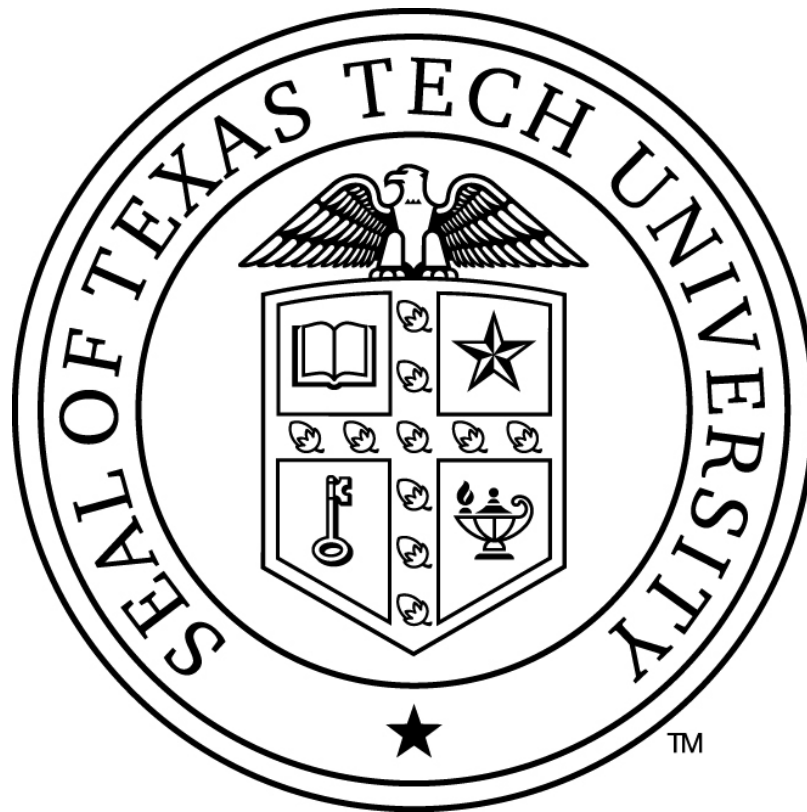


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2010

Texas Tech University

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

1925-2010

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2010

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY

Office of the President

November 10, 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, 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 Texas Tech University System Office of Audit Services has audited the accompanying annual financial report nor, 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 Texas Tech University 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 Texas Tech University to provide a summary of the University's financial records.

Sincerely,

A handwritten signature in blue ink that reads "Guy Bailey".

Guy Bailey
President



TEXAS TECH UNIVERSITY

Financial Accounting & Reporting

November 10, 2010

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, 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. Ms. Simone Barnhill may be contacted at 742-2985 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,


Debra Crowder, CPA
Director of Financial Reporting

Approved:

Sharon Williamson, CPA
Interim Assistant Vice President for Financial Affairs & Controller



Kyle Clark
Chief Financial Officer and Vice President for Administration & Finance



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
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

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

Guy Bailey.... President
Kyle Clark.....CFO and Vice President for Administration and Finance
Sharon Williamson... Interim Assistant Vice President for Financial Affairs & Controller
Debra Crowder..... Director of Financial Reporting

FINANCIAL STATEMENTS

Texas Tech University
Statement of Net Assets
August 31, 2010

ASSETS

Current Assets:	
Cash and Cash Equivalents (Note 1)	\$ 158,675,656.60
Restricted:	
Cash and Cash Equivalents (Note 1)	36,546,971.12
Legislative Appropriations	48,162,278.88
Accounts Receivable, net:	
Federal Receivables	18,453,375.02
Interest and Dividends	227,671.26
Student Receivables	1,071,518.45
Gift Receivables	5,971,077.49
Accounts Receivable	7,084,607.94
Other Receivables	5,410,678.33
Due From Other Agencies (Note 12)	2,678,725.16
Prepaid Expenses	23,887,993.75
Consumable Inventories	438,534.96
Merchandise Inventories	1,833,977.10
Loans and Notes Receivable, net	2,741,109.40
Other Current Assets	450,000.00
Total Current Assets	<u>313,634,175.46</u>
Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents (Note 1)	65,619,695.18
Investments (Note 3)	162,565,407.04
Gift Receivables	12,184,041.93
Loans and Notes Receivable, net	636,761.49
Investments (Note 3)	144,852,863.70
Capital Assets (Note 2)	
Non-Depreciable or Non-Amortizable	185,712,247.46
Depreciable or Amortizable	1,218,358,563.90
Accumulated Depreciation and Amortization	(629,103,379.99)
Total Non-Current Assets	<u>1,160,826,200.71</u>
Total Assets	<u><u>\$ 1,474,460,376.17</u></u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 17,395,563.00
Payroll Payable	24,779,367.38
Deferred Revenues	129,450,813.40
Due to Other State Agencies (Note 12)	2,610,308.40
Employees' Compensable Leave (Note 5)	1,711,003.73
Notes and Loans Payable (Note 5)	48,965,233.49
Bonds Payable (Note 5)	16,058,094.80
Funds Held for Others	13,983,025.83
Other Current Liabilities	4,066,328.22
Total Current Liabilities	<u>259,019,738.25</u>

UNAUDITED

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

Non-Current Liabilities:

Employees' Compensable Leave (Note 5)	12,547,360.78
Bonds Payable (Note 5)	292,648,522.88
Total Non-Current Liabilities	<u>305,195,883.66</u>

Total Liabilities \$ 564,215,621.91

NET ASSETS

Invested in Capital Assets, Net of Related Debt 466,441,230.99

Restricted:

Nonexpendable:

Endowments 78,961,383.21

Expendable:

Capital Projects 12,127,488.09

Higher Education Assistance Fund 35,271,523.27

Debt Service 22,413,583.71

Other 67,862,889.85

Unrestricted (Note 1) 227,166,655.14

Total Net Assets 910,244,754.26

Total Liabilities and Net Assets \$ 1,474,460,376.17

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

Operating Revenues	
Tuition and Fees	\$ 5,412,241.76
Tuition and Fees - Pledged	247,878,793.92
Less Discounts and Allowances	(37,105,360.66)
Sales and Services of Auxiliary Enterprises - Pledged	92,345,257.50
Other Sales and Services - Pledged	6,550,479.97
Federal Grants and Contracts (Schedule 1A)	40,521,458.07
Federal Grant Pass-Throughs (Schedule 1A)	4,755,467.86
State Grants and Contracts	612,602.74
State Grant Pass-Throughs (Schedule 1B)	27,354,904.29
Local Governmental Grants and Contracts	300,861.38
Nongovernmental Grants and Contracts	6,314,643.56
Total Operating Revenues	<u>394,941,350.39</u>
Operating Expenses	
Instruction	151,754,183.73
Research	102,403,385.35
Public Service	13,838,525.63
Academic Support	48,693,700.30
Student Services	34,390,727.11
Institutional Support	46,614,124.71
Operations and Maintenance of Plant	35,340,715.67
Scholarships and Fellowships	35,011,416.90
Auxiliary Enterprises	97,074,967.95
Depreciation and Amortization	50,007,608.46
Total Operating Expenses	<u>615,129,355.81</u>
Operating Income (Loss)	<u>(220,188,005.42)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	160,766,399.23
Federal Grants and Contracts (Schedule 1A)	27,606,975.32
Federal Grants Pass Throughs (Schedule 1A)	8,307,708.97
Private Gifts	2,990,175.64
Private Gifts - Pledged	6,108,481.59
Investment Income (Expense)	8,426,095.96
Investment Income (Expense) - Pledged	3,786,877.04
Interest Expense on Capital Asset Financing	(15,473,719.70)
Loss on Sale and Disposal of Capital Assets	(1,578,684.72)
Net Increase in Fair Value of Investments	7,512,653.03
Other Nonoperating Revenues (Expenses)	(2,161,386.07)
Other Nonoperating Revenues (Expenses) - Pledged	4,355,490.20
Total Nonoperating Revenues (Expenses)	<u>210,647,066.49</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	<u>(9,540,938.93)</u>
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	27,446,656.00
Capital Contributions	56,404,674.85
Additions to Permanent Endowments	3,328,638.80
Increase Net Assets - Interagency Transfer Capital Assets (Note 12)	196,344.46
Decrease Net Assets - Interagency Transfer Capital Assets (Note 12)	(85,388.90)
Legislative Transfer Out to TTU System Administration (Note 12)	(1,667,837.00)
Net Transfers from Texas Tech Foundation Inc.	40,496,237.47
Net Transfers to TTU Health Sciences Center	(1,702,574.07)
Net Transfers to TTU System Administration	(1,896,021.27)
Transfers to Other State Agencies (Note 12)	(2,262,662.22)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>120,258,068.12</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ 110,717,129.19</u>
Beginning Net Assets (September 1, 2009)	799,527,625.07
Ending Net Assets (August 31, 2010)	<u>\$ 910,244,754.26</u>

UNAUDITED

Texas Tech University
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
Instruction	\$ 108,400,057.28	\$ 25,444,610.01	\$ 599,472.86	\$ 2,580,864.68	\$ 4,019,972.81
Research	61,911,398.27	12,708,261.09	884,040.55	3,970,662.05	10,055,716.04
Public Service	7,000,764.30	1,490,369.58	519,714.34	548,825.58	927,420.00
Academic Support	27,772,370.16	6,711,704.48	579,764.38	1,848,287.52	4,289,565.80
Student Services	14,795,694.50	3,571,784.71	932,865.62	1,366,428.15	1,672,947.22
Institutional Support	23,869,823.04	7,136,578.04	1,497,307.39	371,886.12	2,429,202.53
Operation and Maintenance of Plant	7,466,909.90	1,835,693.55	134,978.55	14,685.32	1,810,972.04
Scholarships and Fellowships	33,000.00	2,397.16			
Auxiliary Enterprises	33,653,499.09	8,136,193.88	1,480,275.89	4,429,584.64	7,153,856.40
Depreciation and Amortization					
Total Operating Expenses	\$ 284,903,516.54	\$ 67,037,592.50	\$ 6,628,419.58	\$ 15,131,224.06	\$ 32,359,652.84

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Instruction	\$ 949,764.95	\$ 308,995.69	\$ 896,308.08	\$ 398,481.72	\$
Research	966,020.65	1,287,032.48	581,749.05	270,928.37	
Public Service	183,730.81	72,090.79	433,047.70	156,285.69	
Academic Support	1,006,127.12	562,673.63	981,327.41	713,008.28	
Student Services	693,025.46	384,389.25	851,024.51	1,603,945.04	
Institutional Support	917,201.97	4,311,873.49	1,416,440.86	203,778.22	
Operation and Maintenance of Plant	14,094,595.34	7,961,358.11	10,172.44	9,466.79	
Scholarships and Fellowships					
Auxiliary Enterprises	8,557,231.23	5,971,476.97	1,563,224.54	513,918.65	
Depreciation and Amortization					50,007,608.46
Total Operating Expenses	\$ 27,367,697.53	\$ 20,859,890.41	\$ 6,733,294.59	\$ 3,869,812.76	\$ 50,007,608.46

Function	Scholarships	Cost of Goods Sold	Bad Debt	Interest	Claims and Losses
Instruction	\$ 2,184,420.16	\$ 532,868.54	\$	\$ 826.02	\$
Research	3,288,083.32	494.00		2,415.04	1,000.00
Public Service	96,808.14	71,139.28	532.54	315.69	
Academic Support	589,188.32	49,756.55	7.09	1,016.13	
Student Services	243,005.50	14,043.25		1,263.12	
Institutional Support	106,828.63	(981.93)	27,014.93	773.79	31,407.00
Operation and Maintenance of Plant				731.09	
Scholarships and Fellowships	34,496,204.99				
Auxiliary Enterprises	4,685,046.30	10,019,381.97		6,495.91	
Depreciation and Amortization					
Total Operating Expenses	\$ 45,689,585.36	\$ 10,686,701.66	\$ 27,554.56	\$ 13,836.79	\$ 32,407.00

Function	Other Operating	Grand Total
Instruction	\$ 5,437,540.93	\$ 151,754,183.73
Research	6,475,584.44	102,403,385.35
Public Service	2,337,481.19	13,838,525.63
Academic Support	3,588,903.43	48,693,700.30
Student Services	8,260,310.78	34,390,727.11
Institutional Support	4,294,990.63	46,614,124.71
Operation and Maintenance of Plant	2,001,152.54	35,340,715.67
Scholarships and Fellowships	479,814.75	35,011,416.90
Auxiliary Enterprises	10,904,782.48	97,074,967.95
Depreciation and Amortization		50,007,608.46
Total Operating Expenses	\$ 43,780,561.17	\$ 615,129,355.81

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

Cash Flows from Operating Activities

Tuition and Fees	\$ 222,459,734.10
Grants and Contracts	86,721,063.53
Sales and Services of Auxiliary Enterprises	112,396,073.83
Other Sales and Services	4,099,268.10
Payments to Suppliers	(56,905,307.09)
Payments to Employees	(277,286,364.84)
Payments for Other Operating Activities	(230,341,730.13)
Net Cash Used By Operating Activities	<u>(138,857,262.50)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	153,614,076.85
Noncapital Gifts	17,923,992.23
Grants and Contracts	35,914,684.29
Transfers to Other Components	(5,266,432.34)
Transfers from Texas Tech Foundation Inc.	40,496,237.47
Transfers to Other State Agencies	(2,262,662.22)
Proceeds from Agency Transactions	594,553.94
Payments for Agency Transactions	(2,280,998.00)
Other Noncapital Financing Activities	2,194,104.13
Net Cash Provided by Noncapital Financing Activities	<u>240,927,556.35</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuance	25,269,250.00
Capital Appropriations	35,328,158.92
Proceeds from Sale of Capital Assets	14,454.89
Purchases of Capital Assets	(84,159,119.49)
Principal Paid on Capital Debt	(29,662,323.02)
Interest Paid on Capital Debt	(15,764,900.19)
Net Cash Used by Capital and Related Financing Activities	<u>(68,974,478.89)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	253,283,182.25
Interest and Investment Income Received	12,291,457.34
Purchases of Investments	(325,800,717.92)
Net Cash Used by Investing Activities	<u>(60,226,078.33)</u>

TOTAL NET CASH FLOWS	<u>\$ (27,130,263.37)</u>
----------------------	---------------------------

Beginning Cash & Cash Equivalents - September 1, 2009	287,972,586.27
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Ending Cash & Cash Equivalents - August 31, 2010	<u>\$ 260,842,322.90</u>
--	--------------------------

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	\$ (220,188,005.42)
Adjustments:	
Depreciation Expense	50,007,608.46
(Increase) Decrease in Accounts Receivables	(1,743,053.82)
(Increase) Decrease in Loans and Notes Receivable	(1,865,031.43)
(Increase) Decrease in Inventory	184,048.92
(Increase) Decrease in Prepaid Expenses	(4,610,235.88)
(Increase) Decrease in Due From Other Agencies	(1,322,183.67)
(Increase) Decrease in Other Assets	(89,175.00)
Increase (Decrease) in Accounts Payables	(2,552,735.75)
Increase (Decrease) in Payroll Payables	7,617,151.70
Increase (Decrease) in Deferred Revenue	31,226,326.59
Increase (Decrease) in Compensable Leave	2,007,720.58
Increase (Decrease) in Due to Other Agencies	2,573,700.07
Increase (Decrease) in Other Liabilities	(103,397.85)
Net Cash Used for Operating Activities	<u>\$ (138,857,262.50)</u>

POLICIES AND NOTES

UNAUDITED

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 four components of the Texas Tech University System. The other three components, reported separately, are Texas Tech University Health Sciences Center, Angelo State University, and 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, and Blackrock Temp Fund 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 (733) – 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	\$ 239,176.99	\$	\$	\$ 239,176.99
Cash in Bank	(16,377,790.77)	(5,257,459.25)	(2,090,352.60)	(23,725,602.62)
Cash in State Treasury	46,751,646.25			46,751,646.25
Blackrock Temp Fund	7,181,319.82	2,344,251.39	901,516.26	10,427,087.47
Repurchase Agreements	17,654,599.62	5,763,121.63	2,202,586.99	25,620,308.24
Texpool & TexSTAR Investments	103,226,704.69	33,697,057.35	64,605,944.53	201,529,706.57
Total Cash and Cash Equivalents	\$ 158,675,656.60	\$ 36,546,971.12	\$ 65,619,695.18	\$ 260,842,322.90

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 (733) – 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.

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 and Accrued Liabilities

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.

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.

Texas Tech University (733) – Notes to the Financial Statements (continued)

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.

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	\$10,740,277.54
Accounts Receivable	22,117,383.33
Inventory	2,272,512.06
FMV Adjustment	1,817,764.14
Prepaid Expenses	10,239,442.83
Working Capital	579,374.59
Balances Subject to Reappropriation	848,208.24
Future Operating Budgets	81,093,060.88
Service Department Operating Funds	22,316,456.60
Student Service Fees	631,224.96
Funds Functioning as Endowments	71,184,361.26
Unreserved	<u>3,326,588.71</u>
Total Unrestricted Net Assets	<u>\$227,166,655.14</u>

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Texas Tech University (733) – Notes to the Financial Statements (continued)

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.

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-Inf'agy Trans	Reclassifications Dec-Inf'agy Trans	Additions	Deletions	Balance 08/31/10
BUSINESS-TYPE ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Land and Land Improvements	\$ 3,724,592.94							\$ 3,724,592.94
Construction in Progress	82,704,953.96					36,084,820.31		118,789,774.27
Other Tangible Capital Assets	50,102,009.61					13,095,870.64		63,197,880.25
Total Non-depreciable or Non-amortizable Assets	136,531,556.51	0.00	0.00	0.00	0.00	49,180,690.95	0.00	185,712,247.46
Depreciable Assets								
Buildings and Building Improvements	728,113,200.76					17,894,119.42		746,007,320.18
Infrastructure	29,464,696.24					954,837.27		30,419,533.51
Facilities and Other Improvements	141,413,646.19					3,135,163.69		144,548,809.88
Furniture and Equipment	127,338,980.64	(14,031,233.14)		125,852.59	(209,502.44)	18,925,129.24	(7,444,176.79)	124,705,050.10
Vehicle, Boats and Aircraft	11,764,077.47			31,989.00	(19,726.60)	1,195,298.48	(370,757.64)	12,600,880.71
Other Capital Assets	97,741,149.45					4,216,816.13	(409,409.00)	101,548,556.58
Total Depreciable Assets	1,135,835,750.75	(14,031,233.14)	0.00	157,841.59	(229,229.04)	46,321,364.23	(8,224,343.43)	1,159,830,150.96
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(413,381,021.87)					(18,443,479.98)		(431,824,501.85)
Infrastructure	(7,182,648.29)					(1,025,638.80)		(8,208,287.09)
Facilities and Other Improvements	(41,778,999.99)					(6,156,429.48)		(47,935,429.47)
Furniture and Equipment	(87,157,713.91)	10,098,834.88		(81,809.77)	124,113.54	(9,323,789.11)	6,270,762.38	(80,069,601.99)
Vehicles, Boats and Aircraft	(7,588,991.14)			(31,989.00)	19,726.60	(974,741.80)	357,816.92	(8,218,178.42)
Other Capital Assets	(29,384,502.52)					(6,385,402.58)		(35,769,905.10)
Total Accumulated Depreciation	(586,473,877.72)	10,098,834.88	0.00	(113,798.77)	143,840.14	(42,309,481.75)	6,628,579.30	(612,025,903.92)
Depreciable Assets, Net	549,361,873.03	(3,932,398.26)	0.00	44,042.82	(85,388.90)	4,011,882.48	(1,595,764.13)	547,804,247.04
Amortizable Assets - Intangible								
Computer Software	0.00	14,031,233.14		161,632.50		45,061,739.16	(726,191.86)	58,528,412.94
Total Amortizable Assets - Intangible	0.00	14,031,233.14	0.00	161,632.50	0.00	45,061,739.16	(726,191.86)	58,528,412.94
Less Accumulated Amortization for:								
Computer Software	0.00	(10,098,834.88)		(9,330.86)		(7,698,126.71)	728,816.38	(17,077,476.07)
Total Accumulated Amortization	0.00	(10,098,834.88)	0.00	(9,330.86)	0.00	(7,698,126.71)	728,816.38	(17,077,476.07)
Amortizable Assets - Intangible, Net	0.00	3,932,398.26	0.00	152,301.64	0.00	37,363,612.45	2,624.52	41,450,936.87
Business-Type Activities Capital Assets, Net	\$ 685,893,429.54	\$ 0.00	\$ 0.00	\$ 196,344.46	\$ (85,388.90)	\$ 90,556,185.88	\$ (1,593,139.61)	\$ 774,967,431.37

Texas Tech University (733) – 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 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 \$(23,725,602.62) as presented below:

Business-Type Activities

CASH IN BANK – CARRYING AMOUNT	\$ (23,725,602.62)
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>\$ (23,725,602.62)</u>
Proprietary Funds Current Assets Cash in Bank	\$ (16,377,790.77)
Proprietary Funds Current Assets Restricted Cash in Bank	(5,257,459.25)
Proprietary Funds Non-Current Assets Restricted Cash in Bank	(2,090,352.60)
Cash in Bank per AFR	<u>\$ (23,725,602.62)</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 \$82,043.

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.

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Texas Tech University (733) – 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	\$0	\$0

Investments

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

Type of Security	Fair Value
Business-Type Activities	
U. S. Government	
U.S. Treasury Securities	\$21,881.25
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	53,008,464.57
Equity	7,922,354.94
International Obligations	151,651.49
Repurchase Agreement	25,620,308.24
Fixed Income Money Market and Bond Mutual Fund	137,247,332.81
Mutual Funds	1,501,198.60
Other Commingled Funds	53,782,575.15
Other Commingled Funds (Texpool)	159,544,396.22
International Other Commingled Funds	18,035,979.52
Real Estate	7,813,761.10
Externally Managed Investments:	
Domestic	76,786,102.65
International	3,276,556.00
Miscellaneous	282,810.48
Total Investments	<u>\$544,995,373.02</u>
Non-Current Investments	\$307,418,270.74
Items in Cash and Cash Equivalents:	
Repurchase Agreements	25,620,308.24
Blackrock Temp Fund	10,427,087.47
Texpool & TexSTAR Investments	<u>201,529,706.57</u>
Total	<u>\$544,995,373.02</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

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Texas Tech University (733) – 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	\$77,041.68	

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. 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	-	\$227,145.52
05	9999	Brazilian real	\$11,847.77	1,151,412.04
05	9999	Canadian dollar	-	491,343.15
05	9999	Chinese yuan	-	1,136,744.63
05	9999	Colombian peso	40,282.43	-
05	9999	Czech koruna	-	191,287.77
05	9999	Danish krone	-	130,940.08
05	9999	Egyptian pound	23,695.54	76,681.95
05	9999	Euro	63,977.97	2,042,898.24
05	9999	Hong Kong dollar	-	753,167.26
05	9999	Hungarian forint	4,739.11	-
05	9999	Indian rupee	-	375,954.76
05	9999	Indonesian rupiah	-	532,132.69
05	9999	New Israel shekel	-	137,109.15
05	9999	Japanese yen	-	2,316,253.20
05	9999	Malaysian ringgit	-	202,907.46
05	9999	Mexican peso	7,108.67	506,592.74
05	9999	Norwegian krone	-	67,660.37
05	9999	Peruvian nuevo sol	-	59,605.56
05	9999	Pound sterling	-	1,919,701.85
05	9999	Russian ruble	-	54,772.68
05	9999	Singapore dollar	-	512,794.84
05	9999	South African rand	-	751,210.55
05	9999	South Korean wan	-	1,191,525.62
05	9999	Swedish krona	-	209,142.41
05	9999	Swiss franc	-	1,250,022.02
05	9999	New Taiwan dollar	-	900,201.43
05	9999	Thai baht	-	435,387.21
05	9999	New Turkish lira	-	411,384.34
		Total	\$151,651.49	\$18,035,979.52

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Texas Tech University (733) – 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, 2010, 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	BBB	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$53,008,464.57					
05	9999	Repurchase Agreement	\$25,620,308.24					
05	9999	International Obligations		\$14,925.60	\$46,988.01	\$63,203.47	\$26,165.87	\$368.54
			AAAf	AAf	Af			Unrated
05	9999	Fixed Income Money Market and Bond Mutual Fund	\$10,427,087.47					\$126,820,245.34

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, 2010.

Texas Tech University (733) – Notes to the Financial Statements (continued)

Note 5: Long-Term Liabilities**Changes in Long-Term Liabilities**

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

Business- Type Activities	Balance 09/01/09	Additions	Reductions	Balance 08/31/10	Amounts Due Within One Year	Amounts Due Thereafter
Notes and Loans	\$35,769,942.32	\$25,269,250.00	\$12,073,958.83	\$48,965,233.49	\$48,965,233.49	
Revenue Bonds	326,255,742.42		17,549,124.74	308,706,617.68	16,058,094.80	292,648,522.88
Compensable Leave	12,250,643.93	2,007,720.58		14,258,364.51	1,711,003.73	12,547,360.78
Total	\$374,276,328.67	\$27,276,970.58	\$29,623,083.57	\$371,930,215.68	\$66,734,332.02	\$305,195,883.66

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, as well as one area surrounding a chemical storage overflow tank with Texas Tech University's Fiber Biopolymer Research Institute.

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 8/31/10 will mature in fiscal year 2011. Commercial paper has short maturities up to 270 days with interest rates ranging from .15% to .5% in fiscal year 2010.

Texas Tech University (733) – Notes to the Financial Statements (continued)

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2011	\$48,965,233.49	\$1,379,304.67	\$50,344,538.16
2012			
2013			
2014			
2015			
All Other Years			
Total Requirements	<u>\$48,965,233.49</u>	<u>\$1,379,304.67</u>	<u>\$50,344,538.16</u>

**Note 6: Bonded Indebtedness
Bonds Payable**

Several bond issues were outstanding as of August 31, 2010 which are summarized in the paragraphs that follow.

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; \$2,960,000.00 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; \$2,345,000.00 retired

Texas Tech University (733) – Notes to the Financial Statements (continued)

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; \$1,765,000.00 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; \$1,948,286.81 retired

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	\$0 issued; 8,310,617.61 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

Texas Tech University (733) – Notes to the Financial Statements (continued)

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, 2010.

Note 8: Operating Leases

Included in the expenditure reported in the financial statements of Texas Tech University are the following amounts of rent paid or due under operating lease obligations.

Fund Type	Amount
Proprietary	\$806,015.76

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31,	
2011	\$804,967.25
2012	524,446.20
2013	389,377.20
2014	375,154.20
2015	306,255.60
Total Minimum Future Lease Rental Payments	\$2,400,200.45

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	\$6,917,980.91
Employer Contributions	7,468,477.42
Total	\$14,386,458.33

Note 10: Deferred Compensation (administering agencies only)

Not applicable

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

Not applicable

Texas Tech University (733) – Notes to the Financial Statements (continued)

Note 12: Interfund Activity and Transactions

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

Interfund Receivables or Interfund Payables
 Due from Other Agencies or Due to Other Agencies
 Transfers In or Transfers Out
 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, 2010, follows

Due from / to Other Agencies

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>Due from Other Agencies</u>	<u>Due to Other Agencies</u>
Office of the Governor	300	6822	\$9,111.03	\$
Office of the Governor	300	5124		2,547,735.34
Texas Workforce Commission	320	0369	159,876.04	
Texas Workforce Commission	320	5026	178,456.36	
Texas Department of Agriculture	551	0005	27,331.22	
Texas Department of Agriculture	551	7014	113,144.60	
Texas Department of Agriculture	551	0001	37,351.26	
Texas Department of Agriculture	551	7011	14,080.14	
Texas Department of Agriculture	551	7015	43,727.72	
Texas Water Development Board	580	1358	57,885.51	
Texas Commission on Environmental Quality	582	5500	4,169.77	
Texas Commission on Environmental Quality	582	0340	50,629.42	
Texas Commission on Environmental Quality	582	1515	2,411.79	
Texas Department of Motor Vehicles	608	5015	107,823.22	
Texas Education Agency	701	0148	376,765.34	290.89
The University of Texas Medical Branch at Galveston	723	7999	14,165.87	
Texas Tech University Health Sciences Center	739	0001	228,794.65	
Texas Tech University Health Sciences Center	739	7999	469.37	61,001.47
Stephen F. Austin University	755	7999	377,942.98	
Texas School for the Blind	771	0001	91,075.87	
Texas Higher Education Coordinating Board	781	0001	28,378.05	
Texas Higher Education Coordinating Board	781	0369	640,918.19	
Texas Parks and Wildlife	802	0951	32,319.81	
Texas Parks and Wildlife	802	0931	45,868.01	
Texas Parks and Wildlife	802	4671		1,280.70
State Energy Conservation Office	907	0515	36,028.94	
Total Due from / Due to Other Agencies			\$2,678,725.16	\$2,610,308.40

Texas Tech University (733) – Notes to the Financial Statements (continued)

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 System Administration	768	0001		\$1,667,837.00
Total Legislative Transfers In / Out				\$1,667,837.00

Transfers to / from Other Agencies

<u>Agency Name</u>	<u>Agency Number</u>	<u>D23 Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Texas Higher Education Coordinating Board	781	5103		\$2,179,075.34
Texas Higher Education Coordinating Board	781	0001		83,586.88
Total Transfers to / from Other Agencies				\$2,262,662.22

Interagency Capital Asset Transfers to / from

<u>Agency Name</u>	<u>Agency Number</u>	<u>Net Asset Increase</u>	<u>Net Asset Decrease</u>
Texas Tech University Health Sciences Center	739	\$193,076.51	\$85,388.90
University of Texas at Austin	721	2,743.08	
University of Houston	730	524.87	
Total Capital Asset Transfers to / from Other Agencies		\$196,344.46	\$85,388.90

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 University has no restatement of Fund Balance or Net Assets as of August 31, 2010.

There were three errors found in the FY09 financial statements after the 2009 State of Texas Annual Financial Report was published. These corrections were made to Texas Tech University's FY09 financial statements and were submitted to the Comptroller's Office. These errors resulted in a reclassification of expenses and a correction on the Statement of Cash Flows, but did not result in a restatement of Fund Balances or Net Assets. The restated ending balances are shown below:

Texas Tech University (733) – Notes to the Financial Statements (continued)

Expense Reclassification and Statement of Cash Flows Correction	Restated Ending Balance
SRECNA – Operating Expenses Instruction	\$163,192,347.61
SRECNA – Operating Expenses Research	69,544,007.28
SRECNA – Operating Expenses Scholarships and Fellowships	29,246,014.91
Matrix Expenses – Instruction Salaries and Wages	119,999,647.77
Matrix Expenses – Research Salaries and Wages	37,876,067.73
Matrix Expenses – Research Scholarships	1,463,163.90
Matrix Expenses – Scholarships and Fellowships	29,185,122.00
Matrix Expenses – Student Services Travel	1,303,135.37
Matrix Expenses – Student Services Other Expenses	7,378,020.12
Statement of Cash Flows – Tuition and Fees	190,313,454.59
Statement of Cash Flows – Sales and Services of Auxiliary Enterprises	87,590,603.31

Note 15: Contingencies and Commitments***Pending Litigation***

At August 31, 2010, 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 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)

- Texas Tech University continues to experience growth in student enrollment. Overall, the student enrollment count for fall, spring and summer terms for fiscal year 2010 increased from 66,584 to 76,859, resulting in a 15.43% increase compared to the enrollment count for the same terms in fiscal year 2009.
- Capital asset additions totaled \$140.5 million for the year ended August 31, 2010. A \$42.5 million increase in intangible software resulted from a gift-in-kind from Schlumberger Technology Corporation.

Texas Tech University (733) – Notes to the Financial Statements (continued)

Note 19: 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.

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	\$11,399,569.89	Restricted Nonexpendable
Term Endowments	<u>49,111.37</u>	Restricted Nonexpendable
Total	<u><u>\$11,448,681.26</u></u>	

Note 23: Extraordinary and Special Items

Texas Tech University has no special or extraordinary items for the fiscal year ended August 31, 2010.

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

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

Type	Net Amount
Federal Receivables	\$18,453,375.02
Interest and Dividends Receivable	227,671.26
Student Receivables	1,071,518.45
Gift Receivables Current & Non-Current	18,155,119.42
Accounts Receivables	7,084,607.94
Other Receivables	5,410,678.33
Loans and Notes Receivable Current & Non-Current	<u>3,377,870.89</u>
Total Receivables	<u><u>\$53,780,841.31</u></u>

The Other Receivables balance includes \$4,935,983.02 from the Texas Guaranteed Tuition Plan, which is a third party contract.

Texas Tech University (733) – Notes to the Financial Statements (continued)

Payables

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

Type	Net Amount
Accounts Payable	\$17,395,563.00
Payroll Payable	24,779,367.38
Total Payables	<u><u>\$42,174,930.38</u></u>

Note 25: Termination Benefits

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

Note 26: Segment Information

Texas Tech University has no reportable segments.

SCHEDULES

Texas Tech University
 Schedule 1A - Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2010

Note 1: Non-Monetary Assistance

None for Fiscal Year 2010

Note 2: Reconciliation:

Federal Grants and Contracts Operating (SRECNA)	\$ 40,521,458.07
Federal Pass-Through Grants from Other State Agencies (SRECNA)	4,755,467.86
Federal Grants and Contracts Nonoperating (SRECNA)	27,606,975.32
Federal Pass-Through Grants from Other State Agencies Nonoperating (SRECNA)	8,307,708.97
Total Federal Revenues	<u>81,191,610.22</u>

Reconciling Items:

New Loans Processed	
Federal Family Education Loan Program	109,941,401.02
Federal Direct Student Loans	6,725,201.00
Federal Perkins Loan Program	<u>229,342.00</u>

Total Pass-Through and Expenditures per Federal Schedule \$ 198,087,554.24

NOTE 3: Student Loan Processed and Administrative Costs Recovered:

Federal Grantor / CFDA Number / Program Name	New Loan 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	\$ 109,941,401.02		\$ 109,941,401.02	
84.268 Federal Direct Student Loans	6,725,201.00		6,725,201.00	
84.038 Federal Perkins Loan Program	229,342.00		229,342.00	1,613,780.18
Total Department of Education	<u>\$ 116,895,944.02</u>	<u>\$ 0.00</u>	<u>\$ 116,895,944.02</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 \$881,555.21 is comprised of federal grant prepayments that have not been earned.

	Balance 9/1/2009	Net Change	Balance 8/31/2010
10.000	\$ 0.00	\$ 4,716.46	\$ 4,716.46
10.001	2,400.00	63,543.41	65,943.41
10.200	0.00	17,917.63	17,917.63
10.206	0.00	58,117.20	58,117.20
10.290	17,907.21	(944.07)	16,963.14
10.303	0.00	3,366.81	3,366.81
10.600	1,950.00	0.00	1,950.00
10.903	1,215.80	0.29	1,216.09
11.000	0.00	2,500.00	2,500.00
12.000	7,267.49	45,844.32	53,111.81
12.300	203,663.56	(181,445.37)	22,218.19
12.401	0.00	18,638.56	18,638.56
12.431	922,826.25	(638,746.00)	284,080.25
12.630	919.64	(919.64)	0.00
12.800	72,322.36	(55,955.73)	16,366.63
14.850	0.00	4,812.16	4,812.16
15.000	0.00	14.60	14.60
15.506	0.00	263.76	263.76
15.812	1,683.92	(1,030.37)	653.55
16.560	0.00	449.35	449.35
17.259	0.00	7,919.97	7,919.97
17.260	0.00	10,119.65	10,119.65
43.000	0.00	7,647.75	7,647.75
43.001	0.00	8,818.57	8,818.57
43.002	0.00	4.93	4.93
45.149	0.00	6,000.00	6,000.00
47.041	0.00	13,517.59	13,517.59
47.049	0.00	33,025.36	33,025.36
47.075	0.00	36.21	36.21
47.076	0.00	719.94	719.94
47.078	0.00	10,247.38	10,247.38
47.082	0.00	2,394.50	2,394.50
66.509	0.00	2,593.76	2,593.76
66.513	10,961.33	(10,960.01)	1.32
81.000	0.00	1,043.73	1,043.73
81.049	31,147.45	(31,147.45)	0.00
81.087	0.00	3,219.60	3,219.60
84.007	0.00	41,186.65	41,186.65
84.027	0.00	42,708.27	42,708.27
84.069	0.00	33,358.00	33,358.00
84.116	4,763.97	(4,763.97)	0.00
84.325	0.00	1,209.34	1,209.34
84.378	0.00	34,438.25	34,438.25
93.000	0.00	42,921.58	42,921.58
93.104	0.00	354.65	354.65
93.600	28,334.38	(27,623.12)	711.26
93.856	1,867.85	0.00	1,867.85
94.006	1,894.49	295.01	2,189.50
Total Federal Deferred Revenue	<u>\$ 1,311,125.70</u>	<u>\$ (429,570.49)</u>	<u>\$ 881,555.21</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, 2010

Pass-Through From:

<u>Texas Emerging Technology Fund - Governor's Office (300)</u>	
Texas Emerging Technology Grant	\$ 188,354.79
<u>Texas Department of Agriculture (551)</u>	
Enology and Viticulture Education and Research Grant	250,099.25
Enology Grant	118,928.66
Food and Fibers Research Grant	493,156.72
Molecular Breeding for Improvement	574.11
Multidisciplinary Approach to Study	29,254.26
New Approach to Impart Super Oleoph	28,177.54
T09 50 Self Cleaning Cotton Nanofiber	14,099.11
Tb 8053 08 Enhancing Cotton Fiber E	84,220.11
Texas Agricultural Research Database	25,912.03
Total Texas Department of Agriculture	<u>1,044,421.79</u>
<u>Texas AgriLife Research (556)</u>	
Feedyard	86,000.00
<u>Texas Water Development Board (Agency 580)</u>	
WSC - Agriculture Water Conservation	573,788.86
<u>Texas Commission on Environmental Quality (Agency 582)</u>	
Effectiveness and Utility of Surface Application and Soil Percolation for Removal of Pharmaceutical and Personal Care Product Microcontaminants	93,616.73
Manual for Designing Surface Application of OSSF Wastewater Effluent	23,978.54
Refining the Application Rates for On-Site Surface Application	47,050.89
TEHI Texarkana Wood Air Quality Assessment	136,431.00
Design and Operation of Land Application Stern from a Water Nitrogen a	151.64
Total Texas Commission on Environmental Quality	<u>301,228.80</u>
<u>University of Texas System (720)</u>	
Joint Admission Medical Program (JAMP)	5,138.26
<u>Texas Higher Education Coordinating Board (781)</u>	
General Academic Enrollment Growth	160,992.20
TEXAS Grant Program	12,427,214.00
Advanced Research Program	598,214.00
Engineering Recruitment Program	64,001.92
Texas Research Incentive Program - HB51	10,820,319.85
College Work Study Program	150,491.02
5th Yr Accounting Students Scholarship Program	18,000.00
College Readiness Initiative	(19,134.97)
Top 10% Scholarships	938,702.00
Work Study Mentorship Program	(2,828.23)
Total Texas Higher Education Coordinating Board	<u>25,155,971.79</u>
Total State Grant Pass-Through Revenues from Other Agencies	<u>\$ 27,354,904.29</u>

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Texas Tech University
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies (continued)
For the Year Ended August 31, 2010

Pass Through To:

<u>Texas Agrilife Extension Service (555)</u>	
Texas Enology-Joint Appointment for Brent Trela 2009-2010	\$ 18,028.68
An Integrated Approach to Water Conservation	42,996.97
Total Texas Agrilife Extension Service	<u>\$ 61,025.65</u>
 Total State Grant Pass-Through Expenditures to Other Agencies	 <u>\$ 61,025.65</u>

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

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 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>\$ 448,732,657.17</u>					

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

Description of Issue	Bonds Outstanding 9/1/09	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/10
Revenue Bonds					
Rev Fin Sys Bds 7th Ser '01	\$ 12,350,000.00	\$	\$ 2,960,000.00	\$	\$ 9,390,000.00
Rev Fin Sys Bds Tax 8th Ser '01	30,300,000.00		2,345,000.00		27,955,000.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03	21,325,000.00		1,765,000.00		19,560,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	155,759,986.15		1,948,286.81		153,811,699.34
Rev Fin Sys Ref & Imp Bds 12th Ser '09	100,134,366.85		8,310,617.61		91,823,749.24
Total	<u>\$ 319,869,353.00</u>	<u>\$</u>	<u>\$ 17,328,904.42</u>	<u>\$</u>	<u>\$ 302,540,448.58</u>

	Unamortized Premium	Net Bonds Outstanding 8/31/09	Amounts Due Within One Year
Rev Fin Sys Bds 7th Ser '01	\$	\$ 9,390,000.00	\$ 3,080,000.00
Rev Fin Sys Bds Tax 8th Ser '01		27,955,000.00	245,000.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03		19,560,000.00	1,840,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06		153,811,699.34	3,215,714.64
Rev Fin Sys Ref & Imp Bds 12th Ser '09	6,166,169.10	97,989,918.34	7,677,380.16
	<u>\$ 6,166,169.10</u>	<u>\$ 308,706,617.68</u>	<u>\$ 16,058,094.80</u>

Note: 12th Series amounts due within one year includes bond premium amortization of \$220,220.32

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

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Bds 7th Ser '01	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	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	1,390,000.00	1,782,465.00
	2016 - 2020	4,490,000.00	7,994,662.50
	2021 - 2025	7,720,000.00	5,960,205.00
	2026 - 2030	10,645,000.00	3,043,920.00
2031	2,565,000.00	169,290.00	
Rev Fin Sys Ref & Imp Bds 9th Ser '03	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	1,210,000.00	660,825.00
	2016 - 2020	7,095,000.00	2,254,643.75
	2021 - 2025	5,210,000.00	399,500.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	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	7,576,001.21	6,287,890.33
	2016 - 2020	50,073,195.25	25,164,978.21
	2021 - 2025	47,335,710.31	13,382,232.64
	2026 - 2030	28,968,654.39	3,335,559.18
2031	2,550,000.00	57,375.00	
Rev Fin Sys Ref & Imp Bds 12th Ser '09	2011	7,457,159.84	4,108,198.06
	2012	6,478,133.44	3,829,599.44
	2013	6,380,180.51	3,572,782.65
	2014	6,547,463.54	3,350,131.62
	2015	6,800,811.91	3,084,391.48
	2016 - 2020	21,495,000.00	11,481,687.50
	2021 - 2025	19,420,000.00	6,865,312.50
	2026 - 2030	14,685,000.00	1,856,081.25
	2031 - 2035	1,475,000.00	484,668.77
	2036 - 2038	1,085,000.00	87,281.25
Total Principal and Interest		\$ 302,540,448.58	\$ 148,840,618.86

UNAUDITED

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

Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds:				
RFS Bds 7th Series 2001			\$ 2,960,000.00	\$ 664,150.00
RFS Bds Tax 8th Series 2001			2,345,000.00	1,995,801.00
RFS Ref & Imp Bds 9th Series 2003			1,765,000.00	1,033,000.00
RFS Ref & Imp Bds 10th Series 2006			1,948,286.81	7,349,505.83
RFS Ref & Imp Bds 12th Series 2009			8,310,617.61	4,423,821.81
Total	\$ 452,765,263.31	\$ 368,276,555.42	\$ 17,328,904.42	\$ 15,466,278.64

UNAUDITED

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

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
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>

UNAUDITED

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

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue (Fund 0255)	\$ 46,691,399.96	\$	\$ 46,691,399.96
Local Revenue (Fund 0269)	60,246.29		60,246.29
Total Cash in State Treasury (Note 1)	<u>\$ 46,751,646.25</u>	<u>\$</u>	<u>\$ 46,751,646.25</u>