

**TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER**



**Annual Financial Report
Fiscal Year 2009**

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

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TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Office of the President

November 17, 2009

Honorable Rick Perry
Governor of Texas

Honorable Susan Combs
Comptroller of Public Accounts

Mr. John Keel, CPA
State Auditor

Dr. Raymund A. Paredes
Commissioner, Texas Higher Education Coordinating Board

Mr. John O'Brien
Director, Legislative Budget Board

To Agency Heads Addressed:

We are pleased to submit the Annual Financial Report of Texas Tech University Health Sciences Center for the year ended August 31, 2009, in compliance with Texas Government Code Annotated, §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.

As indicated by the following letter of transmittal, this report has been prepared by TTUHSC Accounting Services to provide a summary of the institution's financial records.

Sincerely,

A handwritten signature in cursive script that reads "Elmo M. Cavin".

Elmo M. Cavin
Interim President



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER™
Finance and Administration

Office of Accounting Services

November 17, 2009

Elmo M. Cavin
Interim President
Texas Tech University Health Sciences Center
Lubbock, Texas 79430

Dear Mr. Cavin:

Submitted herein is the *Annual Financial Report* for Texas Tech University Health Sciences Center for the fiscal year ended August 31, 2009.

The financial statements in this report have been prepared in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying *Annual 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 statements and related information contained in the accompanying report.

Please feel free to contact me should you have any questions about this report.

Sincerely,

Melody Miller
Director of Accounting Services

Approved:

Elmo M. Cavin
Executive Vice President for Finance & Administration



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Organizational Data
August 31, 2009

BOARD OF REGENTS

Term Expires

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

FISCAL OFFICERS

Kent Hance Chancellor
Jim Brunjes..... Vice Chancellor and Chief Financial Officer
Elmo M. Cavin Interim President
Elmo M. Cavin Executive Vice President for Finance & Administration
Michael Crowder Associate Vice President for Business Affairs
Melody Miller..... Director of Accounting Services

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report *U N A U D I T E D*

Enrollment Data *August 31, 2009*

<i>TYPE OF STUDENT</i>	<i>STUDENTS BY SEMESTER</i>		
	<i>FALL 2008</i>	<i>SPRING 2009</i>	<i>SUMMER 2009</i>
Texas Resident	2,586	2,609	1,686
Out-of-State	110	102	117
Foreign	-	-	3
Hazelwood Act	42	38	31
Military	-	1	-
Foster Care	-	1	-
Competitive Scholarship	71	70	35
Deaf or Blind	7	11	8
Teaching Assistant, Research Assistant, and Dependents	52	59	51
Adjacent County	36	42	36
Total Students	2,904	2,933	1,967
<i>PROGRAM</i>			
Medical	568	553	-
Graduate Medical	100	122	86
Nursing	524	489	438
Graduate Nursing	335	424	435
Allied Health	199	203	54
Graduate Allied Health	738	701	856
Pharmacy	440	441	98
Total Students	2,904	2,933	1,967

ENROLLMENT TREND DATA

<i>TERM</i>	<i>STUDENTS</i>	<i>SEMESTER</i>
		<i>HOURS</i>
Fall 2008	2,904	42,914
Fall 2007	2,616	41,350
Fall 2006	2,458	40,406
Fall 2005	2,391	38,402
Fall 2004	2,272	35,684
Fall 2003	2,105	34,548
Fall 2002	1,972	32,569
Fall 2001	1,788	28,822
Fall 2000	1,719	28,978
Fall 1999	1,649	26,153

Annual Financial Report
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FINANCIAL STATEMENTS

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Statement of Net Assets *As of August 31, 2009*

ASSETS

Current Assets

Unrestricted Cash and Cash Equivalents	\$ 186,328,901.51
Restricted Cash and Cash Equivalents	39,061,111.44
Balance of Legislative Appropriations	37,270,996.33
Accounts Receivable	
Federal Receivable	2,376,868.28
Interest and Dividends Receivable	337,908.91
Patient Accounts Receivable	40,958,278.94
less Allowances for Uncollectibles and Adjustments	(27,821,676.10)
Student Accounts Receivable	571,623.24
less Allowance for Uncollectibles	(54,002.29)
Contract Accounts Receivable	13,921,544.56
Pledged Gifts Receivable	2,865,176.31
less Allowance for Uncollectibles	(85,955.29)
Other	219,045.81
less Allowance for Uncollectibles	(93,272.09)
Due from Other State Agencies	5,371,182.48
Due from Other Component Units	36,608.33
Merchandise Inventories	1,027,420.50
Prepaid Expenses	499,239.22
Loans and Notes Receivable	375,811.85
less Allowance for Uncollectibles and Cancellations	(49,280.73)
Total Current Assets	<u>\$ 303,117,531.21</u>

Non-Current Assets

Restricted Cash and Cash Equivalents	\$ 21,414.64
Pledged Gifts Receivable	4,585,961.08
less Allowance for Uncollectibles	(137,578.83)
Loans and Notes Receivable	3,001,080.94
less Allowance for Uncollectibles and Cancellations	(337,638.84)
Investments	221,593,612.45
Non-Depreciable Capital Assets	80,712,375.31
Depreciable Capital Assets	473,576,117.26
less Accumulated Depreciation	(217,167,844.48)
Total Non-Current Assets	<u>\$ 565,847,499.53</u>
TOTAL ASSETS	<u><u>\$ 868,965,030.74</u></u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Statement of Net Assets *As of August 31, 2009*

LIABILITIES

Current Liabilities

Accounts Payable	\$	19,351,649.68
Payroll Payable		31,136,341.61
Due to Other Component Units		173,648.42
Unclaimed Property Due to the State Treasury		46,581.96
Deferred Revenue		10,657,478.14
Notes Payable		2,100,000.00
Bonds Payable		7,499,283.35
Claims Payable		1,625,386.29
Compensable Leave Payable		5,114,612.54
Funds Held for Others		198,357.09
Other		315,074.92
Total Current Liabilities	\$	<u>78,218,414.00</u>

Non-Current Liabilities

Unclaimed Property Due to the State Treasury	\$	80,534.24
Bonds Payable		133,176,930.70
Claims Payable		14,628,476.62
Compensable Leave Payable		20,458,450.14
Other		363,988.23
Total Non-Current Liabilities	\$	<u>168,708,379.93</u>

TOTAL LIABILITIES

\$ 246,926,793.93

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	194,344,434.04
Restricted		
Capital Projects		19,312,924.80
Funds Held as Permanent Investments		
Nonexpendable		91,288,479.44
Other		33,444,796.96
Unrestricted		<u>283,647,601.57</u>
TOTAL NET ASSETS	\$	<u>622,038,236.81</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>868,965,030.74</u></u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Statement of Revenues, Expenses, and Changes in Net Assets *For the Year Ended August 31, 2009*

Operating Revenues	
Student Tuition and Fees - Pledged	\$ 22,770,197.02
Student Tuition and Fees - Unpledged	4,853,927.25
less Discounts and Allowances	(5,254,344.53)
less Uncollectibles	(229.66)
Net Professional Fees	255,484,724.87
less Uncollectibles	(35,860,468.17)
Net Sales and Services of Auxiliary Enterprises - Pledged	555,708.69
Net Other Sales and Services - Unpledged	3,066,279.69
Net Other Sales and Services - Pledged	2,189,534.52
Federal Grant and Contract Revenues - Unpledged	10,709,869.65
Federal Grant and Contract Revenues - Pledged	3,246,344.56
Federal Grant and Contract Pass-Through Revenues	3,152,405.31
State Grant and Contract Revenues - Unpledged	4,164,307.55
State Grant and Contract Revenues - Pledged	149,637.48
State Grant and Contract Pass-Through Revenues	3,103,006.50
Local Grant and Contract Revenues - Unpledged	98,472,202.85
Local Grant and Contract Revenues - Pledged	816,794.68
Private Grant and Contract Revenues - Unpledged	29,058,041.06
Private Grant and Contract Revenues - Pledged	2,557,429.67
Total Operating Revenues	\$ 403,235,368.99
Operating Expenses	
Instruction	\$ 234,539,211.86
Research	28,456,274.51
Public Service	121,794,935.93
Academic Support	108,021,741.03
Student Services	9,086,523.63
Institutional Support	22,097,475.62
Operation and Maintenance of Plant	30,588,590.84
Auxiliary Enterprises	271,374.43
Depreciation	19,747,899.04
Total Operating Expenses	\$ 574,604,026.89
Operating Loss	\$ (171,368,657.90)
Non-Operating Revenues and Gains	
Legislative Appropriations Revenue	\$ 164,502,497.71
Federal Grant and Contract Revenues	395,725.00
Private Gifts	4,065,212.71
less Uncollectibles	(277,636.55)

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Statement of Revenues, Expenses, and Changes in Net Assets *For the Year Ended August 31, 2009*

Non-Operating Revenues and Gains (continued)	
Net Investment Income (Expense) - Unpledged	\$ (4,489,451.87)
Net Investment Income (Expense) - Pledged	2,546,920.18
Other - Unpledged	522,231.35
Other - Pledged	264,101.15
Total Non-Operating Revenues and Gains	<u>\$ 167,529,599.68</u>
Non-Operating Expenses and Losses	
Interest Expense on Capital Asset Financing	\$ 5,714,861.98
Net Decrease in Fair Value of Investments	11,140,540.26
Loss on Sale and Disposal of Capital Assets	901,404.64
Other	362,283.39
Total Non-Operating Expenses and Losses	<u>\$ 18,119,090.27</u>
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Contributions	\$ 2,018,122.72
Capital Recoveries	95,702.96
Legislative Appropriations Revenue for Capital (HEAF)	14,854,762.00
Increases from Interagency Transfers of Capital Assets	53,105.32
Net Transfers from Texas Tech University	1,115,696.85
Net Transfers from Texas Tech Foundation Inc.	6,558,034.74
Net Transfers to Texas Tech University System Administration	(1,555,894.00)
Transfers to Other State Agencies	(3,023,148.61)
Legislative Transfers Out (System Administration Support)	(2,581,987.00)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>\$ 17,534,394.98</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (4,423,753.51)</u>
Net Assets, September 1, 2008	\$ 626,461,990.32
Net Assets, August 31, 2009	<u>\$ 622,038,236.81</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report *U N A U D I T E D*

Matrix of Operating Expenses by Natural Classification *For the Year Ended August 31, 2009*

<i>FUNCTION</i>	<i>SALARIES AND WAGES</i>	<i>PAYROLL RELATED COSTS</i>	<i>PROFESSIONAL FEES & SERVICES</i>	<i>FEDERAL SUB-CONTRACTS</i>
Instruction	\$ 178,818,117.92	\$ 38,761,041.84	\$ 8,610,176.65	\$ -
Research	14,935,495.92	3,283,018.45	1,077,415.19	348,704.23
Public Service	47,646,256.27	11,443,210.18	42,538,979.30	909,547.76
Academic Support	55,928,933.37	12,123,289.03	8,621,413.31	-
Student Services	4,132,232.94	1,124,951.34	563,996.50	-
Institutional Support	15,310,510.70	3,288,716.36	876,092.21	-
Operation and Maintenance of Plant	6,778,261.49	1,660,450.36	320,175.92	-
Auxiliary Enterprises	124,930.53	43,114.20	10,301.11	-
Depreciation	-	-	-	-
Total Operating Expenses	\$ 323,674,739.14	\$ 71,727,791.76	\$ 62,618,550.19	\$ 1,258,251.99

<i>FUNCTION</i>	<i>TRAVEL</i>	<i>MATERIALS AND SUPPLIES</i>	<i>COMMUNICATIONS & UTILITIES</i>	<i>REPAIRS AND MAINTENANCE</i>
Instruction	\$ 814,393.51	\$ 3,940,141.39	\$ 634,796.97	\$ 334,166.22
Research	344,572.71	6,147,184.66	101,390.43	381,627.76
Public Service	587,779.29	14,303,641.88	854,404.01	595,919.78
Academic Support	2,431,511.30	13,680,634.76	4,565,869.46	2,512,688.05
Student Services	312,192.95	1,503,047.60	149,262.33	474,065.91
Institutional Support	309,932.80	1,003,294.04	283,550.18	461,965.98
Operation and Maintenance of Plant	76,692.08	9,409,368.26	7,822,915.38	2,485,134.29
Auxiliary Enterprises	4,230.20	28,237.29	23,824.60	19,337.43
Depreciation	-	-	-	-
Total Operating Expenses	\$ 4,881,304.84	\$ 50,015,549.88	\$ 14,436,013.36	\$ 7,264,905.42

<i>FUNCTION</i>	<i>RENTALS AND LEASES</i>	<i>PRINTING AND REPRODUCTION</i>	<i>DEPRECIATION</i>	<i>BAD DEBT</i>
Instruction	\$ 408,008.76	\$ 329,487.22	\$ -	\$ -
Research	25,839.42	74,188.96	-	-
Public Service	908,946.61	221,019.32	-	-
Academic Support	1,281,555.03	885,706.16	-	(16,449.20)
Student Services	98,797.20	194,337.95	-	35,429.46
Institutional Support	63,571.23	255,290.59	-	-
Operation and Maintenance of Plant	281,758.63	22,798.56	-	-
Auxiliary Enterprises	90.45	8,777.24	-	-
Depreciation	-	-	19,747,899.04	-
Total Operating Expenses	\$ 3,068,567.33	\$ 1,991,606.00	\$ 19,747,899.04	\$ 18,980.26

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

**Annual Financial Report
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*Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2009*

<i>FUNCTION</i>	<i>INTEREST</i>	<i>SCHOLARSHIPS</i>	<i>CLAIMS AND LOSSES</i>	<i>OTHER OPERATING</i>
Instruction	\$ 176.80	\$ 425,700.12	\$ -	\$ 1,463,004.46
Research	196.21	34,901.72	-	1,701,738.85
Public Service	714.99	162,268.40	35,500.00	1,586,748.14
Academic Support	3,276.32	523,284.90	1,475,681.70	4,004,346.84
Student Services	8.42	-	-	498,201.03
Institutional Support	7,033.44	-	-	237,518.09
Operation and Maintenance of Plant	372.95	-	-	1,730,662.92
Auxiliary Enterprises	-	-	-	8,531.38
Depreciation	-	-	-	-
Total Operating Expenses	<u>\$ 11,779.13</u>	<u>\$ 1,146,155.14</u>	<u>\$ 1,511,181.70</u>	<u>\$ 11,230,751.71</u>

<i>FUNCTION</i>	<i>GRAND TOTAL</i>
Instruction	\$ 234,539,211.86
Research	28,456,274.51
Public Service	121,794,935.93
Academic Support	108,021,741.03
Student Services	9,086,523.63
Institutional Support	22,097,475.62
Operation and Maintenance of Plant	30,588,590.84
Auxiliary Enterprises	271,374.43
Depreciation	19,747,899.04
Total Operating Expenses	<u>\$ 574,604,026.89</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Statement of Cash Flows *For the Year Ended August 31, 2009*

Cash Flows from Operating Activities	
Cash Inflows	
Collections from Student Tuition and Fees	\$ 22,552,710.82
Collections from Grants and Contracts	154,775,186.35
Collections from Patients and Insurers	223,811,522.74
Collections of Loans to Students	826,526.27
Collections from Auxiliary Enterprises	555,708.69
Collections from Other Operating Activities	5,255,604.21
Cash Outflows	
Payments to Suppliers	\$ 218,442,452.32
Payments to Employees	323,083,071.87
Payments for Loans Issued to Students	931,099.70
Payments for Auxiliary Enterprises	271,374.43
Payments for Other Operating Activities	14,355,776.06
Net Cash Used for Operating Activities	<u>\$(149,306,515.30)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Inflows	
Proceeds from Legislative Appropriations	\$ 170,957,114.79
Proceeds from Net Transfers from Texas Tech University	1,115,696.85
Proceeds from Net Transfers from Texas Tech University	6,558,034.74
Proceeds from Non-Capital Gifts and Grants	5,041,718.81
Proceeds from Direct Lending	42,616,926.57
Proceeds from Other Non-Capital Financing Activities	817,350.14
Cash Outflows	
Payments for Net Transfers to Texas Tech University System Administration	\$ 4,137,881.00
Payments for Transfers to Other State Agencies	3,023,148.61
Payments for Direct Lending	42,763,786.00
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 177,182,026.29</u>
Cash Flows from Capital and Related Financing Activities	
Cash Inflows	
Proceeds from Capital Debt Issuances	\$ 40,655,130.79
Proceeds from Legislative Appropriations for Capital	14,854,762.00
Proceeds from Capital Gifts and Grants	2,018,122.72
Cash Outflows	
Payments for Purchases of Capital Assets	\$ 49,702,226.83
Payments for Principal on Capital Debts	22,046,465.94
Payments for Interest on Capital Debts	5,996,986.53
Payments for Other Capital Related Activities	362,283.39
Net Cash Used for Capital and Related Financing Activities	<u>\$ (20,579,947.18)</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Statement of Cash Flows *For the Year Ended August 31, 2009*

Cash Flows from Investing Activities	
Cash Inflows	
Proceeds from Sales and Maturities of Investments	\$ 1,934,661.16
Proceeds from Interest and Dividends on Investments	15,129,007.16
Cash Outflows	
Payments for Purchases of Investments	<u>3,162,196.75</u>
Net Cash Provided by Investing Activities	<u>\$ 13,901,471.57</u>
TOTAL NET CASH FLOWS	<u>\$ 21,197,035.38</u>
Cash and Cash Equivalents, September 1, 2008	\$ 204,214,392.21
Cash and Cash Equivalents, August 31, 2009	<u><u>\$ 225,411,427.59</u></u>
Components of Cash and Cash Equivalents, August 31, 2009	
Cash on Hand	\$ 27,557.50
Cash in Bank	18,586,537.03
Reimbursements Due from the State Treasury	874,871.95
Local Balance of Legislative Appropriations	12,318,676.31
Repurchase Agreements	25,721,038.55
TexPool and TexStar Investments	<u>167,882,746.25</u>
Cash and Cash Equivalents, August 31, 2009	<u><u>\$ 225,411,427.59</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	\$(171,368,657.90)
Adjustments	
Depreciation Expense	19,747,899.04
Bad Debt Expense	18,980.26
Decrease (Increase) in Accounts Receivable	3,901,664.85
Decrease (Increase) in Merchandise Inventories	(155,455.75)
Decrease (Increase) in Prepaid Expenses	794,064.10
Decrease (Increase) in Loans and Notes Receivable	(104,573.43)
Increase (Decrease) in Short-Term Payables	(267,983.71)
Increase (Decrease) in Deferred Revenue	(295,411.15)
Increase (Decrease) in Claims Payable	(2,373,744.09)
Increase (Decrease) in Compensable Leave	1,101,008.98
Increase (Decrease) in Other Liabilities	<u>(304,306.50)</u>
Net Cash Used for Operating Activities	<u><u>\$(149,306,515.30)</u></u>

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Annual Financial Report
U N A U D I T E D

NOTES TO THE FINANCIAL STATEMENTS

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TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report U N A U D I T E D

Notes to the Financial Statements
August 31, 2009

NOTE 1 Summary of Significant Accounting Policies

GENERAL INTRODUCTION

Texas Tech University Health Sciences Center (TTUHSC) is a component unit of the State of Texas and its financial records reflect compliance with applicable state statutes and regulations. This *Annual Financial Report* includes all accounts of TTUHSC, a separate institution established pursuant to Texas Education Code, Chapter 110. TTUHSC is under the direction, management, and control of the Texas Tech University System Board of Regents which acts separately and independently on all matters affecting TTUHSC.

As an institution of higher education of the State of Texas, the income of TTUHSC is generally exempt from income taxes. However, income unrelated to the exempt purpose of TTUHSC would be subject to tax under § 511(a)(2)(B) of the Internal Revenue Code. Management does not believe that there is any material unrelated income for the year ended August 31, 2009.

TTUHSC is one of three entities included in the Texas Tech University System. The other two entities, reported separately as additional component units of the State of Texas, are Texas Tech University (TTU) and Texas Tech University System Administration (TTUSA).

TTUHSC offers graduate and undergraduate programs in five schools: the School of Allied Health Sciences, the School of Medicine, the School of Nursing, the School of Pharmacy, and the Graduate School of Biomedical Sciences. Major ancillary operations include correctional health care, grant and contract activities, and comprehensive clinical operations.

TTUHSC operates several campuses located in Abilene, Amarillo, Dallas, El Paso, Lubbock, Midland and Odessa. The School of Medicine is represented at a majority of the campuses while other schools have a presence at only select campuses. Most administrative functions are centralized at the Lubbock campus.

FUND STRUCTURE

Blended Component Units

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

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements
August 31, 2009

NOTE 1 (continued) Summary of Significant Accounting Policies

Although legally separate from TTUHSC, TTPA is reported as a component unit because TTUHSC can impose its will on TTPA. TTPA balances and activities are blended with TTUHSC balances and activities since the sole purpose of TTPA is to financially support TTUHSC. Independent financial statements for TTPA can be obtained from the Health Care Systems division of TTUHSC at 3601 4th Street, Lubbock, Texas 79430.

Texas Tech Foundation, Inc. (TTFI) is a component unit of the consolidated Texas Tech University System as it serves the fundraising needs of TTUHSC, TTU, and TTUSA. No balances or activities associated with TTFI are included in this *Annual Financial Report*.

BASIS OF ACCOUNTING

The fiscal records of TTUHSC are maintained using a modified accrual basis of accounting. Most internal financial reports utilize this basis. However, balances and activities included in most external reports, including this *Annual Financial Report*, are converted to a full accrual basis of accounting in compliance with Governmental Accounting Standards Board (GASB) statements 34 and 35.

Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. For reporting purposes operating activities are distinguished from non-operating activities. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the principal ongoing operations. Operating expenses include administrative expenses and depreciation on capital assets, among others.

RESTRICTED NET ASSETS

In cases where both restricted and unrestricted net assets are available for use, restricted resources are used first and then unrestricted resources are used as needed.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets are established and monitored for most TTUHSC funds though some fund areas have a more restrictive budget structure than do other fund areas. Many of the budgets are based on legislative appropriations. No budgetary information is presented in this *Annual Financial Report*.

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Notes to the Financial Statements
August 31, 2009

NOTE 1 (continued)
Summary of Significant Accounting Policies

ASSETS, LIABILITIES, AND FUND EQUITY

Current and Non-Current Assets

Current assets are those that are readily available to meet current operational requirements. Non-current assets are those that are not readily available to meet current operational requirements and, instead, are intended to support longer-term institutional needs. In some cases highly liquid assets (including cash and cash equivalents) that are not expendable and therefore not available for current operational needs are classified as non-current assets.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all cash on hand, cash in banks, reimbursements due from the State Treasury, local balances of legislative appropriations (held in the State Treasury), and temporary investments with original maturities of 90 days or less. TTUHSC utilizes bank deposits, repurchase agreements and eligible investment pools as cash equivalents in its Short/Intermediate Term Investment Fund. Per policy and state statute all bank deposits are fully collateralized. Eligible investment pools must maintain a \$1 net asset value and be continuously rated no lower than AAA or AAA-m by at least one nationally recognized rating service. TTUHSC currently utilizes TexPool and TexStar as eligible investment pools.

Investments

Investments are reported at fair value in this *Annual Financial Report* with the following exceptions: (1) non-participating contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure provided that the fair value of those contracts is not significantly affected by the financial institution's credit standing or other relevant factors; and (2) money market investments and participating interest-earning investment contracts that mature within one year of the date of their acquisition may be reported at amortized cost assuming that the investment is not affected by the financial institution's credit standing or other relevant factors.

Fair value, which is determined based on quoted market prices, is the amount at which an investment could be exchanged in a current transaction between parties other than in a forced or liquidation sale.

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Notes to the Financial Statements
August 31, 2009

NOTE 1 (continued)
Summary of Significant Accounting Policies

Receivables

The most significant categories of TTUHSC receivables are patient receivables and contract receivables. Details regarding Current and Non-current receivables are presented in Note 24. Patient receivables are reported net of allowances for contractual and similar adjustments.

Allowances for uncollectibles and other adjustments are estimated using either (1) aging schedules (for student accounts receivable), (2) percentage of revenues (for pledged gifts receivable), or (3) detailed evaluations of past collection performance (for patient accounts receivable, contract accounts receivable, loans and notes receivable, and other accounts receivable).

Receivables that are not expected to be collected within one year are reported as non-current assets and include portions of pledged gifts receivable and loans and notes receivable.

Inventories and Prepaid Items

Inventories include both consumable inventories and merchandise inventories. Consumable inventories include supplies and postage that are on hand and available for consumption. Merchandise inventories include materials, supplies, equipment, and other items on hand and for sale. Inventories are valued at cost generally utilizing the first-in / first-out method.

Inventories and prepaid items are reported using the consumption method. Under the consumption method, inventories and prepaid items are recorded as assets deferring the recognition of expenditures until the period in which the inventories or prepaid items are used or consumed.

Restricted Assets

Cash and cash equivalents that are held for endowments or for special programs are reported as restricted because they are not available for current operations. All such cash and cash equivalents are associated with programs that are restricted by an external party.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, in the case of gifts, at fair value as of the date of donation.

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 as summarized in the table on the following page.

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Notes to the Financial Statements
August 31, 2009

NOTE 1 (continued) Summary of Significant Accounting Policies

Capital Asset Category	Useful Life
Buildings and Building Improvements	22 years
Infrastructure	20 years
Furniture and Equipment	3 - 15 years
Vehicles	5 - 7 years
Facilities and Other Improvements	10 - 23 years

Depreciation expense is not allocated to functional categories for this *Annual Financial Report*.

TTUHSC has adopted the federal standard of capitalizing furniture and equipment assets that exceed an aggregate cost threshold of \$5,000. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), facilities and other improvements (\$100,000), and vehicles (\$5,000).

For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated with constructing the asset and depreciated over the appropriate useful life beginning when the asset is placed into service.

As a result of limitations in the SPA system, capital asset betterments that do not individually exceed the full capitalization threshold described above are not capitalized and instead are reported as an expense of the period.

Payables

Major categories of TTUHSC payables include bonds payable, claims payable and general accounts payable (including payroll). Additional categories of payables include deposits payable and unclaimed property due to the State Treasury. Details regarding payables can be found in Note 24.

Compensable Leave

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time. Annual vacation leave and other compensated time are accrued in a manner consistent with State of Texas rules and guidelines and in accordance with generally accepted accounting principles. Within the framework of those guidelines employees are eligible to carry forward a limited annual leave balance.

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Notes to the Financial Statements
August 31, 2009

NOTE 1 (continued) Summary of Significant Accounting Policies

Overtime and Compensatory Leave

Non-exempt employees who work in excess of 40 hours in a week generally have the option of requesting compensation for the additional hours worked at a rate equal to 1½ times the usual hourly wage or, if provided by department policy, they may request compensatory leave for the additional hours worked at a rate of 1½ hours of added leave for each extra hour worked.

Employee Sick Leave

Employee sick leave is accrued in a manner consistent with State of Texas rules and guidelines and in accordance with generally accepted accounting principles. Within the framework of those guidelines employees are eligible to carry forward an unlimited sick leave balance. Accumulated sick leave balances are not recognized as an institutional liability because sick leave is not paid out to terminating employees.

Capital Lease Obligations

Where material, capital leases are appropriately recorded as liabilities associated with the acquisition of capital assets in compliance with the full accrual basis of accounting set forth by GASB statements 34 and 35. For purposes of complying with this requirement a capital lease is defined by fulfilling any of the following four conditions: (1) the ownership of the asset transfers to the lessee at the end of the lease; (2) the lessee has the option of purchasing the leased asset at the end of the lease for a bargain price; (3) the term of the lease represents 75% or more of the useful life of the leased asset; or (4) the discounted present value of all future lease payments at the inception of the lease represent 90% or more of the fair value of the leased asset.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding are reported as reservations of net assets and do not constitute expenditures or liabilities.

Net Assets

Net assets represent the excess of assets over liabilities. As a result of the amounts restricted by external parties and also amounts invested in capital assets, net of related debt, the excess of assets over liabilities does not generally represent spendable resources.

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Notes to the Financial Statements
August 31, 2009

NOTE 1 (continued) Summary of Significant Accounting Policies

Reservations of Net Assets

Net assets are categorized in the accounting records by degree of availability. Net assets that are encumbered or that represent certain non-cash assets, such as inventory or accounts receivable, are reserved. The table below illustrates the components of unrestricted net assets as of August 31, 2009.

Reserved		
Encumbrances	\$	15,880,697.88
Inventory		1,027,420.50
Prepaid Expenses		499,239.22
Accounts Receivable		30,947,164.83
Working Capital		35,557.50
Self Insured Plans		33,646,964.20
Funds Functioning as Endowments		24,608,294.18
Unreserved		<u>177,002,263.26</u>
Total Unrestricted Net Assets	\$	<u><u>283,647,601.57</u></u>

Interfund Activity and Transactions

TTUHSC 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 interactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

Interfund transfers represent the flow of assets without equivalent flow of assets in return or a requirement for repayment. Transfers are reported after nonoperating revenues and expenses in Statement of Revenues, Expenses and Changes in Net Assets included in this *Annual Financial Report*.

Risk Financing

Liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Identified liabilities include amounts for claims that have been incurred but not reported.

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Notes to the Financial Statements *August 31, 2009*

NOTE 2 Capital Assets

GENERAL INTRODUCTION

Capital assets are categorized as either (1) land and land improvements, (2) buildings and building improvements, (3) infrastructure, (4) furniture and equipment, (5) vehicles, (6) construction in progress, (7) other capital assets, or (8) facilities and other improvements. Non-depreciable capital assets include land and land improvements, construction in progress, and other capital assets (representing artwork). All other capital asset categories are depreciated.

Adjustments include loss recovery, restatements, corrections of errors and changes in asset type. Reclassifications include completion of construction in progress and interagency transfers of capitalized property at book value.

Capital asset changes for the year ended August 31, 2009 are summarized in the following table.

Capital Asset Category	Balance 09/01/2008	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/2009
			Completed CIP	Increases - Interagency Transfers	Decreases - Interagency Transfers			
<u>Non-Depreciable Assets</u>								
Land and Land Improvements	\$ 7,648,317.92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,648,317.92
Construction in Progress	62,180,362.09	-	-	-	-	9,330,290.87	-	71,510,652.96
Other	1,243,404.43	-	-	-	-	310,000.00	-	1,553,404.43
Total Non-Depreciable Assets	\$ 71,072,084.44	\$ -	\$ -	\$ -	\$ -	\$ 9,640,290.87	\$ -	\$ 80,712,375.31
<u>Depreciable Assets</u>								
Buildings and Building Improvements	\$ 327,509,860.66	\$ -	\$ -	\$ -	\$ -	\$ 22,116,830.98	\$ (747,994.46)	\$ 348,878,697.18
Infrastructure	5,050,659.69	-	-	-	-	-	-	5,050,659.69
Furniture and Equipment	62,491,315.33	(46,725.76)	-	202,197.78	-	15,790,098.88	(2,374,796.44)	76,062,089.79
Vehicles	1,813,668.37	-	-	-	-	294,201.14	(76,853.51)	2,031,016.00
Other	28,875,714.16	-	-	-	-	2,086,018.14	(35,576.39)	30,926,155.91
Facilities and Other Improvements	10,421,331.26	-	-	-	-	206,167.43	-	10,627,498.69
Total Depreciable Assets	\$ 436,162,549.47	\$ (46,725.76)	\$ -	\$ 202,197.78	\$ -	\$ 40,493,316.57	\$ (3,235,220.80)	\$ 473,576,117.26

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Notes to the Financial Statements *August 31, 2009*

NOTE 2 (continued) Capital Assets

Accumulated depreciation changes for the year ended August 31, 2009 are summarized in the following table.

Capital Asset Category	Balance 09/01/2008	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/2009
			Completed CIP	Increases – Interagency Transfers	Decreases – Interagency Transfers			
Buildings and Building Improvements	\$ (140,159,943.54)	\$ -	\$ -	\$ -	\$ -	\$ (11,288,186.72)	\$ 258,397.44	\$ (151,189,732.82)
Infrastructure	(1,125,020.01)	-	-	-	-	(213,489.96)	-	(1,338,509.97)
Furniture and Equipment	(37,670,647.64)	(320.88)	-	(149,092.46)	-	(6,269,209.75)	2,021,577.06	(42,067,693.67)
Vehicles	(1,265,453.62)	-	-	-	-	(150,205.38)	76,853.51	(1,338,805.49)
Facilities and Other Improvements	(1,891,486.50)	-	-	-	-	(580,614.84)	-	(2,472,101.34)
Other	(17,514,808.80)	-	-	-	-	(1,246,192.39)	-	(18,761,001.19)
Total Accumulated Depreciation	\$ (199,627,360.11)	\$ (320.88)	\$ -	\$ (149,092.46)	\$ -	\$ (19,747,899.04)	\$ 2,356,828.01	\$ (217,167,844.48)

NOTE 3 Deposits, Investments, and Repurchase Agreements

TTUHSC's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, TTUHSC 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." Further, under Texas law, TTUHSC is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest TTUHSC funds without express written authority from the governing board.

The governing investment policy is Regents' Rules Chapter 09, "Investments, Endowments, and Income-Producing Lands." The majority of TTUHSC 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

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Notes to the Financial Statements *August 31, 2009*

NOTE 3 (continued) Deposits, Investments, and Repurchase Agreements

invests in equity and fixed income securities and is operated using a 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 TTUHSC with written donor instructions to maintain in their original form, and bond proceeds invested in external investment pools. TTUHSC also maintains a cash balance in the State Treasury (local balance of legislative appropriations).

As of August 31, 2009, the carrying amount of deposits was \$18,586,537.03 as detailed in the following table.

Texas Tech University Health Sciences Center Deposits of Cash in Bank	
Enterprise Funds	
Cash in Bank - Carrying Value	\$ 18,586,537.03
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	-
Less: Uninvested Securities Lending Cash Collateral included in Carrying Value and Reported as Securities Lending Collateral	-
Less: Securities Lending CD Collateral included in Carrying Value and Reported as Securities Lending Collateral	-
Cash in Bank	<u>\$ 18,586,537.03</u>
Enterprise Funds Current Assets Cash in Bank	\$ 16,303,110.24
Enterprise Funds Current Assets Restricted Cash in Bank	2,281,410.91
Enterprise Funds Non-Current Assets Restricted Cash in Bank	<u>2,015.88</u>
Cash in Bank	<u>\$ 18,586,537.03</u>

These amounts consist of all cash in local banks and are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts. As of August 31, 2009, the total bank balance for Enterprise Funds was \$3,707,254.72.

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Notes to the Financial Statements *August 31, 2009*

NOTE 3 (continued) Deposits, Investments, and Repurchase Agreements

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 policy of TTUHSC is to require collateralization of bank balances in excess of FDIC protection. At August 31, 2009, TTUHSC did not have any funds considered to be uninsured and uncollateralized.

INVESTMENTS

As of August 31, 2009, the carrying value and fair value of investments are summarized in the following table.

Texas Tech University Health Sciences Center Carrying Value and Fair Value of Investments		
	Carrying Value	Fair Value
Enterprise Funds		
U. S. Government		
U. S. Treasury Securities	\$ 38,657,842.51	\$ 38,657,842.51
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	21,550,746.81	21,550,746.81
Corporate Asset and Mortgage Backed Securities	-	-
Equity	17,995,589.65	17,995,589.65
International Equity	15,154,993.71	15,154,993.71
Repurchase Agreement	25,721,038.55	25,721,038.55
Fixed Income Money Market and Bond Mutual Fund	36,920,757.53	36,920,757.53
Other Commingled Funds	29,935,593.40	29,935,593.40
Other Commingled Funds (TexPool)	155,125,233.86	155,125,233.86
Commercial Paper	-	-
Real Estate	5,800.00	5,800.00
Alternative Investments - Domestic	70,514,622.09	70,514,622.09
Alternative Investments - International	3,358,802.00	3,358,802.00
(Table continued on next page)		

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Annual Financial Report *U N A U D I T E D*

Notes to the Financial Statements *August 31, 2009*

NOTE 3 (continued) Deposits, Investments, and Repurchase Agreements

	Carrying Value	Fair Value
Miscellaneous (Limited Partnerships, Guaranteed Investment Contract, Political Subdivision, Bankers' Acceptance, Negotiable CD)	<u>256,377.14</u>	<u>256,377.14</u>
Total Investments	<u>\$ 415,197,397.25</u>	<u>\$ 415,197,397.25</u>
Non-Current Investments		\$ 221,593,612.45
Items in Cash and Cash Equivalents:		
Repurchase Agreements		25,721,038.55
TexPool and TexSTAR Investments		<u>167,882,746.25</u>
Total Investments		<u>\$ 415,197,397.25</u>

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. It is the policy of TTUHSC 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
01	0001	Argentine peso	-	\$ 4,666.97
01	0001	Australian dollar	-	142,193.61
01	0001	Bermudan dollar	-	31.56
01	0001	Brazilian real	-	876,576.48
01	0001	Canadian dollar	-	434,382.94
01	0001	Cayman dollar	-	5.22
01	0001	Chilean peso	-	14,000.90
01	0001	Chinese yuan	-	640,591.42
01	0001	Colombian peso	-	49,092.84
01	0001	Czech koruna	-	18,667.87
01	0001	Danish krone	-	18,180.06
01	0001	Egyptian pound	-	60,670.57

(Table continued on next page)

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Annual Financial Report *U N A U D I T E D*

Notes to the Financial Statements
August 31, 2009

NOTE 3 (continued) Deposits, Investments, and Repurchase Agreements

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
01	0001	Euro	-	1,691,680.03
01	0001	Hong Kong dollar	-	786,126.64
01	0001	Hungarian forint	-	14,000.90
01	0001	Indian rupee	-	318,807.64
01	0001	Indonesian rupiah	-	203,179.62
01	0001	Israeli shekel	-	37,335.73
01	0001	Japanese yen	-	2,264,143.88
01	0001	Malaysian ringgit	-	111,069.76
01	0001	Mexican peso	-	140,312.38
01	0001	Moroccan dirham	-	9,333.93
01	0001	New Zealand dollar	-	1.28
01	0001	Norwegian krone	-	4.42
01	0001	Phillippino peso	-	28,001.80
01	0001	Polish zloty	-	126,008.10
01	0001	Pound sterling	-	1,934,334.82
01	0001	Russian ruble	-	592,704.76
01	0001	Singapore dollar	-	626,257.58
01	0001	South African rand	-	98,006.30
01	0001	South Korean won	-	1,394,602.73
01	0001	Swedish krona	-	78,759.86
01	0001	Swiss franc	-	803,112.98
01	0001	Taiwan dollar	-	718,387.37
01	0001	Thai baht	-	398,785.48
01	0001	Turkish lira	-	520,975.28
		Total		\$ 15,154,993.71

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TTUHSC'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.

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Notes to the Financial Statements
August 31, 2009

NOTE 3 (continued) Deposits, Investments, and Repurchase Agreements

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	Unrated
01	0001	U. S. Government Agency Obligations	\$ 21,550,746.81	-
		U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	-	-
		Corporate Obligations	-	-
		Corporate Asset and Mortgage Backed Securities	-	-
01	0001	Repurchase Agreement	25,721,038.55	-
01	0001	Fixed Income Money Market and Bond Mutual Fund	-	36,920,757.53

DERIVATIVE INVESTING

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

NOTE 4 Short Term Debt

TTUHSC has at times over the past several years issued short term commercial paper to serve as an interim financing source for long term construction projects in advance of issuing authorized bonds. Because this commercial paper was purchased to pay construction costs that will be financed by a future bond issue, the commercial paper payable is represented in Note 5 as a long-term liability.

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Annual Financial Report *U N A U D I T E D*

Notes to the Financial Statements *August 31, 2009*

NOTE 5 Summary of Long Term Liabilities

As indicated in the table below, several categories of long term liabilities are reported including bonds payable, commercial paper payable, claims payable and compensable leave payable.

Category	Balance 09/01/2008	Increases	Decreases	Balance 08/31/2009	Current Portion
Bonds Payable	\$ 120,974,549.20	\$ 32,555,130.79	\$ 12,853,465.94	\$ 140,676,214.05	\$ 7,499,283.35
Commercial Paper Payable	3,193,000.00	8,100,000.00	9,193,000.00	2,100,000.00	2,100,000.00
Claims Payable	18,627,607.00	-	2,373,744.09	16,253,862.91	1,625,386.29
Compensable Leave	24,472,053.70	2,731,257.44	1,630,248.46	25,573,062.68	5,114,612.54
Total Long Term Liabilities	<u>\$ 167,267,209.90</u>	<u>\$ 43,386,388.23</u>	<u>\$ 26,050,458.49</u>	<u>\$ 184,603,139.64</u>	<u>\$ 16,339,282.18</u>

NOTES AND LOANS PAYABLE

Commercial paper payable represents an interim financing source for long term construction projects in advance of issuing authorized bonds. Because this commercial paper was purchased to pay construction costs that will be financed by a future bond issue, indicating the intent of long term financing, the commercial paper payable is reported as a long-term liability.

BONDS PAYABLE

Refer to Note 6 for detailed information on bond liability balances, transactions and funding source. Details regarding revenues pledged to outstanding indebtedness can be found in Schedule 2D of this *Annual Financial Report*.

CLAIMS PAYABLE

Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability

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Annual Financial Report U N A U D I T E D

Notes to the Financial Statements *August 31, 2009*

NOTE 5 (continued) Summary of Long Term Liabilities

of payment on a claim-by-claim basis, and instead considers overall probability of payment for medical malpractice claims. Funding for future claim payments will be from a self-insurance reserve managed by the office of General Counsel.

Description	Balance 09/01/2008	Increases	Decreases	Balance 08/31/2009
TTUHSC	\$ 18,627,607.00	\$ -	\$ 2,373,744.09	\$ 16,253,862.91
Total Claims Payable	\$ 18,627,607.00	\$ -	\$ 2,373,744.09	\$ 16,253,862.91

COMPENSABLE LEAVE

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time as of August 31, 2009. Past experience has demonstrated that approximately 20% of TTUHSC compensable leave balances will mature within one year. Therefore, the non-current portion of the liability as of August 31, 2009 was estimated at \$20,458,450.14, out of a total liability of \$25,573,062.68. Funding for future leave balance payments will be from the same source as annualized salary expense.

NOTE 6 Bonded Indebtedness

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

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SERIES 1999

Purpose:	Financing for projects in Amarillo, Midland, and Lubbock, the costs of issuing the bonds, and the advance refunding of a portion of the Revenue Financing System Bonds, 2 nd Series 1995
Issued:	May 4, 1999; all authorized bonds (\$15,632,182.44) have been issued
Outstanding:	\$0 outstanding as of August 31, 2009
Interest Rates:	4.00% to 5.25%
Maturity Dates:	1999 through 2029
Balance Changes:	\$0 issued; \$807,056.16 retired; \$4,856,244.90 refunded

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Notes to the Financial Statements
August 31, 2009

NOTE 6 (continued) Bonded Indebtedness

REVENUE FINANCING SYSTEM BONDS, 7th SERIES 2001

Purpose: Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper

Issued: January 23, 2002; all authorized bonds (\$19,510,000.00) have been issued

Outstanding: \$3,615,000.00 outstanding as of August 31, 2009

Interest Rates: 3.00% to 5.50%

Maturity Dates: 2002 through 2013

Balance Changes: \$0 issued; \$795,000.00 retired

REVENUE FINANCING SYSTEM BONDS, 9th SERIES 2003

Purpose: Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper

Issued: September 24, 2003; all authorized bonds (\$64,270,000.00) have been issued

Outstanding: \$54,310,000.00 outstanding as of August 31, 2009

Interest Rates: 4.00% to 5.25%

Maturity Dates: 2006 through 2023

Balance Changes: \$0 issued; \$2,630,000.00 retired

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 10th SERIES 2006

Purpose: Financing for Medical Education Building project in El Paso, the costs of issuing the bonds, and the advance refunding of a portion of the Revenue Financing System Bonds, Series 1999 and Revenue Financing System Bonds, 7th Series 2001

Issued: February 1, 2006; all authorized bonds (\$59,694,524.01) have been issued which includes \$45,000,000 of new bonds for the project

Outstanding: \$52,540,013.84 outstanding as of August 31, 2009

Interest Rates: 4.00% to 5.00%

Maturity Dates: 2006 through 2029

Balance Changes: \$0 issued; \$1,421,234.30 retired

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Notes to the Financial Statements
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NOTE 6 (continued) Bonded Indebtedness

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 12th SERIES 2009

Purpose:	Financing for the El Paso Medical Facility, Amarillo Pharmacy and Amarillo Research Building projects, and the advance refunding of the Revenue Financing System Bonds, Series 1999
Issued:	March 3, 2006; all authorized bonds (\$30,842,818.83) have been issued which includes \$26,195,000 of new bonds for the projects
Outstanding:	\$28,535,633.15 outstanding as of August 31, 2009
Unamortized Premium:	\$1,675,567.06 unamortized premium as of August 31, 2009
Interest Rates:	4.00% to 5.00%
Maturity Dates:	2009 through 2028
Balance Changes:	\$30,842,818.83 issued; \$2,307,185.68 retired

GENERAL INFORMATION

At August 31, 2009, TTUHSC had outstanding bonds payable of \$139,000,646.99, which does not include unamortized premium of \$1,675,567.06.

SOURCES OF REVENUE FOR DEBT SERVICE

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 fees, pledged general fees 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, § 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Texas Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

DEFEASED BONDS OUTSTANDING

As of August 31, 2009, a total of \$10,010,000 of defeased bonds were outstanding related to an advance refunding of a portion of the Revenue Financing System Bonds, 7th Series, 2001.

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Notes to the Financial Statements
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NOTE 7 Capital Leases

As of August 31, 2009, no material outstanding TTUHSC leases satisfied the requirements for capitalization.

NOTE 8 Operating Leases

TTUHSC leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights and, therefore, the related assets and liabilities are not reported in this *Annual Financial Report*. Total rental expense under these agreements was \$3,696,970.63 for the year ended August 31, 2009. The table below provides the estimated minimum lease payments for operating leases for TTUHSC for the next five fiscal years.

For Years Ending August 31	Minimum Lease Payments
2010	\$ 3,807,879.75
2011	3,922,116.14
2012	4,039,779.63
2013	4,160,973.01
2014	4,285,802.20

TTUHSC structures all leases to allow for cancellation within the current period. Most of the cancellation clauses are based on a 30-day notice condition or on the condition of continuing appropriations. However, there is little or no historical precedence for lease cancellations at TTUHSC.

NOTE 9 Employee Retirement Plans

The State of Texas has joint contributory retirement plans for substantially all regular employees. One of the primary plans in which TTUHSC participates is administered by the Teacher Retirement System (TRS) of Texas. The TRS program was established by the Texas Legislature and can only be amended by legislative action.

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Notes to the Financial Statements
August 31, 2009

NOTE 9 (continued)
Employee Retirement Plans

The TRS program is a cost sharing, multiple-employer, defined benefit pension plan. The contributory percentages currently provided by the state and by each participant are 6.58% and 6.40%, respectively, of annual participant compensation.

The TRS program covers retirement, proportional retirement, disability annuities, and death and survivor benefits. A participant is vested after five years of creditable service and is entitled to any benefit for which eligibility requirements have been met. The normal service retirement age is 65 with five years of service or when the sum of the participant's age and years of service is at least 80 years. For unreduced benefits, persons beginning service on or after September 1, 2007, will be subject to a minimum age of 60 to qualify under the retirement rule of 80. The reduced service requirement age is 55 with five years of service or any age below 50 with 30 years of service. The standard life annuity benefit formula is 2.3 percent of the average of the five highest annual salaries multiplied by the years of service. At normal retirement age, the minimum standard monthly annuity is the greater of \$150 or the formula standard annuity. Total payments shall in no case be less than accumulated contributions at the time of retirement.

Contributions made by the state on behalf of TTUHSC for the TRS program amounted to \$4,696,785 for the year ended August 31, 2009, \$4,169,599 for the year ended August 31, 2008, and \$3,354,867 for the year ended August 31, 2007.

TRS does not separately account for each of its component governmental agencies, since TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the TRS *Comprehensive Annual Financial Report* submitted to the state and available from the TRS website.

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the TRS program. ORP is a defined contribution pension plan that provides for the purchase of annuity and custodial mutual fund contracts. The contributory percentages currently provided by the state and by each participant for employees who participated before September 1, 1995 are 8.50% and 6.65%, respectively, of annual participant compensation. The state's contribution is comprised of 6.58% from the ORP appropriation and 1.92% from other funding sources. The 6.58% contribution is mandatory with the other contributions being at the discretion of the governing board of TTUHSC. The governing board has approved the additional contributions for employees of TTUHSC. The contributory percentages currently provided by the state and by each participant for employees entering the program after August 31, 1995 are 6.58% and 6.65%, respectively, of annual participant compensation.

Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2009*

NOTE 9 (continued) **Employee Retirement Plans**

Contributions of state appropriations on behalf of TTUHSC for the ORP amounted to \$3,453,301 for the year ended August 31, 2009, \$4,257,107 for the year ended August 31, 2008, and \$2,786,848 for the year ended August 31, 2007.

Total contributions to the ORP made by plan members and the employer are detailed in the following table.

For the Year Ending August 31, 2009	
Member Contributions	\$ 8,444,061.00
Employer Contributions	<u>9,037,383.31</u>
Total	<u>\$ 17,481,444.31</u>

NOTE 10 **Deferred Compensation**

TTUHSC employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the *Texas Government Code Annotated*, § 609.001. A deferred compensation plan called Texa\$aver, administered by the Employees Retirement System, is available to all employees for income deferral.

The state's 457 plan complies with the Internal Revenue Code (IRC) § 457. Deductions, purchased investments, and earnings attributed to the 457 Plan are the property of the State and subject only to the claims of the State's general creditors. Participant rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the 457 account for each participant. The State has no liability under the 457 Plan, and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

GASB statement 32, effective for financial statements for periods beginning after December 31, 1998, states that new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans are also required to comply with this requirement by January 1, 1999.

As of August 31, 2009, there were 207 TTUHSC participants in this deferred compensation plan.

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Notes to the Financial Statements
August 31, 2009

NOTE 11
Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees, in accordance with state statutes. Substantially all of the employees may become eligible for the health and life insurance benefits if they reach normal retirement age while working for the State. Currently, there are 120 retirees who are eligible for these benefits. Similar benefits for active employees are provided through a self-funded plan and fully insured plans.

Depending upon the status of the employee at the time of retirement, the State or TTUHSC recognizes the cost of providing these benefits. The cost of retiree post-employment benefits is recognized when paid. This contribution paid all of the "employee/retiree only" premiums and a portion of the premiums for those employees/retirees selecting dependent coverage. The employee/retiree was required to pay a portion of the cost of dependent coverage. For the fiscal year ended August 31, 2009, the cost of providing those benefits for the retirees was \$2,047,567 for the State and \$682,028 for TTUHSC.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires accrual-based measurement, recognition and disclosure of other post-employment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. TTUHSC's benefit liability is included in that of the Employees Retirement System. As a result, this liability will be reported in the Employees Retirement System financial statements.

NOTE 12
Interfund Balances / Activity

TTUHSC had an outstanding interfund receivable from the University of Texas Investment Management Company (UTIMCO) as of August 31, 2009, representing undistributed earnings from the investment assets of the Permanent Health Fund for Higher Education.

As of August 31, 2009, TTUHSC had an outstanding interfund payable to Texas Tech University representing payment for shared services fees. The following table provides additional information about these balances due.

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Notes to the Financial Statements
August 31, 2009

NOTE 12 (continued) Interfund Balances / Activity

Texas Tech University Health Sciences Center Due from / to Other State Agencies				
Agency Name	Agency Nbr	D23 Fund	Due from	Due to
University of Texas System	720	0810	\$ 5,371,182.48	\$ -
Texas Tech University	733	0001	<u>36,608.33</u>	<u>173,648.42</u>
Total Due from / to Other State Agencies			<u>\$ 5,407,790.81</u>	<u>\$ 173,648.42</u>

Also, for the year ended August 31, 2009, TTUHSC had various transfers to and from other components of the Texas Tech University System and other state agencies. The majority of the net transfers in from TTU are for servicing of outstanding bonded indebtedness for which appropriations are shared. The majority of the net transfers out to TTUSA are to support system administrative functions. The transfer to the Texas Department of State Health is for the UPL program amount due to Covenant Medical Center. The transfers to the Texas Higher Education Coordinating Board are for 2% Medical Loan and B-On-Time set-asides.

Interfund transfer activity is summarized in the following table.

Texas Tech University Health Sciences Center Transfers from / to Other State Agencies				
Agency Name	Agency Nbr	D23 Fund	Transfers In	Transfers Out
Texas Tech University	733	0001	\$ 1,741,516.16	\$ 625,819.31
Texas Tech University System Administration	768	0001	14,329.00	1,570,223.00
Texas Tech Foundation, Inc	768	0001	6,558,034.74	-
Texas Department of State Health Services	529	0001	-	2,900,000.00
Texas Higher Education Coordinating Board	781	0542	-	72,443.57
Texas Higher Education Coordinating Board	781	5103	-	50,705.04
Total Transfers from / to Other State Agencies			<u>\$ 8,313,879.90</u>	<u>\$ 5,219,190.92</u>

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report *U N A U D I T E D*

Notes to the Financial Statements *August 31, 2009*

NOTE 12 (continued) Interfund Balances / Activity

For the year ended August 31, 2009, TTUHSC recorded a Legislative transfer out to TTUSA for system administration support. Details of that transfer are shown in the following table.

Texas Tech University Health Sciences Center Legislative Transfers In/Out				
Agency Name	Agency Nbr	D23 Fund	Transfers In	Transfers Out
Texas Tech University System Administration	768	0001	\$ -	\$ 2,581,987.00
Total Legislative Transfers from / to Other State Agencies			<u>\$ -</u>	<u>\$ 2,581,987.00</u>

For the year ended August 31, 2009, TTUHSC recorded an increase in net assets due to transfers in of capital assets from other State agencies. Interagency capital asset transfer activity is summarized in the following table.

Texas Tech University Health Sciences Center Interagency Capital Asset Transfers				
Agency Name	Agency Nbr	Increase Net Assets	Decrease Net Assets	
Texas Department of Public Safety	405	\$ 12,189.80	\$ -	
University of Texas at Austin	721	531.44	-	
University of Texas Medical Branch at Galveston	723	35,680.23	-	
University of Texas Health Science at San Antonio	745	<u>4,703.85</u>	-	
Total Transfers from / to Other State Agencies		<u>\$ 53,105.32</u>	<u>\$ -</u>	

NOTE 13 Continuance Subject to Review

TTUHSC is not subject to the Texas Sunset Act.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements *August 31, 2009*

NOTE 14 Adjustments to Fund Balances and Net Assets

TTUHSC had no material prior-period adjustments that would require a restatement of fund balance and net assets for the year ended August 31, 2009.

NOTE 15 Contingent Liabilities

PENDING LITIGATION

At August 31, 2009, various lawsuits and claims involving TTUHSC were pending. While the ultimate liability with respect to litigation and other claims asserted against TTUHSC cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance, is not likely to have a material impact on TTUHSC.

REBATABLE ARBITRAGE

As of August 31, 2009, the Revenue Financing System and Improvement Bonds, Series 2006, was the only outstanding bond issue of TTUHSC which had an associated outstanding rebatable arbitrage liability amounting to \$357,638.23. This liability is payable on the fifth anniversary of the bond issue which will occur in 2011. These rebatable excesses were earned during periods when unrestricted yield was allowed on these funds. As required by the Internal Revenue Code, TTUHSC will restrict earnings on these funds to a yield less than the yield of the bond issue after this unrestricted yield period ends.

CONSTRUCTION CONTRACT COMMITMENTS

Numerous large contracts have been entered into for the purposes of planning, constructing, and equipping building additions and other projects. Outstanding commitment amounts totaled \$13,795,914.59 as of August 31, 2009. These commitments will be funded by donor contributions, appropriations from the state, issuance of revenue bonds, and other borrowings. As of August 31, 2009, the amount of legislative appropriations for capital from the state available for these commitments totaled \$6,138,603.86.

DIRECT LENDING

TTUHSC participates in the federal Direct Loan Program, which provides loans from the federal government to qualifying students and their families for educational purposes. While TTUHSC helps students to obtain these loans, the institution is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers. The amount of direct loans issued during the year ended August 31, 2009 was \$42,763,786.00.

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Notes to the Financial Statements
August 31, 2009

NOTE 16
Subsequent Events

TTUHSC had no material subsequent events after August 31, 2009.

NOTE 17
Risk Financing and Related Insurance

TTUHSC has self-insured arrangements for coverage in the areas of unemployment compensation and medical malpractice. The medical malpractice plan had an actuarially determined accrued incurred but not reported (IBNR) liability at August 31, 2009, of \$16,253,862.91. Texas Tech Physician Associates, a blended component unit, had no accrued IBNR at August 31, 2009. A reconciliation of IBNR is provided in the table in Note 5.

The TTUHSC medical malpractice self insurance plan, an occurrence based plan, was established in 1985. Claim limits associated with the plan are \$400,000 per occurrence and \$1,200,000 aggregate per annum for services provided by faculty physicians (unless lower limits are set by law, in which case the lower limits set by law apply), \$100,000 per occurrence and \$300,000 aggregate per annum for services provided by resident physicians, and \$25,000 per occurrence and \$75,000 aggregate per annum for services provided by students.

As of September 1, 2003, providers of health care (physicians) are no longer excepted from the statutory limits of liability set for public servants as set out in § 108.002 of the Texas Civil Practices and Remedies Code. Public servants are limited in liability to \$100,000 to a single person and \$300,000 for a single occurrence. There is also a \$250,000 per person and \$500,000 per occurrence statutory limit in place for tort claims against TTUHSC as an institution.

The State of Texas provides coverage for workers compensation and unemployment benefits from appropriations made to other state agencies for TTUHSC employees. The *General Appropriations Act* of the 79th Texas Legislature provides that TTUHSC must reimburse the General Revenue Fund, from TTUHSC appropriations, one-half of the unemployment benefits expected to be paid for former and current employees. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. TTUHSC must also reimburse the General Revenue Fund for all of the cost for unemployment compensation for any employees paid from funds held in local bank accounts or from local balances of legislative appropriations held in the State Treasury. Total payments for Unemployment Compensation for fiscal year 2009 amounted to \$242,325.81. No material outstanding claims were pending as of August 31, 2009.

For workers compensation, TTUHSC remits an assessed amount from both appropriated and unappropriated fund types to the State Office of Risk Management (SORM). Total payments to SORM for fiscal year 2009 amounted to \$736,113.12. SORM assumes the responsibility for paying all workers compensation claims for current and former employees of TTUHSC.

Annual Financial Report
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Notes to the Financial Statements
August 31, 2009

NOTE 18
Management Discussion and Analysis

INTRODUCTION

This discussion and analysis provides an overview of the financial position and activities of TTUHSC for the year ended August 31, 2009. This discussion and analysis has been prepared by management and should be reviewed in conjunction with the financial statements and accompanying notes.

USING THE FINANCIAL STATEMENTS

Included in this *Annual Financial Report* are three basic financial statements: (1) the Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets, and (3) the Statement of Cash Flows.

FINANCIAL HIGHLIGHTS

- TTUHSC continues to experience growth in enrollment totaling 11.0% between the fall 2007 term and the fall 2008 term. The most notable portions of this one-year growth were in the Graduate School of Nursing (up 27.9%) and the Undergraduate School of Nursing (up 23.6%). Annual enrollment increases over the last ten years have averaged 6.5%.
- Capital asset additions totaled \$50.1 million for the year ended August 31, 2009.

CONDENSED FINANCIAL INFORMATION

In the summary financial statements presented on the next few pages, three years of comparative data are provided. Prior year amounts have, in certain instances, been restated or reclassified to conform to current year presentation.

Summary Schedule of Net Assets

Net assets are the difference between assets and liabilities and represent the equity component of the institution. Over time, increases or decreases in net assets are one indicator of the improvement or decline of the organization's financial health when considered with non-financial factors such as enrollment, patient levels, and the condition of facilities.

The following table shows the balances in asset, liability, and net asset categories as of August 31, 2009, 2008, and 2007 (amounts in thousands).

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Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis

	2009	2008	2007
Assets			
Current Assets	\$ 303,118	\$ 292,864	\$ 238,624
Non-Current Investments	221,594	248,313	274,161
Other Non-Current Assets	7,132	8,223	10,501
Capital Assets, Net of Accumulated Depreciation	337,121	307,607	272,085
Total Assets	\$ 868,965	\$ 857,007	\$ 795,371
Liabilities			
Current Liabilities	\$ 78,219	\$ 78,100	\$ 71,329
Non-Current Liabilities	168,708	152,444	159,648
Total Liabilities	\$ 246,927	\$ 230,544	\$ 230,977
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 194,344	\$ 183,440	\$ 157,948
Restricted	144,046	150,241	152,133
Unrestricted	283,648	292,782	254,313
Total Net Assets	\$ 622,038	\$ 626,463	\$ 564,394

Current Assets and Current Liabilities

Current assets consist primarily of cash and cash equivalents, short-term investments, balances in legislative appropriations and various student, patient, and contract receivables. Current liabilities consist primarily of trade accounts payable, payroll payable, deferred revenues and the current portions of compensable leave payable and claims payable. The institution's current ratio (current assets to current liabilities) of 3.87 reflects strong liquidity and a notable short-term ability to meet upcoming obligations.

Non-Current Investments

Non-current investments include both long-term and restricted short-term holdings. Most of these investments relate to endowment funds or securities held in reserve for estimated future medical malpractice claims.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis

Net Assets

Net assets invested in capital assets, net of related debt, represent capital assets net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets. Restricted non-expendable net assets include permanent endowment funds that are subject to externally imposed restrictions governing their use.

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the reported unrestricted net assets have been committed for future program budgets related to academic, patient and research programs and initiatives, as well as capital projects.

The following table summarizes the composition of net assets at August 31, 2009, 2008, and 2007 (in thousands).

	2009	2008	2007
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 194,344	\$ 183,440	\$ 157,948
Restricted			
Capital Projects	19,313	9,583	9,556
Funds Held as Permanent Investments	91,288	107,275	113,414
Other	33,445	33,383	29,163
Unrestricted	283,648	292,782	254,313
Total Net Assets	\$ 622,038	\$ 626,463	\$ 564,394

Summary Schedule of Revenues, Expenses, and Changes in Net Assets

The following table summarizes the revenues, expenses, and changes in net assets for the years ended August 31, 2009, 2008, and 2007 (in thousands).

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Annual Financial Report *U N A U D I T E D*

Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis

	2009	2008	2007
Operating Revenues			
Net Student Tuition and Fees	\$ 22,369	\$ 19,789	\$ 16,520
Net Professional Fees	218,866	216,976	216,718
Grant and Contract Revenues	155,430	135,509	129,164
Net Sales and Services of Auxiliary Enterprises	556	464	434
Other	6,014	3,978	3,778
Total Operating Revenues	403,235	376,716	366,614
Operating Expenses			
Instruction	(217,145)	(234,339)	(221,529)
Research	(28,456)	(19,657)	(16,523)
Public Service	(121,795)	(115,511)	(113,052)
Academic Support	(125,338)	(85,017)	(77,037)
Student Services	(9,127)	(8,766)	(8,127)
Institutional Support	(22,135)	(20,173)	(18,603)
Operation and Maintenance of Plant	(30,589)	(23,120)	(20,079)
Auxiliary Enterprises	(271)	(330)	(356)
Depreciation	(19,748)	(15,221)	(13,162)
Total Operating Expenses	(574,604)	(522,134)	(488,468)
Total Operating Loss	(171,369)	(145,418)	(121,854)
Non-Operating Revenues and Expenses			
Legislative Appropriations Revenue	164,502	184,654	133,132
Net Gift Income	3,788	4,065	12,308
Net Investment Income	(13,083)	3,998	39,834
Interest Expense on Capital Asset Financing	(5,715)	(5,240)	(702)
Other	(82)	295	611
Total Non-Operating Revenues and Expenses	149,410	187,772	185,183

(Table Continued on Next Page)

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Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis

	2009	2008	2007
Income Before Other Revenues, Expenses, Gains, Losses, and Transfers	(21,959)	42,354	63,329
Other Revenues, Expenses, Gains, Losses and Transfers			
Capital Contributions and Recoveries	2,114	9,705	1,106
Legislative Appropriations Revenue for Capital	14,855	17,849	11,900
Net Transfers to Other State Agencies	566	(7,840)	(7,328)
Total Other Revenues, Expenses, Gains, Losses, and Transfers	17,535	19,714	5,678
Change in Net Assets	\$ (4,424)	\$ 62,068	\$ 69,007
Beginning Net Assets	\$ 626,462	\$ 564,394	\$ 495,387
Ending Net Assets	\$ 622,038	\$ 626,462	\$ 564,394

Operating Revenues

Student tuition and fees, a primary source of funding for academic programs, are reflected net of associated discounts and allowances. Student tuition and fee revenue increased for 2009. This increase primarily resulted from overall increases in enrollment and slight increases in tuition rates.

Professional fee revenues are principally generated within the practice plans from patients or through contractual arrangements with governmental payers and private insurers. As such, professional fees revenues are subject to fluctuation due to changes in standard reimbursement rates for medical services. As a result of a decision by the Comptroller's office, beginning in 2007, revenue received for TDCJ operations is reported as professional fees rather than grant and contract revenue. .

Operating Expenses

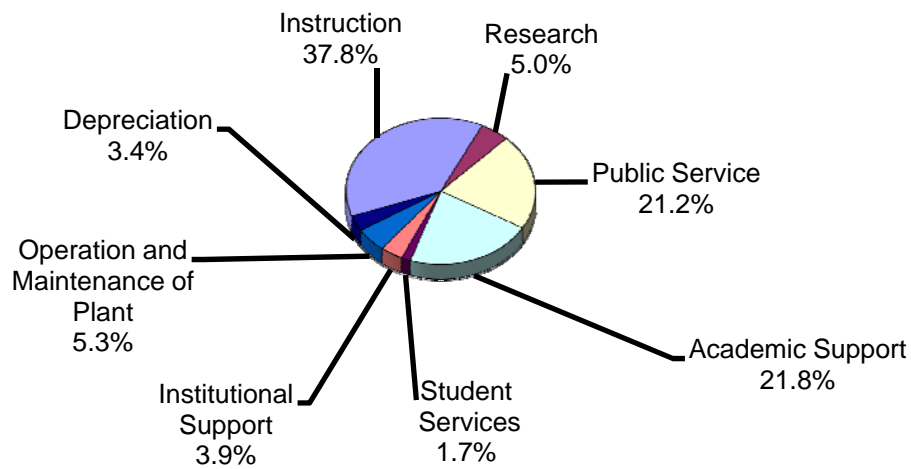
The following illustration presents the composition of operating expenses by programmatic function for the year ended August 31, 2009.

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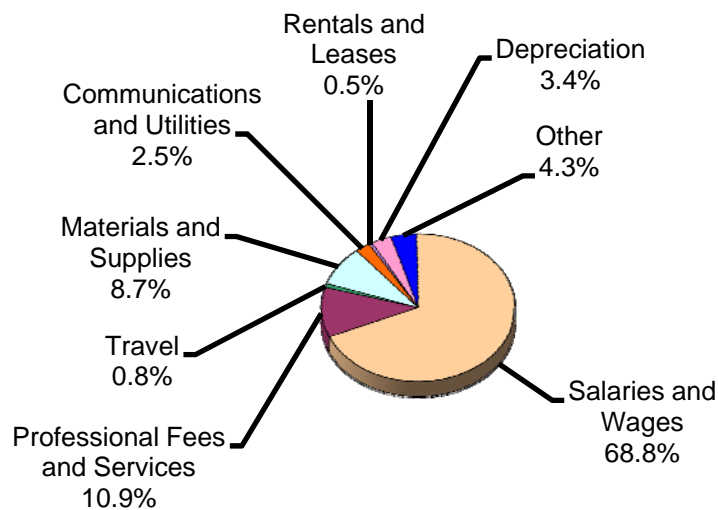
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Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis



The illustration below presents the composition of operating expenses by natural classification for the year ended August 31, 2009.



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Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis

Non-Operating Revenues and Expenses

Numerous recurring revenues are considered non-operating, as required by generally accepted accounting principles. The largest element of recurring non-operating revenue is legislative appropriations from the state, which decreased for the year ended August 31, 2009. Realized gains and losses from the sale of investments, along with unrealized changes in the fair market value of investments, are factored into the reported amount for net investment income. Overall net investment income decreased for 2009.

The institution's endowment investment policies are designed to maximize long-term total return while income distribution policies are designed to preserve the value of the endowments and to generate a predictable stream of distributable income.

Other Revenues, Expenses, Gains, and Losses

Capital contributions for 2008 were comprised primarily of special-purpose gifts for facilities expansion and renovation. Therefore, capital contributions and recoveries decreased for 2009. The legislative appropriations for capital represent distributions from the Higher Education Assistance Fund (HEAF).

Change in Net Assets

Net assets decreased for the year ended August 31, 2009, primarily due to decreased state appropriations.

CAPITAL ASSETS AND RELATED DEBT

Significant additional resources continue to be invested in capital assets at TTUHSC. Capital asset additions for the year ended August 31, 2009 amounted to \$50.1 million. Capital asset additions were funded by a variety of sources, including private donations and proceeds from debt issuances authorized and funded by the Texas Legislature.

As of August 31, 2009, total capital assets and related accumulated depreciation amounted to \$554.3 million and \$217.2 million, respectively. Related debt balances included \$142.8 million of bonds and notes payable, current and non-current. As of August 31, 2009, TTUHSC had a bond rating of AA from Standard and Poor's.

Additional detailed information regarding capital assets and related debt is included in earlier notes in this *Annual Financial Report*.

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Notes to the Financial Statements
August 31, 2009

NOTE 18 (continued) Management Discussion and Analysis

ECONOMIC OUTLOOK

Future successes are largely dependent upon cost containment, the ability to recruit and retain the highest quality students, faculty, and staff, and ongoing financial and political support from state government.

General appropriations received during the year ended August 31, 2009, were \$164.5 million. General appropriations to TTUHSC, as approved by the 81st Texas Legislature, are expected to be \$179.6 million for the year ending August 31, 2010. The increase in annual funding includes \$11.6 million of additional funding provided in fiscal year 2010 for costs related to the Paul L. Foster School of Medicine in El Paso.

During 2008, the *Liaison Commission on Medical Education* awarded preliminary accreditation to the Paul L. Foster School of Medicine in El Paso. The school will admitted its first class of four year medical students in fiscal year 2009. The school has received significant support from donors, the El Paso community and the State Legislature.

TTUHSC will receive \$11 million in American Recovery and Reinvestment Act (ARRA) funding in FY 2010.

Private gift contributions are a significant factor in the growth of academic, research, and patient care units and are an important supplement to the fundamental support provided by the state and through collections from students and patients. Economic pressures affecting donors may also affect the future level of support afforded TTUHSC from corporate and individual giving.

TTUHSC will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate operations from temporary market volatility.

NOTE 19 The Financial Reporting Entity

TTUHSC is a component unit of the State of Texas. The accompanying financial statements reflect inclusion of one blended component unit described in detail in Note 1. TTUHSC has no other related organizations, joint ventures or jointly governed organizations.

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*Notes to the Financial Statements
August 31, 2009*

**NOTE 20
Stewardship, Compliance, and Accountability**

TTUHSC has no material stewardship, compliance or accountability issues.

**NOTE 21
Not Applicable**

Per the Reporting Requirements for Annual Financial Report of State Agencies and Universities, Note 21 is not applicable for the year ended August 31, 2009.

**NOTE 22
Donor Restricted Endowments**

TTUHSC endowments are categorized as either true endowments or funds functioning as endowments. As of August 31, 2009, TTUHSC had no term endowments. Expenditure of true endowment funds is not permitted without the express consent of the donor. Most TTUHSC endowments are held in perpetuity. In many cases, a portion of the endowment earnings are expendable for student financial assistance or other purposes as designated by the donor or associated agreement. In other cases, endowment earnings are fully reinvested.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF), described in more detail in Note 3. The LTIF allows for quarterly spendable income distributions amounting to 1.125% of the 12-quarter rolling average unitized balance. Spendable income can be supported by both realized earnings and by unrealized earnings.

The cumulative effect of valuation changes assignable to endowment fund assets are summarized in the table below.

Endowment Category	Net Appreciation	Statement of Net Assets Reporting Section
True Endowments	<u>\$ 5,609,173.26</u>	Restricted / Nonexpendable

**NOTE 23
Special or Extraordinary Items**

TTUHSC had no special or extraordinary items during the year ended August 31, 2009.

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Notes to the Financial Statements *August 31, 2009*

NOTE 24 Disaggregation of Receivable and Payable Balances

RECEIVABLES

Components of receivables as of August 31, 2009, including current and non-current receivables, are summarized in the following table.

Description	Gross Receivables	Allowances	Net Receivables
Federal Receivable	\$ 2,376,868.28	\$ -	\$ 2,376,868.28
Interest and Dividends Receivable	337,908.91	-	337,908.91
Patient Accounts Receivable	40,958,278.94	(27,821,676.10)	13,136,602.84
Student Accounts Receivable	571,623.24	(54,002.29)	517,620.95
Contract Accounts Receivable	13,921,544.56	-	13,921,544.56
Pledged Gifts Receivable	7,451,137.39	(223,534.12)	7,227,603.27
Loans and Notes Receivable	3,376,892.79	(386,919.57)	2,989,973.22
Other	219,045.81	(93,272.09)	125,773.72
Total Receivables	\$69,213,299.92	\$ (28,579,404.17)	\$ 40,633,895.75

Contractual Arrangements and Concentrations of Credit Risk

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

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

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

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

**Annual Financial Report
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*Notes to the Financial Statements
August 31, 2009*

**NOTE 24 (continued)
Disaggregation of Receivable and Payable Balances**

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

PAYABLES

Short-term payables as of August 31, 2009, were comprised of the elements noted in the following table.

Description	Balance
Vendor Accounts Payable	\$ 16,721,910.86
Patient Refunds Payable	2,629,738.82
Payroll Payable	31,136,341.61
Accrued Interest Payable	<u>315,074.92</u>
Total Short-Term Payables	<u>\$ 50,803,066.21</u>

**NOTE 25
Termination Benefits**

TTUHSC had no reportable termination benefits during the year ended August 31, 2009.

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Notes to the Financial Statements
August 31, 2009

NOTE 26 Segment Information

TTUHSC has no reportable segments.

NOTE 27 Medical Patient Revenues

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

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

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

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

Patient charges earned under third party contractual arrangements are primarily from fixed rate agreements which, for Medicare and Medicaid, are updated annually by the federal government and state government, respectively. Gross patient services charges under the Medicare and Medicaid programs for the year ended August 31, 2009 were \$153,177,412.71. Compliance with these programs is complex and can be subject to future government interpretation as well as potential regulatory action.

For the Medicaid program in Texas, and other government programs, contractual adjustments are reported as charity care as defined in Article III of the *General Appropriations Act* of the 80th Texas Legislature.

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SUPPORTING SCHEDULES

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Agy Nbr	Pass-Through From		Direct Program
				State Agency Amount	Non-State Agency Amount	
U. S. Department of Agriculture						
Special Supplemental Nutrition Program for Women, Infant and Children	10.557					
Department of State Health Services			537	\$ 2,291,694.53	\$ -	\$ -
TOTAL U. S. DEPARTMENT OF AGRICULTURE				2,291,694.53	-	-
U. S. Department of Justice						
Law Enforcement Assistance Program	16.000	2006DDBX0589		-	-	(847.79)
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			-	-	3,752.55
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			-	-	20,977.13
TOTAL U. S. DEPARTMENT OF JUSTICE				-	-	23,881.89
National Science Foundation						
Social, Behavioral and Economic Sciences	47.075					
Texas Tech University			733	45,903.11	-	-
TOTAL NATIONAL SCIENCE FOUNDATION				45,903.11	-	-
U.S. Department of Education						
Special Education Grants to States	84.027					
Texas Tech University			733	16,125.33	-	-
Rehabilitation Long-Term Training	84.129			-	-	13,867.20
TOTAL U. S. DEPARTMENT OF EDUCATION				16,125.33	-	13,867.20
U. S. Department of Health and Human Services						
United States-Mexico Border Center of Excellence Consortium	93.000					
University of Texas Health Science Center at San Antonio			745	17,747.16	-	-
Public Health Emergency Preparedness	93.069					
Department of State Health Services			537	32,262.82	-	-
Family Planning Services	93.217					
Department of State Health Services			537	239,635.96	-	-
Advanced Education Nursing Grant Program	93.247			-	-	234,669.25
Poison Control Stabilization and Enhancement Grants	93.253			-	-	99,785.32
Northwest Texas Health Care		H4BHS07658A0		-	-	-
Centers for Disease Control and Prevention						
Investigations and Technical Assistance	93.283					
Department of State Health Services			537	219,275.47	-	-

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures
			Agy Nbr	State Agency Amount		
U. S. Department of Agriculture						
Special Supplemental Nutrition Program for Women, Infant and Children	10.557					
Department of State Health Services		\$ 2,291,694.53	537	\$ -	\$ -	\$ 2,291,694.53
TOTAL U. S. DEPARTMENT OF AGRICULTURE		2,291,694.53		-	-	2,291,694.53
U. S. Department of Justice						
Law Enforcement Assistance Program	16.000	(847.79)		-	-	(847.79)
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	3,752.55		-	-	3,752.55
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	20,977.13		-	-	20,977.13
TOTAL U. S. DEPARTMENT OF JUSTICE		23,881.89		-	-	23,881.89
National Science Foundation						
Social, Behavioral and Economic Sciences	47.075					
Texas Tech University		45,903.11	733	-	-	45,903.11
TOTAL NATIONAL SCIENCE FOUNDATION		45,903.11		-	-	45,903.11
U.S. Department of Education						
Special Education Grants to States	84.027					
Texas Tech University		16,125.33	733	-	-	16,125.33
Rehabilitation Long-Term Training	84.129	13,867.20		-	-	13,867.20
TOTAL U. S. DEPARTMENT OF EDUCATION		29,992.53		-	-	29,992.53
U. S. Department of Health and Human Services						
United States-Mexico Border Center of Excellence Consortium	93.000					
University of Texas Health Science Center at San Antonio		17,747.16	745	-	-	17,747.16
Public Health Emergency Preparedness	93.069					
Department of State Health Services		32,262.82	537	-	-	32,262.82
Family Planning Services	93.217					
Department of State Health Services		239,635.96	537	-	-	239,635.96
Advanced Education Nursing Grant Program	93.247	234,669.25		-	-	234,669.25
Poison Control Stabilization and Enhancement Grants	93.253	99,785.32		-	-	83,262.62
Northwest Texas Health Care		-		-	16,522.70	-
Centers for Disease Control and Prevention						-
Investigations and Technical Assistance	93.283					
Department of State Health Services		219,275.47	537	-	-	219,275.47

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From			Direct Program	
		Identifying Number	Agy Nbr	State Agency Amount		Non-State Agency Amount
U. S. Department of Health and Human Services (cont)						
Advanced Education Nursing Traineeships	93.358			\$ -	\$ -	\$ 59,280.07
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596					
Upper Rio Grande Workforce Development Board		09EM070999F2HA		-	67,061.86	-
Basic / Core Area Health Education Centers	93.824			-	-	1,075,372.08
Area Health Education Center (AHEC) of the Plains		09LT060012F2HA		-	-	-
Midland College		09LT060012F1HE		-	-	-
Project Vida		09LT060012F2HF		-	-	-
West Central Texas Council of Governments		09LT060012F2HD		-	-	-
West Texas A&M University			757	-	-	-
Lung Diseases Research	93.838			-	-	49,451.35
Grants for Training in Primary Care Medicine and Dentistry	93.884			-	-	231,767.26
Geriatric Education Centers	93.969					
Harrington Regional Medical Center		08AM080998FNH		-	40,622.64	-
University of Texas Health Science Center at San Antonio			745	56,760.75	-	-
Maternal & Child Health Services Block Grant to the States	93.994					
Department of State Health Services			537	34,047.15	-	-
Retired and Senior Volunteer Program	94.002			-	-	33,978.84
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS				599,729.31	107,684.50	1,784,304.17
RESEARCH AND DEVELOPMENT (R&D) CLUSTER						
U. S. Department of Agriculture						
Grants for Agricultural Research Competitive Research Grants	10.206			-	-	290,143.20
Adult & Youth United Development Association Inc		08LN05066FGL		-	-	-
San Elizario Independent School District		09LN050066F4L		-	-	-
Texas Tech University			733	-	-	-
U. S. Department of Defense						
Military Medical Research and Development	12.420					
CureSearch - National Childhood Cancer Foundation		09LM090999FHA		-	184,365.07	-
Texas Tech University			733	114,916.06	-	-
The Scripps Research Institute		09LM40054F2H		-	68,329.92	-
T. R. U. E. Research Foundation		06AP050072FNL		-	562,025.68	-
U.S. Army Medical Research		W81XWH-08-1-0660		-	-	129,169.62

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures
			Agy Nbr	State Agency Amount		
U. S. Department of Health and Human Services (cont)						
Advanced Education Nursing Traineeships	93.358	\$ 59,280.07		\$ -	\$ -	\$ 59,280.07
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596					
Upper Rio Grande Workforce Development Board		67,061.86		-	-	67,061.86
Basic / Core Area Health Education Centers	93.824	1,075,372.08		-	-	182,347.02
Area Health Education Center (AHEC) of the Plains		-		-	193,796.56	-
Midland College		-		-	179,536.21	-
Project Vida		-		-	74,018.89	-
West Central Texas Council of Governments		-		-	221,465.40	-
West Texas A&M University		-	757	224,208.00	-	-
Lung Diseases Research	93.838	49,451.35		-	-	49,451.35
Grants for Training in Primary Care Medicine and Dentistry	93.884	231,767.26		-	-	231,767.26
Geriatric Education Centers	93.969					
Harrington Regional Medical Center		40,622.64		-	-	40,622.64
University of Texas Health Science Center at San Antonio		56,760.75	745	-	-	56,760.75
Maternal & Child Health Services Block Grant to the States	93.994					
Department of State Health Services		34,047.15	537	-	-	34,047.15
Retired and Senior Volunteer Program	94.002	33,978.84		-	-	33,978.84
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS		2,491,717.98		224,208.00	685,339.76	1,582,170.22
RESEARCH AND DEVELOPMENT (R&D) CLUSTER						
U. S. Department of Agriculture						
Grants for Agricultural Research Competitive Research Grants	10.206	290,143.20		-	-	216,882.94
Adult & Youth United Development Association Inc		-		-	5,200.00	-
San Elizario Independent School District		-		-	18,000.00	-
Texas Tech University		-	733	50,060.26	-	50,060.26
U. S. Department of Defense						
Military Medical Research and Development	12.420					
CureSearch - National Childhood Cancer Foundation		184,365.07		-	-	184,365.07
Texas Tech University		114,916.06	733	-	-	114,916.06
The Scripps Research Institute		68,329.92		-	-	68,329.92
T. R. U. E. Research Foundation		562,025.68		-	-	562,025.68
U.S. Army Medical Research		129,169.62		-	-	129,169.62

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Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From				Direct Program
		Identifying Number	Agy Nbr	State Agency Amount	Non-State Agency Amount	
U. S. Department of Health and Human Services						
Antimicrobial Dental Devices and Waterlines	93.000					
Selenium, Ltd		08LM060097NL		\$ -	\$ (21,263.00)	\$ -
Pediatric Preclinical Testing Program	93.000					
St Jude Children's Research		N01-CM-42216		-	266,588.54	-
Produce & Characterize TCRM Monoclonal Antibodies that	93.000					
Detect Specific Class						
Oklahoma University Health Sciences Center		08AP07006NL		-	134,080.71	-
Research Related to Deafness and Communication Disorders	93.173			-	-	12,110.87
Allied Health Special Projects	93.191			-	-	403,174.25
Research & Training in Complementary & Alternative Medicine	93.213			-	-	296,962.25
Florida State University		09LM060091NCL		-	-	-
University of Georgia Research Foundation		09LM060091N1L		-	-	-
Winthrop University Hospital		09LM060091NDL		-	-	-
Mental Health Research Grants	93.242					
John Hopkins University		09EMF090038NL		-	15,226.78	-
Alcohol Research Programs	93.273			-	-	240,279.32
Drug Abuse and Addiction Research Programs	93.279			-	-	26,511.45
University of Kentucky Research Foundation		08AP030016N3L		-	(103.30)	-
Mental Health Reserch Career/Scientist Development Awards	93.281			-	-	-
John Hopkins University		200713699		-	7,578.45	-
Centers for Disease Control and Prevention						
Investigations and Technical Assistance	93.283			-	-	141,300.00
Nurse Education, Practice and Retention Grants	93.359			-	-	273,012.31
National Center for Research Resources	93.389			-	-	257,993.99
John Hopkins University		09EMF080084NL		-	5,856.40	-
Oklahoma University Health Sciences Center		08LM030014F5H		-	100,854.10	-
University of Texas Southwest Research Center			729	62,370.82	-	-
University of Toledo		06LM050050FL		-	-	-
Academic Research Enhancement Award	93.390			-	-	19,369.32
Cancer Cause and Prevention Research	93.393			-	-	136,743.85
Cancer Detection and Diagnosis Research	93.394			-	-	94,155.40
Cancer Treatment Research	93.395			-	-	145,143.27
Children's Hospital of Los Angeles		818-RGF003673-04		-	260,448.36	-
MandalMed, Inc.		09LNF090026N1L		-	59,349.52	-
Receptor Logic		1R41CA132258-01		-	8,952.10	-

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2009

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures
			Agy Nbr	State Agency Amount		
U. S. Department of Health and Human Services						
Antimicrobial Dental Devices and Waterlines	93.000					
Selenium, Ltd		\$ (21,263.00)		\$ -	\$ (21,263.00)	\$ (21,263.00)
Pediatric Preclinical Testing Program	93.000					
St Jude Children's Research		266,588.54		-	266,588.54	266,588.54
Produce & Characterize TCRM Monoclonal Antibodies that Detect Specific Class	93.000					
Oklahoma University Health Sciences Center		134,080.71		-	134,080.71	134,080.71
Research Related to Deafness and Communication Disorders	93.173	12,110.87		-	12,110.87	12,110.87
Allied Health Special Projects	93.191	403,174.25		-	403,174.25	403,174.25
Research & Training in Complementary & Alternative Medicin	93.213	296,962.25		-	247,500.42	247,500.42
Florida State University		-		7,606.94	-	7,606.94
University of Georgia Research Foundation		-		26,863.37	-	26,863.37
Winthrop University Hospital		-		14,991.52	-	14,991.52
Mental Health Research Grants	93.242					
John Hopkins University		15,226.78		-	15,226.78	15,226.78
Alcohol Research Programs	93.273	240,279.32		-	240,279.32	240,279.32
Drug Abuse and Addiction Research Programs	93.279	26,511.45		-	26,511.45	26,511.45
University of Kentucky Research Foundation		(103.30)		-	(103.30)	(103.30)
Mental Health Reserch Career/Scientist Development Awards	93.281					
John Hopkins University		7,578.45		-	7,578.45	7,578.45
Centers for Disease Control and Prevention						-
Investigations and Technical Assistance	93.283	141,300.00		-	141,300.00	141,300.00
Nurse Education, Practice and Retention Grants	93.359	273,012.31		-	273,012.31	273,012.31
National Center for Research Resources	93.389	257,993.99		-	240,587.06	240,587.06
John Hopkins University		5,856.40		-	5,856.40	5,856.40
Oklahoma University Health Sciences Center		100,854.10		-	100,854.10	100,854.10
University of Texas Southwest Research Center		62,370.82	729	-	62,370.82	62,370.82
University of Toledo		-		17,406.93	-	17,406.93
Academic Research Enhancement Award	93.390	19,369.32		-	19,369.32	19,369.32
Cancer Cause and Prevention Research	93.393	136,743.85		-	136,743.85	136,743.85
Cancer Detection and Diagnosis Research	93.394	94,155.40		-	94,155.40	94,155.40
Cancer Treatment Research	93.395	145,143.27		-	145,143.27	145,143.27
Children's Hospital of Los Angeles		260,448.36		-	260,448.36	260,448.36
MandalMed, Inc.		59,349.52		-	59,349.52	59,349.52
Receptor Logic		8,952.10		-	8,952.10	8,952.10

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From			Direct Program	
		Identifying Number	Agy Nbr	State Agency Amount		Non-State Agency Amount
U. S. Department of Health and Human Services (cont)						
Cancer Biology Research	93.396			\$ -	\$ -	\$ 390,882.03
Cancer Control	93.399			-	-	118,488.11
Cardiovascular Diseases Research	93.837			-	-	255,819.99
John Hopkins University		09EMF080098NL		-	16,260.19	-
New England Medical Center Hospitals Inc.		U00HL077821		-	166,785.65	-
Ohio State University Research Foundation		05LM050030FNL		-	12,392.77	-
University of Texas Health Science Center at Houston			744	18,919.00	-	-
Lung Diseases Research	93.838			-	-	56,000.86
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846			-	-	135,306.57
Diabetes, Digestive & Kidney Diseases Extramural Research	93.847					
Spire Corporation		09LMF080033N1L		-	108,464.84	-
Diabetes, Digestive & Kidney Diseases	93.849			-	-	300,601.01
Extramural Research Programs in the Neurosciences						
and Neurological Disorders	93.853			-	-	690,367.52
John Hopkins University		09EMF090047NL		-	68,916.73	-
University at Nebraska at Lincoln		RNS052484A		-	-	-
Allergy, Immunology and Transplantation Research	93.855			-	-	1,345,133.35
Alnylam Pharmaceuticals		09EMF080093NI		-	-	-
Immune Disease Research Institute		09EMF080102NL		-	-	-
Oklahoma University Health Sciences Center		09LM070041N1L		-	-	-
University of Colorado Denver		09EMF090023NL		-	14,329.72	-
University of Pittsburgh		09EMF080080NL		-	38,737.50	-
University of Texas Southwest Research Center			729	1,997.15	-	-
Microbiology and Infectious Diseases Research	93.856			-	-	6,041.59
Biomedical Research and Research Training	93.859			-	-	752,437.49
John Wayne Cancer Institute		09LMF090042NL		-	24,833.67	-
University of Rhode Island		07AP040026FNL		-	-	-
Child Health & Human Development Extramural Research	93.865			-	-	756,056.16
Aging Research	93.866			-	-	928,028.06
Texas Agricultural Experiment Station		07AP050109NFL		-	-	-
Health Care and Other Facilities	93.887			-	-	384,400.13
Specially Selected Health Projects	93.888			-	-	87,312.72
				198,203.03	2,103,010.40	8,672,944.69
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER						

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To			Expenditures	Total Pass- Through To and Expenditures
			Agy Nbr	State Agency Amount	Non-State Agency Amount		
U. S. Department of Health and Human Services (cont)							
Cancer Biology Research	93.396	\$ 390,882.03	-	-	-	\$ 390,882.03	\$ 390,882.03
Cancer Control	93.399	118,488.11	-	-	-	118,488.11	118,488.11
Cardiovascular Diseases Research	93.837	255,819.99	-	-	-	255,819.99	255,819.99
John Hopkins University		16,260.19	-	-	-	16,260.19	16,260.19
New England Medical Center Hospitals Inc.		166,785.65	-	-	-	166,785.65	166,785.65
Ohio State University Research Foundation		12,392.77	-	-	-	12,392.77	12,392.77
University of Texas Health Science Center at Houston		18,919.00	744	-	-	18,919.00	18,919.00
Lung Diseases Research	93.838	56,000.86	-	-	-	56,000.86	56,000.86
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	135,306.57	-	-	-	135,306.57	135,306.57
Diabetes, Digestive & Kidney Diseases Extramural Research	93.847						
Spire Corporation		108,464.84	-	-	-	108,464.84	108,464.84
Diabetes, Digestive & Kidney Diseases	93.849	300,601.01	-	-	-	300,601.01	300,601.01
Extramural Research Programs in the Neurosciences							
and Neurological Disorders	93.853	690,367.52	-	-	-	668,703.25	668,703.25
John Hopkins University		68,916.73	-	-	-	68,916.73	68,916.73
University at Nebraska at Lincoln		-	-	-	21,664.27	-	21,664.27
Allergy, Immunology and Transplantation Research	93.855	1,345,133.35	-	-	-	1,173,478.71	1,173,478.71
Alnylam Pharmaceuticals		-	-	-	40,869.00	-	40,869.00
Immune Disease Research Institute		-	-	-	14,604.00	-	14,604.00
Oklahoma University Health Sciences Center		-	-	-	116,181.64	-	116,181.64
University of Colorado Denver		14,329.72	-	-	-	14,329.72	14,329.72
University of Pittsburgh		38,737.50	-	-	-	38,737.50	38,737.50
University of Texas Southwest Research Center		1,997.15	729	-	-	1,997.15	1,997.15
Microbiology and Infectious Diseases Research	93.856	6,041.59	-	-	-	6,041.59	6,041.59
Biomedical Research and Research Training	93.859	752,437.49	-	-	-	744,952.20	744,952.20
John Wayne Cancer Institute		24,833.67	-	-	-	24,833.67	24,833.67
University of Rhode Island		-	-	-	7,485.29	-	7,485.29
Child Health & Human Development Extramural Research	93.865	756,056.16	-	-	-	756,056.16	756,056.16
Aging Research	93.866	928,028.06	-	-	-	920,257.05	920,257.05
Texas Agricultural Experiment Station		-	-	-	7,771.01	-	7,771.01
Health Care and Other Facilities	93.887	384,400.13	-	-	-	384,400.13	384,400.13
Specially Selected Health Projects	93.888	87,312.72	-	-	-	87,312.72	87,312.72
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER		10,974,158.12		50,060.26	298,643.97	10,625,453.89	10,974,158.12

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Pass-Through From			Direct Program
		Identifying Number	Agy Nbr	State Agency Amount	
AMERICAN RECOVERY AND REINVESTMENT ACT CLUSTER					
U. S. Department of Health and Human Services					
TRANS-NIH Recovery Act Research Support	93.701			\$ -	\$ 68,037.67
Illinois State University		09LMF08120NL		-	7,513.51
Health Center Integrated Services Development Initiative	93.703			-	275,185.77
TOTAL ARRA CLUSTER				-	7,513.51
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U. S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007			-	32,117.00
Federal Family Education Loans	84.032				
New Loans Processed (Note 3)				-	42,245,693.00
Federal Perkins Loan Program Federal Capital Contributions	84.038				
New Loans Processed (Note 3)				-	460,093.00
Administrative Costs Recovered (Note 3)				-	25,558.00
Federal Pell Grant Program	84.063			-	363,608.00
Texas Higher Education Coordinating Board					
Robert C. Byrd Honors Scholarship	84.185		781	750.00	-
U. S. Department of Health and Human Services					
Nursing Faculty Loan Program	93.264				
New Loans Processed (Note 3)				-	58,000.00
Scholarships for Health Professions Students					
from Disadvantaged Backgrounds	93.925			-	874,226.41
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				750.00	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 3,152,405.31	\$ 2,218,208.41
					\$ 54,897,516.80

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To		Expenditures	Total Pass- Through To and Expenditures
			Agy Nbr	State Agency Amount		
AMERICAN RECOVERY AND REINVESTMENT ACT CLUSTER						
U. S. Department of Health and Human Services						
TRANS-NIH Recovery Act Research Support		\$ 68,037.67		\$ -	\$ 68,037.67	\$ 68,037.67
Illinois State University		7,513.51		-	7,513.51	7,513.51
Health Center Integrated Services Development Initiative		275,185.77		-	275,185.77	275,185.77
TOTAL ARRA CLUSTER		350,736.95		-	350,736.95	350,736.95
STUDENT FINANCIAL ASSISTANCE CLUSTER						
U. S. Department of Education						
Federal Supplemental Educational Opportunity Grants	84.007	32,117.00		-	32,117.00	32,117.00
Federal Family Education Loans	84.032					
New Loans Processed (Note 3)		42,245,693.00		-	42,245,693.00	42,245,693.00
Federal Perkins Loan Program Federal Capital Contributions	84.038					
New Loans Processed (Note 3)		460,093.00		-	460,093.00	460,093.00
Administrative Costs Recovered (Note 3)		25,558.00		-	25,558.00	25,558.00
Federal Pell Grant Program	84.063	363,608.00		-	363,608.00	363,608.00
Texas Higher Education Coordinating Board			781			
Robert C. Byrd Honors Scholarship	84.185	750.00		-	750.00	750.00
U. S. Department of Health and Human Services						
Nursing Faculty Loan Program						
New Loans Processed (Note 3)		58,000.00		-	58,000.00	58,000.00
Scholarships for Health Professions Students						
from Disadvantaged Backgrounds	93.925	874,226.41		-	874,226.41	874,226.41
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		44,060,045.41		-	44,060,045.41	44,060,045.41
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 60,268,130.52		\$ 274,268.26	\$ 983,983.73	\$ 59,009,878.53
		(Note 2)				(Note 2)

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2009*

Note 1 Nonmonetary Assistance

Texas Tech University Health Sciences Center (TTUHSC) did not receive any nonmonetary assistance for the year ended August 31, 2009.

Note 2 Reconciliation

Federal Grant and Contract Revenues - Unpledged (SRECNA)	\$	10,709,869.65
Federal Grant and Contract Revenues - Pledged (SRECNA)		3,246,344.56
Federal Grant and Contract Pass-Through Revenues (SRECNA)		3,152,405.31
Non-Operating Federal Grant and Contract Revenues (SRECNA)		395,725.00
TOTAL FEDERAL REVENUES (SRECNA)		17,504,344.52
Reconciling Items		
New Loans Processed		42,763,786.00
TOTAL FEDERAL FINANCIAL ASSISTANCE	\$	60,268,130.52

Note 3a Student Loans

<i>Federal Grantor / CFDA Number / Program Title</i>	<i>New Loans Processed</i>	<i>Administrative Costs Recovered</i>	<i>Total</i>	<i>Ending Balances of Previous Years' Loans</i>
U. S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$ -	\$ -	\$ -	\$ 167,378.09
93.264 Nursing Faculty Loans	58,000.00	-	58,000.00	155,069.17
93.364 Nursing Student Loans	-	-	-	31,911.06
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	58,000.00	-	58,000.00	354,358.32
U. S. Department of Education				
84.032 Federal Family Education Loan Program and Adjustment	42,245,693.00	-	42,245,693.00	-
84.038 Federal Perkins Loan Program	460,093.00	25,558.00	485,651.00	2,226,433.39
TOTAL U. S. DEPARTMENT OF EDUCATION	42,705,786.00	25,558.00	42,731,344.00	2,226,433.39
TOTAL STUDENT LOANS	\$ 42,763,786.00	\$ 25,558.00	\$ 42,789,344.00	\$ 2,580,791.71

Note 4 Depository Libraries for Government Publications (does not apply to TTUHSC)

Note 5 Unemployment Insurance (does not apply to TTUHSC)

Note 6 Rebates from the Special Supplemental Food Program for Women, Infant, and Children (does not apply to TTUHSC)

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Schedule 1A: Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2009

Note 7 Federal Deferred Revenue

CFDA	Balance 09/01/2008	Net Change	Balance 08/31/2009
12.420	\$ -	\$ 8,991.31	\$ 8,991.31
93.000	-	26,482.73	26,482.73
93.283	-	11,221.22	11,221.22
93.837	-	18,919.00	18,919.00
93.969	-	14,185.23	14,185.23
93.994	-	3,317.66	3,317.66
	<u>\$ -</u>	<u>\$ 83,117.15</u>	<u>\$ 83,117.15</u>

The deferred revenue of \$83,117.15 consists of federal grant prepayments that have not been earned.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1B: Schedule of State Grant Pass-Throughs from / to State Agencies *For the Year Ended August 31, 2009*

State Grant Pass-Through Revenues From Other State Agencies

Texas Higher Education Coordinating Board (Agency Number 781)	
Family Practice Residency	\$ 1,141,470.00
Family Practice Rural and Public Health Rotation	31,083.78
Financial Aid Professional Nursing	28,292.00
Texas Grant Program	101,191.00
Advanced Research Program	25,887.00
Advanced Technology Program	(11.88)
Prof Nursing Shortage Reduc	-
Primary Care Residency Program	390,000.00
Nursing and Allied Health	319,012.00
Minority Health Research / Education	508,049.00
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD	<u>\$ 2,544,972.90</u>
Employee Retirement System of Texas (Agency Number 327)	
State Kids Insurance Program	<u>\$ 88,733.55</u>
TOTAL EMPLOYEE RETIREMENT SYSTEM OF TEXAS	<u>\$ 88,733.55</u>
Department of State Health Services (Agency Number 537)	
DSHS Program Funding	<u>\$ 469,300.05</u>
TOTAL DEPARTMENT OF STATE HEALTH SERVICES	<u>\$ 469,300.05</u>
TOTAL STATE GRANT PASS-THROUGH REVENUES FROM OTHER STATE AGENCIES	<u><u>\$ 3,103,006.50</u></u>

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Schedule 2A: Miscellaneous Bond Information *For the Fiscal 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	
Rev Fin Sys Ref & Imp Bonds Series 1999	15,632,182.44	4.00% - 5.25%	1999	2029	2/15/2012
Rev Fin Sys Bonds 7th Series 2001	19,510,000.00	3.00% - 5.50%	2002	2013	2/15/2012
Rev Fin Sys Bonds 9th Series 2003	64,270,000.00	4.00% - 5.25%	2006	2023	8/15/2013
Rev Fin Sys Ref & Imp Bonds Series 2006	59,694,524.01	4.00% - 5.00%	2006	2029	2/15/2016
Rev Fin Sys Ref & Imp Bonds Series 2009	30,842,818.83	4.00% - 5.00%	2009	2028	2/15/2019
	\$ 189,949,525.28				

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Annual Financial Report U N A U D I T E D

Schedule 2B: Changes in Bonded Indebtedness *For the Fiscal Year Ended August 31, 2009*

<u>Description of Issue</u>	<u>Bonds Outstanding 9/01/2008</u>	<u>Bonds Issued</u>	<u>Bonds Matured or Retired</u>	<u>Bonds Refunded or Extinguished</u>
Rev Fin Sys Ref & Imp Bonds Series 1999	\$ 5,663,301.06	-	\$ 807,056.16	\$ 4,856,244.90
Rev Fin Sys Bonds 7th Series 2001	4,410,000.00	-	795,000.00	-
Rev Fin Sys Bonds 9th Series 2003	56,940,000.00	-	2,630,000.00	-
Rev Fin Sys Ref & Imp Bonds Series 2006	53,961,248.14	-	1,421,234.30	-
Rev Fin Sys Ref & Imp Bonds Series 2009	-	30,842,818.83	2,307,185.68	-
	<u>\$ 120,974,549.20</u>	<u>\$ 30,842,818.83</u>	<u>\$ 7,960,476.14</u>	<u>\$ 4,856,244.90</u>

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Schedule 2B: Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2009

Description of Issue	Bonds Outstanding 08/31/2009	Unamortized Premium	Net Bonds Outstanding 08/31/2009	Amounts Due Within One Year
Rev Fin Sys Ref & Imp Bonds Series 1999	\$ -	\$ -	\$ -	\$ -
Rev Fin Sys Bonds 7th Series 2001	3,615,000.00	-	3,615,000.00	835,000.00
Rev Fin Sys Bonds 9th Series 2003	54,310,000.00	-	54,310,000.00	2,735,000.00
Rev Fin Sys Ref & Imp Bonds Series 2006	52,540,013.84	-	52,540,013.84	1,476,713.20
Rev Fin Sys Ref & Imp Bonds Series 2009	28,535,633.15	1,675,567.06	30,211,200.21	2,452,570.15
	<u>\$ 139,000,646.99</u>	<u>\$ 1,675,567.06</u>	<u>\$ 140,676,214.05</u>	<u>\$ 7,499,283.35</u>

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Schedule 2C: Debt Service Requirements

For the Fiscal Year Ended August 31, 2009

Description of Issue	Year	Principal	Interest
Revenue Bonds	2010	\$ 835,000.00	\$ 194,537.50
Revenue Financing System Bonds	2011	880,000.00	150,700.00
7th Series 2001	2012	925,000.00	104,500.00
	2013	975,000.00	53,625.00
		\$ 3,615,000.00	\$ 503,362.50
Revenue Bonds	2010	\$ 2,735,000.00	\$ 2,690,625.00
Revenue Financing System Bonds	2011	2,860,000.00	2,564,425.00
9th Series 2003	2012	3,005,000.00	2,417,800.00
	2013	3,165,000.00	2,263,550.00
	2014	3,330,000.00	2,097,012.50
	2015-2019	19,540,000.00	7,591,262.50
	2020-2023	19,675,000.00	2,028,875.00
		\$ 54,310,000.00	\$ 21,653,550.00
Revenue Bonds	2010	\$ 1,476,713.20	\$ 2,455,689.10
Revenue Financing System Refunding and	2011	1,709,285.36	2,391,969.13
Improvement Bonds - Series 2006	2012	1,794,427.96	2,312,922.72
	2013	1,881,326.36	2,221,028.86
	2014	3,046,822.15	2,097,825.15
	2015-2019	17,650,942.16	8,043,161.32
	2020-2024	17,111,350.62	3,900,757.41
	2025-2029	7,869,146.03	544,915.63
		\$ 52,540,013.84	\$ 23,968,269.32
Revenue Bonds	2010	\$ 2,364,382.41	\$ 1,273,540.69
Revenue Financing System Refunding and	2011	2,282,840.16	1,180,864.44
Improvement Bonds - Series 2009	2012	1,546,866.54	1,104,163.06
	2013	1,609,819.49	1,040,679.85
	2014	1,667,536.46	980,305.88
	2015-2019	5,929,188.09	3,969,321.02
	2020-2024	6,565,000.00	2,496,125.00
	2025-2028	6,570,000.00	677,000.00
		\$ 28,535,633.15	\$ 12,721,999.94

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*Schedule 2D: Analysis of Funds Available for Debt Service
For the Fiscal Year Ended August 31, 2009*

Pledged and Other Sources and Related Expenditures for FY 2009				
Net Available for				
Debt Service				
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service	
			Principal	Interest
Rev Fin Sys Ref & Imp Bonds Series 1999			\$ 5,663,301.06	\$ 141,954.45
Rev Fin Sys Bonds 7th Series 2001			795,000.00	236,275.00
Rev Fin Sys Bonds 9th Series 2003			2,630,000.00	2,797,925.00
Rev Fin Sys Ref & Imp Bonds Series 2006			1,421,234.30	2,513,648.05
Rev Fin Sys Ref & Imp Bonds Series 2009			2,307,185.68	628,738.17
	<u>\$ 49,468,189.05</u>	<u>\$ -</u>	<u>\$ 12,816,721.04</u>	<u>\$ 6,318,540.67</u>

(a) Expenditures associated with pledged sources totaled \$36,019,324.61

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Schedule 2E: Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2009

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds, Rev Fin Sys Bonds 7th Series 2001	2006	10,010,000.00
		<u>\$ 10,010,000.00</u>

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*Schedule 2F: Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2009*

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds, Rev Fin Sys Ref & Imp Bonds Series 1999	Advance Refunding	\$ 4,856,245	\$ 4,647,819	\$ 548,823	\$ 487,513
		-	-	-	-
Total Revenue Bonds		<u>4,856,245</u>	<u>4,647,819</u>	<u>548,823</u>	<u>487,513</u>
Total Governmental Activities		<u>\$ 4,856,245</u>	<u>\$ 4,647,819</u>	<u>\$ 548,823</u>	<u>\$ 487,513</u>

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Schedule 3: Reconciliation of Cash in the State Treasury
As of August 31, 2009

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Local Revenue (Fund 0239)	\$ 1,897,071.05	\$ -	\$ 1,897,071.05
Permanent Health Fund - El Paso Campus (Fund 0820)	6,572,612.05	-	6,572,612.05
Permanent Health Fund - Other Campuses (Fund 0821)	3,848,993.21	-	3,848,993.21
TOTAL CASH IN THE STATE TREASURY	<u>\$ 12,318,676.31</u>	<u>\$ -</u>	<u>\$ 12,318,676.31</u>