(15,368,790.54)
Adjustments:	
Depreciation Expense	119,762.00
(Increase) Decrease in Accounts Receivable	(1,949.44)
(Increase) Decrease in Prepaid Expenses	(9,688.39)
Increase (Decrease) in Accounts Payable	12,538.44
Increase (Decrease) in Payroll Payable	233,204.70
Increase (Decrease) in Compensable Leave	451,877.95
Net Cash Used for Operating Activities	<u>(14,563,045.28)</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.

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

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash in Bank	\$(4,166,698.32)	\$(78,859.49)	\$2,493,715.58	\$(1,751,842.23)
Repurchase Agreements	1,013,836.74	19,188.01	(606,768.30)	426,256.45
TexPool & TexStar Investments	6,033,070.03	114,182.69	3,412,975.64	9,560,228.36
Total Cash and Cash Equivalents	\$ 2,880,208.45	\$54,511.21	\$5,299,922.92	\$8,234,642.58

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.

Texas Tech University System Administration - Notes to the Financial Statements (continued)**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	\$101,525.42
Accounts Receivable	27,119.29
FMV Adjustment	9,658.51
Prepaid Expenses	13,448.14
Service Department Operating Funds	696,638.07
Future Operating Budgets	3,605,407.48
Funds Functioning as Endowments	<u>282,552.27</u>
Total Unrestricted Net Assets	<u>\$4,736,349.18</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.

Texas Tech University System Administration - 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	Inc- Int'agy Trans	Dec- Int'agy Trans	Additions	Deletions	Balance 08/31/09
Depreciable Assets:								
Buildings and Building Improvements	\$1,652,114.00							\$1,652,114.00
Facilities & Other Improvements	101,095.39							101,095.39
Furniture and Equipment	155,007.03							155,007.03
Vehicles, Boats and Aircraft	168,814.00							168,814.00
Total Depreciable Assets at Historical Costs	2,077,030.42							2,077,030.42
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(77,286.30)					(71,341.20)		(148,627.50)
Facilities & Other Improvements	(842.46)					(10,109.52)		(10,951.98)
Furniture and Equipment	(109,392.42)					(16,257.08)		(125,649.50)
Vehicles, Boats and Aircraft	(114,290.16)					(22,054.20)		(136,344.36)
Total Accumulated Depreciation	(301,811.34)					(119,762.00)		(421,573.34)
Depreciable Assets, Net	1,775,219.08					(119,762.00)		1,655,457.08
Business-type Activities Capital Assets, net:	\$1,775,219.08					\$(119,762.00)		\$1,655,457.08

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.

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

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, 2009, the carrying amount of deposits was \$(1,751,842.23) as presented below.

Business-Type Activities

CASH IN BANK – CARRYING AMOUNT	\$ (1,751,842.23)
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>\$ (1,751,842.23)</u>
Proprietary Funds Current Assets Cash in Bank	\$ (4,166,698.32)
Proprietary Funds Current Assets Restricted Cash in Bank	(78,859.49)
Proprietary Funds Noncurrent Assets Restricted Cash in Bank	2,493,715.58
Cash in Bank per AFR	<u>\$ (1,751,842.23)</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 \$0.

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 System's primary depository, which has sufficient collateral after fiscal year-end.

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		

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

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

Type of Security	Fair Value
Business-Type Activities	
U.S. Treasury Securities	\$640,648.88
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	357,145.17
Equity	65,148.56
International Equity	54,864.89
Repurchase Agreement	426,256.45
Fixed Income Money Market and Bond Mutual Fund	310,236.63
Other Commingled Funds	5,401,979.10
Other Commingled Funds (Texpool)	4,220,438.23
Alternative Investments – Domestic	262,334.40
Alternative Investments – International	5,105.96
	<u> </u>
Total Investments	<u><u>\$11,744,158.27</u></u>
Reconciliation of Investments – Business-Type Activities	
Non-Current Investments per Statement of Net Assets	\$1,757,673.46
Items in Cash and Cash Equivalents per Note 1:	
Repurchase Agreements	426,256.45
TexPool & TexStar Investments	9,560,228.36
	<u> </u>
Total	<u><u>\$11,744,158.27</u></u>

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

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
05	9999	Equity	\$0	

Texas Tech University System Administration – 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 to 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 Obligation	International Equity
05	9999	Argentine peso		16.90
05	9999	Australian dollar		514.78
05	9999	Bermudan dollar		.11
05	9999	Brazilian real		3,173.43
05	9999	Canadian dollar		1,572.58
05	9999	Cayman dollar		.02
05	9999	Chilean peso		50.69
05	9999	Chinese yuan		2,319.10
05	9999	Colombian peso		177.73
05	9999	Czech koruna		67.58
05	9999	Danish krone		65.82
05	9999	Egyptian pound		219.64
05	9999	Euro		6,124.31
05	9999	Hong Kong dollar		2,845.98
05	9999	Hungarian forint		50.69
05	9999	Indian rupee		1,154.16
05	9999	Indonesian rupiah		735.56
05	9999	Israeli shekel		135.16
05	9999	Japanese yen		8,196.77
05	9999	Malaysian ringgit		402.10
05	9999	Mexican peso		507.97
05	9999	Moroccan dirham		33.79
05	9999	Norwegian krone		.02
05	9999	Phillippino peso		101.37
05	9999	Polish zloty		456.18
05	9999	Pound sterling		7,002.78
05	9999	Russian ruble		2,145.74
05	9999	Singapore dollar		2,267.21
05	9999	South African rand		354.81
05	9999	Korean won		5,048.81
05	9999	Swedish krona		285.13
05	9999	Swiss franc		2,907.47
05	9999	Taiwan dollar		2,600.74
05	9999	Thai baht		1,443.70
05	9999	Turkish lira		1,886.06
		Total		\$54,864.89

Texas Tech University System Administration – 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 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. As of August 31, 2009, 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
05	9999	U.S. Government Agency Obligations	\$357,145.17				
05	9999	Repurchase Agreement	426,256.45				
			AAAf	AAf	Af		Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund					\$310,236.63

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.

Note 4: Short-Term Debt

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

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 Activities	Balance 09/01/08	Additions	Reductions	Balance 08/31/09	Amounts Due Within One Year	Amounts Due Thereafter
Notes and Loans	\$969,235.68	\$0.00	\$0.00	\$969,235.68	\$969,235.68	
Compensable Leave	499,163.37	451,877.95		951,041.32	114,124.96	836,916.36
Total Business-Type Activities	\$1,468,399.05	\$451,877.95	\$0.00	\$1,920,277.00	\$1,083,360.64	\$836,916.36

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. This

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

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.

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction and equipment 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. Commercial paper has short maturities up to 270 days with interest ranging from .2% to 7.75%.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2010	\$969,235.68	\$2,181.52	\$971,417.20
2011			
2012			
2013			
2014			
All Other Years			
Total Requirements	<u>\$969,235.68</u>	<u>\$2,181.52</u>	<u>\$971,417.20</u>

Note 6: Bonded Indebtedness

The Texas Tech University System Administration has no bonded indebtedness.

Note 7: Capital Leases

The Texas Tech University System Administration has no capital leases.

Note 8: Operating Leases

The Texas Tech University System Administration has no operating leases.

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 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:

	Year Ended August 31, 2009
Member Contributions	\$198,610.00
Employer Contributions	<u>230,238.39</u>
Total	<u>\$428,848.39</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 Administration - 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:

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, 2009, follows:

<u>Legislative Transfer In</u>	<u>Amount</u>
Texas Tech University (Agency 733)	\$2,514,201.00
Texas Tech University Health Sciences Center (Agency 739)	<u>2,581,987.00</u>
Total Legislative Transfer In	<u><u>\$5,096,188.00</u></u>

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances/Net Assets

The System Administration has no restatement of Fund Balance/Net Assets as of August 31, 2009.

Note 15: Contingent Liabilities

At August 31, 2009, no material lawsuits or claims involving the Texas Tech University System Administration were pending.

Note 16: Subsequent Events

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

Note 17: Risk Management

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.

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

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.

Related Parties – Relationship with Texas Tech University System Administration

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

The Texas Tech University System (TTUS), created in 1999, is composed of one health related and two general academic institutions. The components are Texas Tech University System Administration (TTUSA); Texas Tech University (TTU); Texas Tech University Health Sciences Center (TTUHSC) and Angelo State University (ASU).

Texas Tech University System Administration – Notes to the Financial Statements (continued)**Note 20: Stewardship, Compliance and Accountability**

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

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

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

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

Donor-Restricted Endowment	Amount of Net Appreciation	Reported in Net Assets
True Endowments	<u><u>\$(22,817.99)</u></u>	Restricted Nonexpendable

Note 23: Extraordinary and Special Items

Texas Tech University System Administration has no special or extraordinary items to disclose for the 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.

<u>Type</u>	<u>Net Amount</u>
Interest and Dividends Receivable	\$3,735.51
Other Receivables	<u>2,220.84</u>
Total Receivables	<u><u>\$5,956.35</u></u>

Payables

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

<u>Type</u>	<u>Net Amount</u>
Accounts Payable	\$148,870.74
Payroll Payable	<u>1,165,054.67</u>
Total Payables	<u><u>\$1,313,925.41</u></u>

Note 25: Termination Benefits

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

Note 26: Segment Information

The Texas Tech University System Administration has no reportable segments.

SCHEDULES

UNAUDITED

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

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, 2009

Pass-Through From:

Texas Higher Education Coordinating Board (Agency 781)
College Readiness Stand-P16 Spec Adv

\$ 15,000.00

Total Pass-Throughs From Other Agencies

\$ 15,000.00

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable