

**TEXAS TECH UNIVERSITY  
SYSTEM ADMINISTRATION**



**ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2010**

**ANNUAL FINANCIAL REPORT**

**OF**

**TEXAS TECH UNIVERSITY  
SYSTEM ADMINISTRATION**

FOR THE YEAR ENDED AUGUST 31, 2010

**LUBBOCK, TEXAS**

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## TEXAS TECH UNIVERSITY SYSTEM

Office of the Chancellor

November 5, 2010

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, 2010. 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, 2010.

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".

Kent Hance  
Chancellor



TEXAS TECH UNIVERSITY

Financial Accounting & Reporting

November 5, 2010

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, 2010, 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 742-2970.

Sincerely,

A handwritten signature in cursive script that reads "Debra Crowder".

Debra Crowder, CPA  
Director of Financial Reporting

Approved:

A handwritten signature in cursive script that reads "Jim Brunjes".  
\_\_\_\_\_  
Jim Brunjes  
Texas Tech University System Administration  
Chief Financial Officer

# Texas Tech University System Administration

## Board of Regents

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

## Student Regent

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

## Officers of the Board

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

## Fiscal Officers

Kent Hance..... Chancellor  
Jim Brunjes.....Vice Chancellor and Chief Financial Officer

# **FINANCIAL STATEMENTS**

**Texas Tech University System Administration**  
**Statement of Net Assets**  
**August 31, 2010**

**ASSETS**

## Current Assets:

Cash and Cash Equivalents (Note 1)	\$ 5,148,456.34
Restricted:	
Cash and Cash Equivalents (Note 1)	80,687.21
Legislative Appropriations	666,176.56
Accounts Receivable, net:	
Interest and Dividends	(122.82)
Gift Receivables	9,700.00
Other Receivables	4,282.39
Prepaid Expenses	11,500.00
<b>Total Current Assets</b>	<b>5,920,679.68</b>

## Non-Current Assets:

Restricted:	
Cash and Cash Equivalents (Note 1)	4,770,399.12
Investments (Note 3)	(626,377.89)
Gift Receivables	38,549.11
Investments (Note 3)	2,619,618.75
Capital Assets (Note 2)	
Depreciable or Amortizable	2,030,655.42
Accumulated Depreciation and Amortization	(484,362.94)
<b>Total Non-Current Assets</b>	<b>8,348,481.57</b>

Total Assets \$ 14,269,161.25

**LIABILITIES**

## Current Liabilities:

Accounts Payable	\$ 50,241.15
Payroll Payable	901,332.55
Employees' Compensable Leave (Note 5)	133,022.22
Notes and Loans Payable (Note 5)	969,235.68
Other Current Liabilities	489.89
<b>Total Current Liabilities</b>	<b>2,054,321.49</b>

## Non-Current Liabilities:

Employees' Compensable Leave (Note 5)	975,496.22
<b>Total Non-Current Liabilities</b>	<b>975,496.22</b>

Total Liabilities \$ 3,029,817.71

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	577,056.80
Restricted:	
Nonexpendable:	
Endowments	332,148.56
Expendable:	
Capital Projects	3,549,243.01
Debt Service	(489.89)
Other	124,614.95
Unrestricted (Note 1)	6,656,770.11
<b>Total Net Assets</b>	<b>11,239,343.54</b>

Total Liabilities and Net Assets \$ 14,269,161.25



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

<b>Operating Expenses</b>	
Institutional Support	\$ 14,836,214.61
Scholarships and Fellowships	19,885.00
Depreciation and Amortization	<u>109,164.60</u>
<b>Total Operating Expenses</b>	<b><u>14,965,264.21</u></b>
Operating Income (Loss)	<u>(14,965,264.21)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Legislative Revenue	3,111,516.23
Private Gifts	77,041.35
Investment Income (Expense)	69,789.70
Investment Income (Expense) - Pledged	1,924,333.49
Interest Expense on Capital Asset Financing	(489.89)
Net Increase in Fair Value of Investments	40,132.95
Other Nonoperating Revenues (Expenses)	689.28
Other Nonoperating Revenues (Expenses) - Pledged	<u>708,390.01</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>5,931,403.12</u></b>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(9,033,861.09)
<b>Other Revenues, Expenses, Gains, Losses and Transfers</b>	
Legislative Transfer In (Note 12)	3,456,302.00
Transfers In from Texas Tech University Foundation, Inc	3,540,293.00
Transfers In from Components	<u>3,960,313.27</u>
<b>Total Other Revenues, Expenses, Gains, Losses and Transfers</b>	<b><u>10,956,908.27</u></b>
<b>TOTAL CHANGES IN NET ASSETS</b>	<b><u>\$ 1,923,047.18</u></b>
Beginning Net Assets (September 1, 2009)	9,316,296.36
Ending Net Assets (August 31, 2010)	<u>\$ 11,239,343.54</u>

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

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Institutional Support	\$ 9,321,073.90	\$ 2,037,969.20	\$ 1,100,652.12	\$ 481,588.60	\$ 382,509.98
Scholarships and Fellowships					
Depreciation and Amortization					
<b>Total Operating Expenses</b>	<b>\$ 9,321,073.90</b>	<b>\$ 2,037,969.20</b>	<b>\$ 1,100,652.12</b>	<b>\$ 481,588.60</b>	<b>\$ 382,509.98</b>

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Institutional Support	\$ 243,624.54	\$ 139,434.49	\$ 434,719.00	\$ 83,860.42	\$
Scholarships and Fellowships					
Depreciation and Amortization					109,164.60
<b>Total Operating Expenses</b>	<b>\$ 243,624.54</b>	<b>\$ 139,434.49</b>	<b>\$ 434,719.00</b>	<b>\$ 83,860.42</b>	<b>\$ 109,164.60</b>

Function	Scholarships	Interest	Claims and Losses	Other Operating	Grand Total
Institutional Support	\$	\$ 3.85	\$ (31,280.01)	\$ 642,058.52	\$ 14,836,214.61
Scholarships and Fellowships	19,885.00				19,885.00
Depreciation and Amortization					109,164.60
<b>Total Operating Expenses</b>	<b>\$ 19,885.00</b>	<b>\$ 3.85</b>	<b>\$ (31,280.01)</b>	<b>\$ 642,058.52</b>	<b>\$ 14,965,264.21</b>

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

**Cash Flows from Operating Activities**

Payments to Suppliers	\$ (605,804.89)
Payments to Employees	(5,016,454.77)
Payments for Other Operating Activities	(9,429,380.45)
Net Cash Used By Operating Activities	<u>(15,051,640.11)</u>

**Cash Flows from Noncapital Financing Activities**

Proceeds from State Appropriations	3,321,394.85
Noncapital Gifts and Grants	28,792.24
Transfers In from Other Components	10,956,908.27
Proceeds from Other Noncapital Financing Activities	706,897.77
Net Cash Provided by Noncapital Financing Activities	<u>15,013,993.13</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	2,641,632.62
Proceeds from Interest and Investment Income	1,997,981.52
Purchases of Investments	(2,837,067.07)
Net Cash Provided by Investing Activities	<u>1,802,547.07</u>

<b>TOTAL NET CASH FLOWS</b>	<b><u>\$ 1,764,900.09</u></b>
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Beginning Cash & Cash Equivalents - September 1, 2009	8,234,642.58
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Ending Cash & Cash Equivalents - August 31, 2010	<u>\$ 9,999,542.67</u>
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**Reconciliation of Operating Loss to Net Cash Flows from Operating Activities**

Operating Loss	\$ (14,965,264.21)
Adjustments:	
Depreciation Expense	109,164.60
(Increase) Decrease in Accounts Receivable	(2,061.55)
(Increase) Decrease in Prepaid Expenses	11,395.64
Increase (Decrease) in Accounts Payable	(98,629.59)
Increase (Decrease) in Payroll Payable	(263,722.12)
Increase (Decrease) in Compensable Leave	157,477.12
Net Cash Used for Operating Activities	<u>\$ (15,051,640.11)</u>

## **POLICIES AND NOTES**

**TEXAS TECH UNIVERSITY SYSTEM ADMINISTRATION (768)****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, and Blackrock Temp Fund 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 (768) - Notes to the Financial Statements (continued)**

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

	<b>Current Unrestricted</b>	<b>Current Restricted</b>	<b>Non-Current Restricted</b>	<b>Total</b>
Cash in Bank	\$2,031,665.18	\$31,925.48	\$(947,867.49)	\$1,115,723.17
Blackrock Temp Fund	174,010.54	2,734.39	(81,184.11)	95,560.82
Repurchase Agreements	441,494.57	6,722.25	(199,583.52)	248,633.30
TexPool & TexSTAR Investments	2,501,286.05	39,305.09	5,999,034.24	8,539,625.38
<b>Total Cash and Cash Equivalents</b>	<b>\$5,148,456.34</b>	<b>\$80,687.21</b>	<b>\$4,770,399.12</b>	<b>\$9,999,542.67</b>

**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. Pledged gift receivables expected to be collected within one year are reported as current assets, with the remaining portions reported as non-current.

**Prepaid Expenses**

Prepaid expenses include items such as insurance, subscriptions, prepaid postage, prepaid travel costs and similar services which benefit more than one accounting period. These are recorded as assets, with the recognition of the expenditure deferred until the accounting period when the items are used or consumed.

**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 the year in which the expense was incurred. Depreciation is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

**Accounts Payable**

Accounts Payable and Payroll Payable represent the liability for the value of assets or services received, and wages/salaries owed at the balance sheet date for which payment is pending.

**Texas Tech University System Administration (768) - Notes to the Financial Statements (continued)**

**Employees' Compensable Leave Balances**

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

**Net Assets**

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

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

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

***Restricted Net Assets***

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

***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	\$115,879.77
Accounts Receivable	19,912.71
FMV Adjustment	42,296.08
Service Department Operating Funds	722,453.98
Future Operating Budgets	5,461,187.28
Funds Functioning as Endowments	<u>295,040.29</u>
<b>Total Unrestricted Net Assets</b>	<b><u>\$6,656,770.11</u></b>

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

	Balance 09/01/09	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'agy Trans	Reclassifications Dec-Int'agy Trans	Additions	Deletions	Balance 08/31/10
<b>BUSINESS-TYPE ACTIVITIES</b>								
<b>Depreciable Assets</b>								
Buildings and Building Improvements	\$ 1,652,114.00							\$ 1,652,114.00
Facilities and Other Improvements	101,095.39							101,095.39
Furniture and Equipment	155,007.03	(12,800.00)						142,207.03
Vehicle, Boats and Aircraft	168,814.00				(25,989.00)		(20,386.00)	122,439.00
<b>Total Depreciable Assets</b>	<b>2,077,030.42</b>	<b>(12,800.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>(25,989.00)</b>	<b>0.00</b>	<b>(20,386.00)</b>	<b>2,017,855.42</b>
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(148,627.50)					(71,341.20)		(219,968.70)
Facilities and Other Improvements	(10,951.98)					(10,109.52)		(21,061.50)
Furniture and Equipment	(125,649.50)	10,879.83				(11,893.00)		(126,662.67)
Vehicles, Boats and Aircraft	(136,344.36)				25,989.00	(13,900.71)	20,386.00	(103,870.07)
<b>Total Accumulated Depreciation</b>	<b>(421,573.34)</b>	<b>10,879.83</b>			<b>25,989.00</b>	<b>(107,244.43)</b>	<b>20,386.00</b>	<b>(471,562.94)</b>
<b>Depreciable Assets, Net</b>	<b>1,655,457.08</b>	<b>(1,920.17)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(107,244.43)</b>	<b>0.00</b>	<b>1,546,292.48</b>
<b>Amortizable Assets - Intangible</b>								
Computer Software	0.00	12,800.00						12,800.00
<b>Total Amortizable Assets - Intangible</b>	<b>0.00</b>	<b>12,800.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>12,800.00</b>
Less Accumulated Amortization for:								
Computer Software	0.00	(10,879.83)				(1,920.17)		(12,800.00)
<b>Total Accumulated Amortization</b>	<b>0.00</b>	<b>(10,879.83)</b>				<b>(1,920.17)</b>		<b>(12,800.00)</b>
<b>Amortizable Assets - Intangible, Net</b>	<b>0.00</b>	<b>1,920.17</b>				<b>(1,920.17)</b>		<b>0.00</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,655,457.08</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (109,164.60)</b>	<b>\$ 0.00</b>	<b>\$ 1,546,292.48</b>



**Texas Tech University System Administration (768) - Notes to the Financial Statements (continued)**

**Note 3: Deposits, Investments, and Repurchase Agreements**

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

The governing investment policy is Regents’ Rules Chapter 09, “Investment and Endowments.” The majority of Texas Tech University assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF), both having their own stand-alone investment policies. Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities, as well as alternative investments such as hedge funds and private equity, and is operated using a total return philosophy. Other institutional funds not in the LTIF are invested in the STIF, a fixed income fund. Other assets include securities gifted to Texas Tech University with donor instructions to maintain in their original form, and bond proceeds invested in external investment pools.

**Deposits of Cash in Bank**

As of August 31, 2010, the carrying amount of deposits was \$1,115,723.17 as presented below:

**Business-Type Activities**

CASH IN BANK – CARRYING AMOUNT	\$	1,115,723.17
Less: Certificates of Deposit including in carrying amount and reported as Cash Equivalent		0
Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral		0
Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral		0
Cash in Bank per AFR	\$	<u>1,115,723.17</u>
Proprietary Funds Current Assets Cash in Bank	\$	2,031,665.18
Proprietary Funds Current Assets Restricted Cash in Bank		31,925.48
Proprietary Funds Non-Current Assets Restricted Cash in Bank		<u>(947,867.49)</u>
Cash in Bank per AFR	\$	<u>1,115,723.17</u>

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

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

**Texas Tech University System Administration (768) - Notes to the Financial Statements (continued)**

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

**Investments**

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

<b>Type of Security</b>	<b>Fair Value</b>
<b>Business-Type Activities</b>	
U. S. Government	
U.S. Treasury Securities	-
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	\$485,805.13
Equity	29,397.26
International Obligations	577.53
Repurchase Agreement	248,633.30
Fixed Income Money Market and Bond Mutual Fund	1,122,386.31
Mutual Funds	5,623.64
Other Commingled Funds	5,499,858.85
Other Commingled Funds (Texpool)	3,084,505.63
International Other Commingled Funds	68,685.84
Real Estate	26,686.81
Externally Managed Investments:	
Domestic	292,422.06
International	12,478.00
Miscellaneous	-
<b>Total Investments</b>	<b>\$10,877,060.36</b>
<b>Non-Current Investments</b>	<b>\$1,993,240.86</b>
Items in Cash and Cash Equivalents:	
Repurchase Agreements	248,633.30
Blackrock Temp Fund	95,560.82
Texpool & TexSTAR Investments	8,539,625.38
<b>Total</b>	<b>\$10,877,060.36</b>

**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 STIF. The balances listed below relate to the securities outside of those pools.

## Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)

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

**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, 2010, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Other Commingled Funds
05	9999	Australian dollar		865.03
05	9999	Brazilian real	45.12	4,384.89
05	9999	Canadian dollar		1,871.17
05	9999	Chinese yuan		4,329.03
05	9999	Colombian peso	153.41	
05	9999	Czech koruna		728.48
05	9999	Danish krone		498.65
05	9999	Egyptian pound	90.24	292.03
05	9999	Euro	243.64	7,779.89
05	9999	Hong Kong dollar		2,868.26
05	9999	Hungarian forint	18.05	
05	9999	Indian rupee		1,431.74
05	9999	Indonesian rupiah		2,026.50
05	9999	New Israel shekel		522.15
05	9999	Japanese yen		8,820.91
05	9999	Malaysian ringgit		772.73
05	9999	Mexican peso	27.07	1,929.24
05	9999	Norwegian krone		257.67
05	9999	Peruvian nuevo sol		226.99
05	9999	Pound sterling		7,310.74
05	9999	Russian ruble		208.59
05	9999	Singapore dollar		1,952.86
05	9999	South African rand		2,860.81
05	9999	South Korean wan		4,537.65
05	9999	Swedish krona		796.47
05	9999	Swiss franc		4,760.42
05	9999	New Taiwan dollar		3,428.21
05	9999	Thai baht		1,658.07
05	9999	New Turkish lira		1,566.66
		Total	577.53	68,685.84

**Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)**

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

*Standard & Poor's*

<b>Fund Type</b>	<b>GAAP Fund</b>	<b>Investment Type</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Unrated</b>
		U.S. Government						
05	9999	Agency Obligations	\$485,805.13					
05	9999	Repurchase Agreement	\$248,633.30					
05	9999	International Obligations		\$56.84	\$178.94	\$240.69	\$99.65	\$1.41
			<b>AAAf</b>	<b>AAf</b>	<b>Af</b>			<b>Unrated</b>
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$95,560.82					\$1,026,825.49

**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 Administration has no short-term debt outstanding as of August 31, 2010.

**Note 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

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

<b>Business-Type Activities</b>	<b>Balance 09/01/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 08/31/10</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due Thereafter</b>
Notes and Loans	\$969,235.68	\$0.00	\$0.00	\$969,235.68	\$969,235.68	
Compensable Leave	951,041.32	157,477.12		1,108,518.44	133,022.22	975,496.22
<b>Total Business-Type Activities</b>	<b>\$1,920,277.00</b>	<b>\$157,477.12</b>	<b>\$0.00</b>	<b>\$2,077,754.12</b>	<b>\$1,102,257.90</b>	<b>\$975,496.22</b>

**Texas Tech University System Administration (768) - Notes to the Financial Statements (continued)**

**Employees' Compensable Leave**

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

**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 8/31/10 will mature in fiscal year 2011. Commercial paper has short maturities up to 270 days with interest ranging from .15% to .5%.

*Summary of Debt Service Requirements for Notes Payable*

Fiscal Year	Principal	Interest	Total
2011	\$969,235.68	\$19,384.71	\$988,620.39
2012			
2013			
2014			
2015			
All Other Years			
<b>Total Requirements</b>	<b>\$969,235.68</b>	<b>\$19,384.71</b>	<b>\$988,620.39</b>

**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 of Texas and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2010 are:

	Year Ended August 31, 2010
Member Contributions	\$185,848.56
Employer Contributions	213,880.90
<b>Total</b>	<b>\$399,729.46</b>

**Texas Tech University System Administration (768) - Notes to the Financial Statements (continued)**

**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

**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, 2010, follows:

**Legislative Transfers In / Out**

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>Legislative Transfers In</u>	<u>Legislative Transfers Out</u>
Texas Tech University	733	0001	\$1,667,837.00	
Texas Tech University Health Sciences Center	739	0001	1,667,837.00	
Angelo State University	737	0001	120,628.00	
<b>Total Legislative Transfers In / Out</b>			<u>\$3,456,302.00</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, 2010.

**Note 15: Contingencies and Commitments**

At August 31, 2010, 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.

**Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)****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.

**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 31,500 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 3,500 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 6,800 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 \$1.5 billion; approximately \$377 million of these funds are provided by the State's General Revenue and ARRA funds. The total enrollment across all components is more than 40,000 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.

**Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)**

**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).

**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:

<b>Donor-Restricted Endowment</b>	<b>Amount of Net Appreciation</b>	<b>Reported in Net Assets</b>
True Endowments	<u>\$9,793.62</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, 2010.



**Texas Tech University System Administration (768) – Notes to the Financial Statements (continued)****Note 24: Disaggregation of Receivable and Payable Balances****Receivables**

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

<b><u>Type</u></b>	<b><u>Net Amount</u></b>
Interest and Dividends Receivable	\$(122.82)
Gift Receivables, Current and Non-current	48,249.11
Other Receivables	4,282.39
<b>Total Receivables</b>	<b><u><u>\$52,408.68</u></u></b>

**Payables**

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

<b><u>Type</u></b>	<b><u>Net Amount</u></b>
Accounts Payable	\$50,241.15
Payroll Payable	901,332.55
<b>Total Payables</b>	<b><u><u>\$951,573.70</u></u></b>

**Note 25: Termination Benefits**

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

**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, 2010

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, 2010

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable



UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable

UNAUDITED

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

Schedule Not Applicable