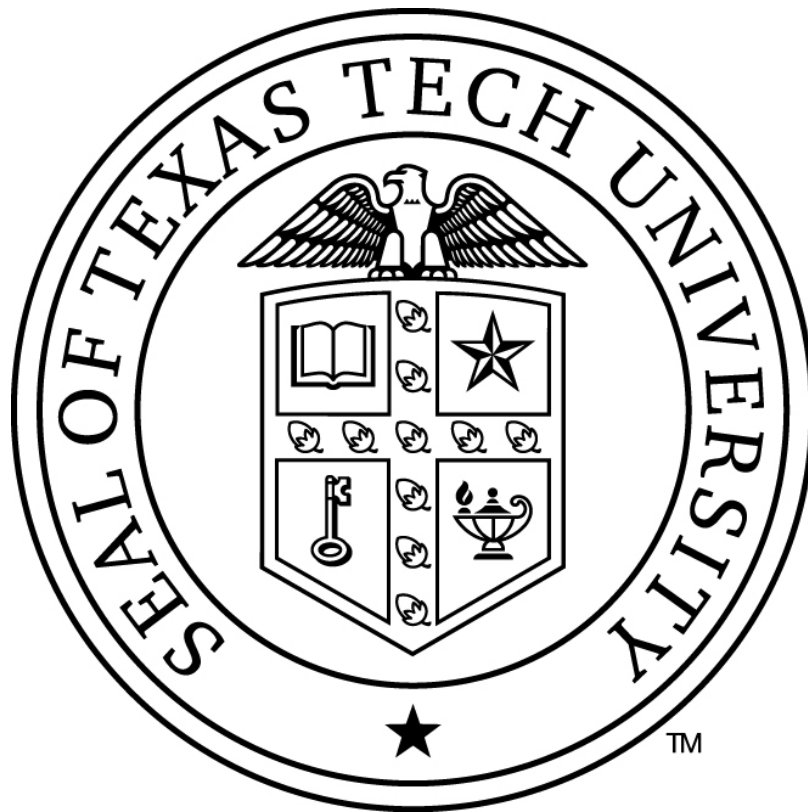


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2009

Texas Tech University

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

1925-2009

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2009

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY™

Office of the President

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 attached Annual Financial Report of Texas Tech University is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2009. The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the University for the year ended August 31, 2009.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Guy Bailey".

Guy Bailey
President



TEXAS TECH UNIVERSITY™

Office of Financial Affairs

November 18, 2009

Dr. Guy Bailey
President
Texas Tech University
P.O. Box 42005
Lubbock, Texas 79409

Dear President Bailey:

Submitted herein is the Annual Financial Report of Texas Tech University 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. Ms. Becky Perez may be contacted at 742-2985 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Sharon Williamson, CPA
Director of Managerial Reporting

Approved:

Beverly Cotton, CPA
Assistant Vice President Financial Affairs
& Controller

R. E. "Corky" Dragoo, Jr.
Chief Operating Officer and Senior Vice
President for Administration & Finance

SSW:nh

Box 41102 | Lubbock, Texas 79409-1102 | T 806.742.3255 | F 806.742.0066

Texas Tech University

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

Guy Bailey..... President
R. E. Dragoo, Jr.....COO and Senior Vice President for Administration and Finance
Beverly Cotton.....Assistant Vice President for Financial Affairs and Controller
Sharon Williamson.....Director of Managerial Reporting

**Texas Tech University
Enrollment Data
For The Year Ended August 31, 2009**

Number of Students by Semester

Type of Student	Fall 2008	Spring 2009	Summer 2009
Texas Resident	24,147	21,687	8,380
Blind/Deaf	2	0	0
Competitive Scholarship	533	998	604
Dependents	7	12	3
Faculty/Staff	11	1	1
Foreign	1,461	1,285	731
Good Neighbor	0	0	0
Hazelwood	64	115	80
Independent Study	3	0	0
Military	13	24	11
Nursing	13	0	0
Out-of-State	1,342	1,132	1,009
Teaching/Research Assistant	775	1,439	967
Valedictorian	51	94	0
Totals	<u>28,422</u>	<u>26,787</u>	<u>11,786</u>

Enrollment Trend Data (Fall Semester)

<u>Term</u>	<u>Students</u>	<u>Semester Hours</u>
2008	28,422	362,908
2007	28,260	363,203
2006	27,996	360,877
2005	28,001	357,931
2004	28,325	360,475
2003	28,549	359,863
2002	27,569	343,394
2001	25,573	321,249
2000	24,558	310,112
1999	24,249	305,212
1998	24,158	305,338
1997	25,022	314,142
1996	24,717	310,783
1995	24,185	302,955
1994	24,083	297,569
1993	24,007	294,897
1992	24,215	299,015
1991	24,707	304,446

FINANCIAL STATEMENTS

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

ASSETS

Current Assets:	
Cash and Cash Equivalents (Note 1)	\$ 167,623,105.57
Restricted:	
Cash and Cash Equivalents (Note 1)	40,210,715.95
Legislative Appropriations	48,891,459.42
Accounts Receivable, net:	
Federal Receivables	15,301,584.61
Interest and Dividends	306,155.60
Student Receivables	2,588,621.03
Gift Receivables	8,318,305.84
Accounts Receivable	8,173,641.01
Other Receivables	1,932,281.27
Due From Other Agencies (Note 12)	1,356,541.49
Prepaid Expenses	19,277,757.87
Consumable Inventories	287,075.35
Merchandise Inventories	2,169,485.63
Loans and Notes Receivable, net	1,227,311.92
Other Current Assets	360,825.00
Total Current Assets	<u>318,024,867.56</u>

Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents (Note 1)	80,138,764.75
Investments (Note 3)	140,143,702.08
Gift Receivables	15,333,509.78
Loans and Notes Receivable, net	285,527.54
Investments (Note 3)	87,244,379.96
Capital Assets (Note 2)	
Non-Depreciable	136,531,556.51
Depreciable	1,135,835,750.75
Accumulated Depreciation	(586,473,877.72)
Total Non-Current Assets	<u>1,009,039,313.65</u>

Total Assets	<u><u>\$ 1,327,064,181.21</u></u>
--------------	-----------------------------------

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 19,948,298.75
Payroll Payable	17,162,215.68
Deferred Revenues	98,224,486.81
Due to Other State Agencies (Note 12)	36,608.33
Interfund Payable (Note 12)	259,459.77
Employees' Compensable Leave (Note 5)	1,470,077.27
Notes and Loans Payable (Note 5)	35,769,942.32
Bonds Payable (Note 5)	17,439,014.56
Funds Held for Others	13,388,471.89
Other Current Liabilities	4,097,567.37
Total Current Liabilities	<u>207,796,142.75</u>

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

Non-Current Liabilities:

Employees' Compensable Leave (Note 5)	10,780,566.66
Bonds Payable (Note 5)	308,816,727.86
Other Non-Current Liabilities	143,118.87
Total Non-Current Liabilities	<u>319,740,413.39</u>
Total Liabilities	\$ 527,536,556.14

NET ASSETS

Invested in Capital Assets, Net of Related Debt	382,222,623.85
Restricted:	
Nonexpendable:	
Endowments	71,960,432.75
Expendable:	
Capital Projects	25,622,672.09
Higher Education Assistance Fund	31,602,637.72
Debt Service	20,218,993.04
Other	62,331,242.30
Unrestricted (Note 1)	205,569,023.32
Total Net Assets	<u>799,527,625.07</u>
Total Liabilities and Net Assets	\$ 1,327,064,181.21

See Accompanying Notes to the Financial Statements

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

Operating Revenues	
Tuition and Fees	\$ 5,678,185.32
Tuition and Fees - Pledged	213,761,163.33
Less Discounts and Allowances	(26,747,225.74)
Sales and Services of Auxiliary Enterprises - Pledged	86,443,528.62
Other Sales and Services - Pledged	6,311,059.18
Federal Grants and Contracts (Schedule 1A)	30,958,187.32
Federal Grant Pass-Throughs (Schedule 1A)	4,261,089.39
State Grants and Contracts	1,472,033.74
State Grant Pass-Throughs (Schedule 1B)	19,284,807.86
Local Governmental Grants and Contracts	443,676.73
Nongovernmental Grants and Contracts	7,413,499.13
Total Operating Revenues	<u>349,280,004.88</u>
Operating Expenses	
Instruction	163,192,347.61
Research	69,544,007.28
Public Service	12,252,605.91
Academic Support	47,406,304.01
Student Services	31,545,719.15
Institutional Support	39,321,134.19
Operations and Maintenance of Plant	43,455,563.97
Scholarships and Fellowships	29,246,014.91
Auxiliary Enterprises	91,183,960.56
Depreciation and Amortization	42,881,865.05
Total Operating Expenses	<u>570,029,522.64</u>
Operating Income (Loss)	<u>(220,749,517.76)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	163,180,560.17
Federal Grants and Contracts (Schedule 1A)	18,832,676.71
Private Gifts	9,433,011.64
Private Gifts - Pledged	11,124,671.70
Investment Income (Expense)	(7,105,576.14)
Investment Income (Expense) - Pledged	6,285,639.25
Interest Expense on Capital Asset Financing	(15,106,186.74)
Loss on Sale and Disposal of Capital Assets	(631,159.03)
Net Decrease in Fair Value of Investments	(9,471,736.58)
Other Nonoperating Revenues (Expenses)	67,603.37
Other Nonoperating Revenues (Expenses) - Pledged	7,131,728.87
Total Nonoperating Revenues (Expenses)	<u>183,741,233.22</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	<u>(37,008,284.54)</u>
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	27,446,656.00
Additions to Permanent Endowments	492,194.60
Legislative Transfer Out to TTU System Administration (Note 12)	(2,514,201.00)
Net Transfers from Texas Tech Foundation Inc.	10,329,774.16
Net Transfers to TTU Health Sciences Center	(1,115,696.85)
Net Transfers to TTU System Administration	(3,143,240.67)
Transfers to Other State Agencies (Note 12)	(1,608,617.79)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>29,886,868.45</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ (7,121,416.09)</u>
Beginning Net Assets (September 1, 2008)	793,945,375.89
Restatements of Beginning Net Assets (Note 14)	12,703,665.27
Ending Net Assets (August 31, 2009)	<u>\$ 799,527,625.07</u>

See Accompanying Notes to the Financial Statements

Note: Please see Note 27 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
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
Instruction	\$ 119,999,647.77	\$ 28,042,813.03	\$ 878,047.92	\$ 2,061,260.81	\$ 4,713,268.98
Research	37,876,067.73	7,354,058.29	666,480.58	3,103,873.27	8,762,057.12
Public Service	5,840,092.52	1,223,573.68	364,701.79	415,728.23	741,323.51
Academic Support	29,273,133.91	6,870,760.01	896,700.33	1,703,525.44	3,379,086.94
Student Services	13,496,155.57	3,211,858.16	720,434.04	1,303,135.37	1,649,313.98
Institutional Support	21,739,761.62	6,564,909.62	617,272.49	293,405.88	1,756,789.64
Operation and Maintenance of Plant	6,515,117.72	1,565,840.64	89,006.02	13,427.75	2,015,700.97
Scholarships and Fellowships	46,455.00	3,427.68			1,584.72
Auxiliary Enterprises	32,645,492.39	7,926,713.88	1,187,835.44	4,550,734.35	6,092,982.84
Depreciation and Amortization					
Total Operating Expenses	\$ 267,431,924.23	\$ 62,763,954.99	\$ 5,420,478.61	\$ 13,445,091.10	\$ 29,112,108.70

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Instruction	\$ 974,808.75	\$ 378,717.58	\$ 813,373.37	\$ 556,853.81	\$
Research	1,504,367.67	1,619,146.74	353,377.21	282,473.18	
Public Service	161,460.88	155,131.90	404,897.79	175,168.70	
Academic Support	975,186.51	975,705.00	685,269.69	456,720.45	
Student Services	589,487.75	414,548.05	836,658.90	1,671,382.50	
Institutional Support	907,827.82	879,170.90	1,395,230.68	353,541.77	
Operation and Maintenance of Plant	13,866,511.58	15,976,163.68	11,542.65	11,179.10	
Scholarships and Fellowships			320.00	1,030.91	
Auxiliary Enterprises	7,558,286.62	4,642,305.15	1,544,290.67	698,815.12	
Depreciation and Amortization					42,881,865.05
Total Operating Expenses	\$ 26,537,937.58	\$ 25,040,889.00	\$ 6,044,960.96	\$ 4,207,165.54	\$ 42,881,865.05

Function	Scholarships	Cost of Goods Sold	Bad Debt	Interest	Claims and Losses
Instruction	\$ 2,004,378.06	\$ 848,131.05	\$ 44.37	\$ 1,284.57	\$ 102.84
Research	1,463,163.90	54,474.85	20,734.76	6,534.84	
Public Service	69,229.82	105,334.94		330.25	
Academic Support	372,142.40	9,277.02		2,541.26	2,697.16
Student Services	258,457.15	15,412.24		855.32	
Institutional Support	3,619.65	4,858.00	54,695.27	899.71	
Operation and Maintenance of Plant				5,539.10	
Scholarships and Fellowships	29,185,122.00		0.76		
Auxiliary Enterprises	3,746,122.65	9,845,121.38		4,103.10	
Depreciation and Amortization					
Total Operating Expenses	\$ 37,102,235.63	\$ 10,882,609.48	\$ 75,475.16	\$ 22,088.15	\$ 2,800.00

Function	Other Operating	Grand Total
Instruction	\$ 1,919,614.70	\$ 163,192,347.61
Research	6,477,197.14	69,544,007.28
Public Service	2,595,631.90	12,252,605.91
Academic Support	1,803,557.89	47,406,304.01
Student Services	7,378,020.12	31,545,719.15
Institutional Support	4,749,151.14	39,321,134.19
Operation and Maintenance of Plant	3,385,534.76	43,455,563.97
Scholarships and Fellowships	8,073.84	29,246,014.91
Auxiliary Enterprises	10,741,156.97	91,183,960.56
Depreciation and Amortization		42,881,865.05
Total Operating Expenses	\$ 39,057,938.46	\$ 570,029,522.64

Note: Please see Note 27 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
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2009

Cash Flows from Operating Activities

Tuition and Fees	\$ 190,313,454.59
Grants and Contracts	57,627,622.61
Sales and Services of Auxiliary Enterprises	87,590,603.31
Other Sales and Services	12,170,207.48
Payments to Suppliers	(57,559,313.56)
Payments to Employees	(271,671,067.03)
Payments for Other Operating Activities	(203,313,325.87)
Net Cash Used By Operating Activities	<u>(184,841,818.47)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	159,525,750.26
Noncapital Gifts	16,588,963.71
Grants and Contracts	18,832,676.71
Transfers to Other Components	(6,773,138.52)
Transfers from Texas Tech Foundation Inc.	10,329,774.16
Transfers to Other State Agencies	(1,608,617.79)
Payments for Agency Transactions	(15,398.91)
Other Noncapital Financing Activities	6,855,046.19
Net Cash Provided by Noncapital Financing Activities	<u>203,735,055.81</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuance	132,047,507.06
Capital Appropriations	31,301,786.36
Purchases of Capital Assets	(64,244,346.05)
Principal Paid on Capital Debt	(85,854,278.97)
Interest Paid on Capital Debt	(15,221,010.85)
Net Cash Used by Capital and Related Financing Activities	<u>(1,970,342.45)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	62,523,980.97
Interest and Dividends Received	14,977,400.64
Purchases of Investments	(55,971,066.64)
Net Cash Provided by Investing Activities	<u>21,530,314.97</u>

TOTAL NET CASH FLOWS	<u>\$ 38,453,209.86</u>
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Beginning Cash & Cash Equivalents - September 1, 2008	249,519,376.41
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Ending Cash & Cash Equivalents - August 31, 2009	<u>\$ 287,972,586.27</u>
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Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(220,749,517.76)
Adjustments:	
Depreciation Expense	42,881,865.05
(Increase) Decrease in Accounts Receivables	(3,491,038.35)
(Increase) Decrease in Loans and Notes Receivable	506,790.46
(Increase) Decrease in Inventory	800,849.68
(Increase) Decrease in Prepaid Expenses	3,252,949.72
(Increase) Decrease in Due From Other Agencies	682,599.43
(Increase) Decrease in Other Assets	(50,000.00)
Increase (Decrease) in Accounts Payables	(6,204,017.27)
Increase (Decrease) in Payroll Payables	(4,239,142.80)
Increase (Decrease) in Deferred Revenue	1,193,713.70
Increase (Decrease) in Compensable Leave	716,871.60
Increase (Decrease) in Due to Other Agencies	36,608.33
Increase (Decrease) in Other Liabilities	(180,350.26)
Net Cash Used for Operating Activities	<u>(184,841,818.47)</u>

Note: Please see Note 27 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

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

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

Blended Component Units

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

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

Basis of Accounting

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

Cash and Cash Equivalents

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

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

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

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	\$143,767.00	\$345.00		\$144,112.00
Cash in Bank	(20,688,423.88)	(6,368,699.24)	(2,916,340.53)	(29,973,463.65)
Cash in State Treasury	32,361,571.08			32,361,571.08
Repurchase Agreements	22,415,798.34	6,701,319.33	3,115,060.15	32,232,177.82
TexPool & TexStar Investments	133,390,393.03	39,877,750.86	79,940,045.13	253,208,189.02
Total Cash and Cash Equivalents	\$167,623,105.57	\$40,210,715.95	\$80,138,764.75	\$287,972,586.27

Investments

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

Restricted Assets

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

Inventories

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

Receivables

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

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

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

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

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

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

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

Loans and Notes Receivable

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

Capital Assets

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

Accounts Payable and Accrued Liabilities

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

Deferred Revenues

Deferred Revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Employees' Compensable Leave Balances

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

Notes and Loans Payable

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 5.

Bonds Payable

Texas Tech University has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 6.

Funds Held for Others

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

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

Interfund payables are resources payable to other state agencies for Lone Star that assisted the University with utility costs. This payable is further explained in Note 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 University such as creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

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

Unrestricted Net Assets as reported on the Statement of Net Assets

Reserved for:	
Encumbrances	\$12,214,578.01
Accounts Receivable	22,769,241.03
Inventory	2,456,560.98
FMV Adjustment	285,388.25
Prepaid Expenses	9,872,086.60
Imprest Funds	290,768.06
Balances Subject to Reappropriation	435,334.95
Future Operating Budgets	70,402,895.22
Service Department Operating Funds	18,666,127.94
Student Service Fees	704,526.50
Funds Functioning as Endowments	60,031,129.54
Unreserved	<u>7,440,386.24</u>
Total Unrestricted Net Assets	<u>\$205,569,023.32</u>

Interfund Activity and Transactions

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

Texas Tech University – Notes to the Financial Statements (continued)**Note 2: Capital Assets**

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as either (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, or (8) Facilities and Other Improvements. The changes to fixed asset balances are summarized below.

Business-type Activities:	Balance 09/01/08	Adjustments	Completed CIP	Increase Int'gy Trans	Decrease Int'gy Trans	Additions	Deletions	Balance 08/31/09
Non-depreciable Assets:								
Land and Land Improvements	\$3,724,592.94							\$3,724,592.94
Construction In Progress	66,832,155.88	(3,464.28)				15,876,262.36		82,704,953.96
Other Capital Assets	46,842,305.11					3,259,704.50		50,102,009.61
Total Non-Depreciable Assets	117,399,053.93	(3,464.28)				19,135,966.86		136,531,556.51
Depreciable Assets:								
Buildings and Improvements	708,807,545.99					19,305,654.77		728,113,200.76
Infrastructure	25,471,299.05					3,993,397.19		29,464,696.24
Facilities & Other Improvements	138,720,172.94					2,693,473.25		141,413,646.19
Furniture & Equipment	121,040,586.82	(49.95)				12,269,086.77	(5,970,643.00)	127,338,980.64
Vehicles, Boats and Aircraft	11,337,416.22					873,780.96	(447,119.71)	11,764,077.47
Other Capital Assets	92,275,174.04	(381,483.69)				5,980,892.10	(133,433.00)	97,741,149.45
Total Depreciable Assets at Historical Costs	1,097,652,195.06	(381,533.64)				45,116,285.04	(6,551,195.71)	1,135,835,750.75
Less Accumulated Depreciation for:								
Buildings and Improvements	(395,841,739.55)					(17,539,282.32)		(413,381,021.87)
Infrastructure	(6,178,228.01)					(1,004,420.28)		(7,182,648.29)
Facilities & Other Improvements	(35,790,069.39)					(5,988,930.60)		(41,778,999.99)
Furniture & Equipment	(81,626,661.98)					(11,324,513.32)	5,793,461.39	(87,157,713.91)
Vehicles, Boats And Aircraft	(7,059,337.74)					(948,153.02)	418,499.62	(7,588,991.14)
Other Capital Assets	(23,393,104.75)	(6,124.80)				(6,076,565.51)	91,292.54	(29,384,502.52)
Total Accumulated Depreciation	(549,889,141.42)	(6,124.80)				(42,881,865.05)	6,303,253.55	(586,473,877.72)
Depreciable Assets, Net	547,763,053.64	(387,658.44)				2,234,419.99	(247,942.16)	549,361,873.03
Business-type Capital Assets, net:	\$665,162,107.57	\$(391,122.72)	\$0.00	\$0.00	\$0.00	\$21,370,386.85	\$(247,942.16)	\$685,893,429.54

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

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

The governing investment policy is Regents' Rules Chapter 09, "Investment, Endowments, and Income Producing Lands." The majority of Texas Tech University assets are invested in two investment pools; the 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 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 \$(29,973,463.65) as presented below:

Business-Type Activities

CASH IN BANK – CARRYING AMOUNT	\$ (29,973,463.65)
Less: Certificates of Deposit including in carrying amount and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral including in carrying amount and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral including in carrying amount and reported as Securities Lending Collateral	0
Total Cash in Bank per AFR	<u>\$ (29,973,463.65)</u>
Proprietary Funds Current Assets Cash in Bank	\$ (20,688,423.88)
Proprietary Funds Current Assets Restricted Cash in Bank	(6,368,699.24)
Proprietary Funds Non-Current Assets Restricted Cash in Bank	(2,916,340.53)
Cash in Bank per AFR	<u>\$ (29,973,463.65)</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 \$104,650.31.

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

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

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
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	\$48,464,950.98
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	27,006,199.70
Equity	16,473,013.36
International Equity	13,712,519.30
Repurchase Agreement	32,232,177.82
Fixed Income Money Market and Bond Mutual Fund	38,155,701.40
Other Commingled Funds	69,957,179.99
Other Commingled Funds (Texpool)	198,843,160.91
Alternative Investments – Domestic	65,565,898.67
Alternative Investments – International	1,276,145.14
Misc. (limited partnerships, guaranteed investment Contract, political subdivision, banker's acceptance, negotiable CD)	1,141,501.61
Total Investments	<u>\$512,828,448.88</u>
Reconciliation of Investments – Business-Type Activities	
Non-Current Investments per Statement of Net Assets	\$227,388,082.04
Items in Cash and Cash Equivalents per Note 1:	
Repurchase Agreements	32,232,177.82
TexPool & TexStar Investments	253,208,189.02
Total	<u>\$512,828,448.88</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University's investment policy is to require third party custody for the two investment pools, the LTIF and the STIF. 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	\$66,311.25	

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The University's policy is to limit international equity investments to between 10-30% 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		4,222.76
05	9999	Australian dollar		128,659.41
05	9999	Bermudan dollar		28.56
05	9999	Brazilian real		793,142.65
05	9999	Canadian dollar		393,037.74
05	9999	Cayman dollar		4.72
05	9999	Chilean Peso		12,668.27
05	9999	Chinese yuan		579,618.99
05	9999	Columbian peso		44,420.11
05	9999	Czech koruna		16,891.03
05	9999	Danish krone		16,449.66
05	9999	Egyptian pound		54,895.85
05	9999	Euro		1,530,663.47
05	9999	Hong Kong dollar		711,301.96
05	9999	Hungarian forint		12,668.27
05	9999	Indian rupee		288,463.06
05	9999	Indonesian rupiah		183,840.69
05	9999	Israeli shekel		33,782.06
05	9999	Japanese yen		2,048,639.36
05	9999	Malaysian ringgit		100,497.98
05	9999	Mexican peso		126,957.25
05	9999	Moroccan dirham		8,445.52
05	9999	New Zealand dollar		1.16
05	9999	Norwegian krone		4.00
05	9999	Phillippino peso		25,336.55
05	9999	Polish zloty		114,014.46
05	9999	Pound sterling		1,750,222.01
05	9999	Russian ruble		536,290.26
05	9999	Singapore dollar		566,649.47
05	9999	South African rand		88,677.92
05	9999	Korean won		1,261,862.41
05	9999	Swedish krona		71,263.38
05	9999	Swiss franc		726,671.51
05	9999	Taiwan dollar		650,010.21
05	9999	Thai baht		360,828.50
05	9999	Turkish lira		471,388.09
		Total		\$13,712,519.30

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

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

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$27,006,199.70				
05	9999	Repurchase Agreement	\$32,232,177.82				
			AAAf	AAf	Af		Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund					\$38,155,701.40

Derivative Investing

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

Note 4: Short-Term Debt

Texas Tech University has no outstanding short-term debt as of August 31, 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	\$47,853,764.32	\$21,217,178.00	\$33,301,000.00	\$35,769,942.32	\$35,769,942.32	
Revenue Bonds	268,070,450.80	110,738,570.59	52,553,278.97	326,255,742.42	17,439,014.56	308,816,727.86
Compensable Leave	11,533,772.33	716,871.60		12,250,643.93	1,470,077.27	10,780,566.66
Total	\$327,457,987.45	\$132,672,620.19	\$85,854,278.97	\$374,276,328.67	\$54,679,034.15	\$319,597,294.52

Texas Tech University – Notes to the Financial Statements (continued)**Employees' Compensable Leave**

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

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.

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 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 rates ranging from .2% to 7.75% in fiscal year 2009.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2010	\$35,769,942.32	\$80,509.73	\$35,850,452.05
2011			
2012			
2013			
2014			
All Other Years			
Total Requirements	\$35,769,942.32	\$80,509.73	\$35,850,452.05

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, 6th Series 1999

Purpose:	Current refunding of a portion of Series A Notes, advance refunding of Revenue Bonds, Series 1995, 1996 and financing of a new English building and other projects
Original Issue Amount:	\$99,467,818; all authorized bonds have been issued
Issue Date:	May 4, 1999
Interest Rates:	4.00% to 5.25%
Maturity Date Range:	1999 through 2029
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$5,262,943.84 retired, \$34,388,755.10 refunded

Texas Tech University – Notes to the Financial Statements (continued)**Revenue Financing System Bonds, 7th Series 2001**

Purpose:	Financing of renovation of Jones Stadium, Student Union and Student Recreational Center, and other projects, current refunding of a portion of Series A Notes, and costs of issuance
Original Issue Amount:	\$107,355,000; all authorized bonds have been issued
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$2,810,000.00 retired

Revenue Financing System Bonds, 8th Series 2001 (Taxable)

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

Revenue Financing System Refunding and Improvement Bonds, 9th Series 2003

Purpose:	For current refunding of Series A Notes and Series 1993 bonds, for construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other University construction of capital improvement projects
Original Issue Amount	\$32,995,000; all authorized bonds have been issued
Issue Date	September 23, 2003
Interest Rates	2.00% to 5.25%
Maturity Date Range	2004 through 2023
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$1,690,000.00.00 retired

Revenue Financing System Refunding and Improvement Bonds, 10th Series 2006

Purpose:	For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall and renovation of the Student Union Building and various dormitories and other University construction of capital improvement projects
Original Issue Amount	\$161,220,476; all authorized bonds have been issued
Issue Date	February 2, 2006
Interest Rates	4.00% to 5.00%
Maturity Date Range	2007 through 2031
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$1,868,765.71 retired

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

Purpose:	For current refunding of Series A Notes in the aggregate principal amount of \$14,486,000 and Series 1999 bonds in the aggregate principal amount of \$32,377,742.71 and 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 University construction of capital improvement projects.
Original Issue Amount	\$104,352,181.17; all authorized bonds have been issued
Issue Date	February 2, 2009
Interest Rates	4.00% to 5.25%
Maturity Date Range	2009 through 2038
Type of Bond	Revenue
Changes in Debt	\$104,352,181.17 issued; \$4,217,814.32 retired

Sources of Debt-Service Revenue

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to Texas Tech University System components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds

Note 7: Capital Leases

Texas Tech University has no outstanding capital leases as of August 31, 2009.

Note 8: Operating Leases

Texas Tech University has no outstanding operating leases as of August 31, 2009.

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:

	Year Ended August 31, 2009
Member Contributions	\$6,612,213.00
Employer Contributions	7,284,417.21
Total	\$13,896,630.21

Texas Tech University – Notes to the Financial Statements (continued)**Note 10: Deferred Compensation (administering agencies only)**

Not applicable

Note 11: Postemployment Health Care and Life Insurance Benefits (administering agencies 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:

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

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	<u>\$259,459.77</u>	Lonestar
Total Interfund Payable	<u><u>\$259,459.77</u></u>	

<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 Workforce Commission (Agency 320)	210,615.06
Texas Tech University Health Sciences Center (Agency 739)	173,648.42
Texas Department of Transportation (Agency 601)	137,126.73
Texas Parks and Wildlife (Agency 802)	130,789.77
Texas Higher Education Coordinating Board (Agency 781)	<u>22,631.07</u>
Total Due from Other Agencies	<u><u>\$1,356,541.49</u></u>

<u>Due to Other Agencies</u>	<u>Amount</u>
Texas Tech University Health Sciences Center (Agency 739)	<u>\$36,608.33</u>
Total Due to Other Agencies	<u><u>\$36,608.33</u></u>

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

<u>Legislative Transfer Out</u>	<u>Amount</u>
Texas Tech University System Administration (Agency 768)	<u>\$2,514,201.00</u>
Total Legislative Transfer Out	<u><u>\$2,514,201.00</u></u>

<u>Transfers to Other State Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	<u>\$1,608,617.79</u>
Total Transfers to Other Agencies	<u><u>\$1,608,617.79</u></u>

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

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances and Net Assets

Texas Tech 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	\$793,945,375.89
Restatements	
Other Current Liabilities - Decrease	<u>\$12,703,665.27</u>
Restated Net Assets at 8/31/08	<u><u>\$806,649,041.16</u></u>

Note 15: Contingent Liabilities

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

Note 16: Subsequent Events

Texas Tech University has no subsequent events to disclose.

Note 17: Risk Management

Texas Tech University by state law is required to be a participant in the Worker's Compensation Program and Pool managed by the State Office of Risk Management (SORM). The University is assessed fees by SORM based upon claims cost, claim count, payroll 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

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

Worker's Compensation pool for the fiscal year was funded by a .25 percent charge on non-educational and general gross payroll for paying its proportionate share of the SORM assessment.

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

Note 18: Management Discussion and Analysis (MD&A)

- Bonds were issued during the current fiscal year in the amount of \$104,352,181 for current refunding of commercial paper and outstanding bonds and to pay for the construction of the new College of Business Administration Building, renovation of the existing College of Business Administration Building, construction of the Student Leisure Pool and other University construction of capital improvement projects.
- Capital asset additions totaled \$64 million for the year ended August 31, 2009.

Note 19: The Financial Reporting Entity**The Financial Reporting Entity**

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

Related Parties – Relationship with Texas Tech University

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

Note 20: Stewardship, Compliance and Accountability

Texas Tech University 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 Texas Tech's endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

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

Donor-Restricted Endowment	Amount of Net Appreciation	Reported in Net Assets
True Endowments	\$7,999,342.08	Restricted Nonexpendable
Term Endowments	27,590.47	Restricted Nonexpendable
Total	<u>\$8,026,932.55</u>	

Texas Tech University – Notes to the Financial Statements (continued)**Note 23: Extraordinary and Special Items**

Texas Tech University has no special or extraordinary items 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	\$15,301,584.61
Interest and Dividends Receivable	306,155.60
Student Receivables	2,588,621.03
Gift Receivables Current & Non-Current	23,651,815.62
Accounts Receivables	8,173,641.01
Other Receivables	1,932,281.27
Loans and Notes Receivable Current & Non-Current	1,512,839.46
Total Receivables	\$53,466,938.60

Payables

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

Type	Net Amount
Accounts Payable	\$19,898,801.16
Payroll Payable	17,162,215.68
Total Payables	\$37,061,016.84

Note 25: Termination Benefits

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

Note 26: Segment Information

Texas Tech University has no reportable segments.

Note 27: Correction after FY09 State of Texas Annual Financial Report Published

Texas Tech University 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	\$163,190,319.28	\$2,028.33	\$163,192,347.61
SRECNA – Operating Expenses Research	72,138,318.69	(2,594,311.41)	69,544,007.28
SRECNA – Operating Expenses Scholarships and Fellowships	26,653,731.83	2,592,283.08	29,246,014.91
Net Effect of Correction	\$261,982,369.80	\$0.00	\$261,982,369.80

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

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
Matrix Expenses – Instruction Salaries and Wages	\$119,997,619.44	\$2,028.33	\$119,999,647.77
Matrix Expenses – Research Salaries and Wages	37,878,096.06	(2,028.33)	37,876,067.73
Matrix Expenses – Research Scholarships	4,055,446.98	(2,592,283.08)	1,463,163.90
Matrix Expenses – Scholarships and Fellowships Scholarships	26,592,838.92	2,592,283.08	29,185,122.00
Net Effect of Correction	<u>\$188,524,001.40</u>	<u>\$0.00</u>	<u>\$188,524,001.40</u>

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
Matrix Expenses – Student Services Travel	\$3,201,784.82	(\$1,898,649.45)	\$1,303,135.37
Matrix Expenses – Student Services Other Expenses	5,479,370.67	1,898,649.45	7,378,020.12
Net Effect of Correction	<u>\$8,681,155.49</u>	<u>\$0.00</u>	<u>\$8,681,155.49</u>

	FY09 as of 11/20/09	Correction 5/1/10	FY09 Restated
Statement of Cash Flows – Tuition and Fees	\$212,043,424.10	(\$21,729,969.51)	\$190,313,454.59
Statement of Cash Flows – Sales and Services of Auxiliary Enterprises	65,860,633.80	21,729,969.51	87,590,603.31
Net Effect of Correction	<u>\$277,904,057.90</u>	<u>\$0.00</u>	<u>\$277,904,057.90</u>

SCHEDULES

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

Note 1: Non-Monetary Assistance:

None for Fiscal Year 2009

Note 2: Reconciliation:

Federal Grants and Contracts Operating (SRECNA)	\$	30,958,187.32
Federal Pass-Through Grants from other State Agencies (SRECNA)		4,261,089.39
Federal Grants and Contracts Nonoperating (SRECNA)		18,832,676.71
Total Federal Revenues		<u>54,051,953.42</u>

Reconciling Items:

New Loans Processed:

Federal Family Education Loan Program	127,869,638.28
Federal Perkins Loan Program	<u>180,806.25</u>

Total Pass-Through and Expenditures Per Federal Schedule \$ 182,102,397.95

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
Department Of Education				
84.032 Federal Family Education Loans	\$ 127,869,638.28	\$	\$ 127,869,638.28	\$
84.038 Federal Perkins Loan Program	180,806.25		180,806.25	1,613,780.18
Total Department of Education	<u>\$ 128,050,444.53</u>	<u>\$</u>	<u>\$ 128,050,444.53</u>	<u>\$ 1,613,780.18</u>

Note 4: Government Publications

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

Note 5: Unemployment Insurance Funds

Texas Tech University does not have CFDA 17.225 awards

Note 6: Agency 501 Only (WIC Program)

Note 7: Federal Deferred Revenue

The deferred revenue of \$1,311,125.81 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
10.206	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
12.431	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
45.168	5,032.16	(5,032.16)	
47.041	4,865.94	(4,865.94)	
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
84.325	23,063.03	(23,063.03)	
93.000	16,429.43	(16,429.43)	
93.399	10,022.45	(10,022.45)	
93.600		28,334.38	28,334.38
93.856		1,867.85	1,867.85
94.006		1,894.49	1,894.49
	<u>\$ 595,511.60</u>	<u>\$ 715,614.21</u>	<u>\$ 1,311,125.81</u>

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

Pass-Throughs From:

Texas Emerging Technology Fund - Governor's Office (300)

Texas Emerging Technology Grant	1,531,807.82
Texas Wide Open For Business Region	48,000.00
	<hr/> 1,579,807.82

Texas Department of Agriculture (551)

Texas Enology - Teaching Research and Extension Program	334,916.69
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Texas Higher Education Coordinating Board (781)

THECB Learning Object Repository	(2,328.04)
Engineering Recruitment Program	72,974.97
Texas Grants	11,540,579.00
Advanced Research Program	(16,212.67)
Higher Education Performance Incentive	4,441,168.00
College Workstudy	193,745.27
Work Study Mentorship Program	55,000.00
College Readiness-Outreach	50,000.00
5th Year Accounting Scholarship	15,852.00
Technology Workforce Development	(154,818.42)
	<hr/> 16,195,960.11

Texas Commission on Environmental Quality (Agency 582)

Design and Operation of Land Application Systems	190,709.42
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Texas Food and Fiber Commission (Agency 904)

T0764 Development Of Value Added	355,191.76
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Texas Agrilife Research Station (556)

Development of a Reference SSR Map of Tetraploid Peanut	306.72
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Texas Water Development Board (Agency 580)

An Integrated Approach to Water Conservation	589,206.17
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Texas State Energy Conservation Office (Agency 907)

Utilizing Agricultural BioMass in Energy Production	<hr/> 38,709.17
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Total Pass-Through from Other Agencies	<hr/> <hr/> \$ 19,284,807.86
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Pass-Throughs To:

Texas Agrilife Extension Service (555)

Agricultural Water Demonstration Initiative FARM	96,168.51
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Total Pass-Through to Other Agencies	<hr/> <hr/> \$ 96,168.51
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Texas Tech University
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	\$ 99,467,818.00	4.00%	5.25%	1999	2029	2/15/2009
Rev Fin Sys Bds 7th Ser '01	107,355,000.00	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	32,995,000.00	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	161,220,476.00	4.00%	5.00%	2007	2031	2/15/2016
Rev Fin Sys Ref & Imp Bds 12th Ser '09	<u>104,352,181.17</u>	4.00%	5.25%	2009	2038	2/15/2019
Total	<u>\$ 548,200,475.17</u>					

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Texas Tech University
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 6th Ser '99	\$ 39,651,698.94	\$	\$ 5,262,943.84	\$ 34,388,755.10	\$
Rev Fin Sys Bds 7th Ser '01	15,160,000.00		2,810,000.00		12,350,000.00
Rev Fin Sys Bds Tax 8th Ser '01	32,615,000.00		2,315,000.00		30,300,000.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03	23,015,000.00		1,690,000.00		21,325,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	157,628,751.86		1,868,765.71		155,759,986.15
Rev Fin Sys Ref & Imp Bds 12th Ser '09		104,352,181.17	4,217,814.32		100,134,366.85
Total	<u>\$ 268,070,450.80</u>	<u>\$ 104,352,181.17</u>	<u>\$ 18,164,523.87</u>	<u>\$ 34,388,755.10</u>	<u>\$ 319,869,353.00</u>

	Unamortized Premium	Net Bonds Outstanding 8/31/09	Amounts Due Within One Year
Rev Fin Sys Ref & Imp Bds 6th Ser '99	\$	\$	\$
Rev Fin Sys Bds 7th Ser '01		12,350,000.00	2,960,000.00
Rev Fin Sys Bds Tax 8th Ser '01		30,300,000.00	2,345,000.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03		21,325,000.00	1,765,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06		155,759,986.15	1,948,286.81
Rev Fin Sys Ref & Imp Bds 12th Ser '09	6,386,389.42	106,520,756.27	8,420,727.75
	<u>\$ 6,386,389.42</u>	<u>\$ 326,255,742.42</u>	<u>\$ 17,439,014.56</u>

Note: 12th Series amounts due within one year includes bond premium amortization of \$110,110.16

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Texas Tech University
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	\$ 2,960,000.00	\$ 664,150.00
	2011	3,080,000.00	508,750.00
	2012	3,070,000.00	347,050.00
	2013	3,240,000.00	178,200.00
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
Rev Fin Sys Ref & Imp Bds 9th Ser '03	2010	1,765,000.00	1,033,000.00
	2011	1,840,000.00	951,700.00
	2012	1,490,000.00	868,450.00
	2013	1,570,000.00	791,950.00
	2014	1,145,000.00	722,643.75
	2015 - 2019	6,735,000.00	2,615,718.75
	2020 - 2023	6,780,000.00	699,250.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2010	1,948,286.81	7,349,505.86
	2011	3,215,714.64	7,246,225.83
	2012	3,365,572.04	7,097,772.24
	2013	3,528,673.64	6,925,416.10
	2014	7,198,177.86	6,657,244.81
	2015 - 2019	45,824,057.82	27,352,079.73
	2020 - 2024	49,748,649.37	15,696,708.74
	2025 - 2029	35,945,853.97	4,952,334.39
Rev Fin Sys Ref & Imp Bds 12th Ser '09	2010	8,310,617.59	4,423,821.81
	2011	7,457,159.84	4,108,198.06
	2012	6,478,133.46	3,829,599.44
	2013	6,380,180.51	3,572,782.65
	2014	6,547,463.54	3,350,131.62
	2015 - 2019	24,970,811.91	12,643,741.48
	2020 - 2024	18,465,000.00	7,812,437.50
	2025 - 2029	18,715,000.00	2,691,537.50
	2030 - 2034	1,400,000.00	558,931.27
	2035 - 2038	1,410,000.00	152,775.00
Total Principal and Interest		\$ 319,869,353.00	\$ 164,306,897.53

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Texas Tech University
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 Ref & Imp Bds 6th Series 1999			\$ 5,262,943.84	\$ 993,633.05
RFS Bds 7th Series 2001			2,810,000.00	811,675.00
RFS Bds Tax 8th Series 2001			2,315,000.00	2,130,765.50
RFS Ref & Imp Bds 9th Series 2003			1,690,000.00	1,102,100.00
RFS Ref & Imp Bds 10th Series 2006			1,868,765.71	7,425,846.94
RFS Ref & Imp Bds 12th Series 2009			4,217,814.32	2,148,599.96
Total	\$ 417,769,363.37	\$ 350,611,571.01	\$ 18,164,523.87	\$ 14,612,620.45

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Texas Tech University
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	\$ <u>71,975,000.00</u>
Total		\$ <u><u>71,975,000.00</u></u>

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Texas Tech University
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	\$ 34,388,755.10	\$ 32,302,181.00	\$ 3,814,300.00	\$ 3,388,198.00
		<u>\$ 34,388,755.10</u>	<u>\$ 32,302,181.00</u>	<u>\$ 3,814,300.00</u>	<u>\$ 3,388,198.00</u>

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

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue (Fund 0255)	\$ 32,312,073.49	\$	\$ 32,312,073.49
Local Revenue (Fund 0269)	49,497.59		49,497.59
Total Cash in State Treasury (Note 1)	<u>\$ 32,361,571.08</u>	<u>\$</u>	<u>\$ 32,361,571.08</u>