

THE UNIVERSITY OF TEXAS SYSTEM

ANNUAL FINANCIAL REPORT

PRIMARY FINANCIAL STATEMENTS

FISCAL YEAR 2011



The University of Texas at Arlington ♦ The University of Texas at Austin ♦ The University of Texas at Brownsville ♦ The University of Texas at Dallas ♦ The University of Texas at El Paso ♦ The University of Texas - Pan American ♦ The University of Texas of the Permian Basin ♦ The University of Texas at San Antonio ♦ The University of Texas at Tyler ♦ The University of Texas Southwestern Medical Center ♦ The University of Texas Medical Branch at Galveston ♦ The University of Texas Health Science Center at Houston ♦ The University of Texas Health Science Center at San Antonio ♦ The University of Texas M. D. Anderson Cancer Center ♦ The University of Texas Health Science Center at Tyler ♦ The University of Texas System Administration

**THE UNIVERSITY OF TEXAS SYSTEM
PRIMARY FINANCIAL STATEMENTS
and Related Information**

As of and for the Year Ended August 31, 2011

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THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS
As of August 31, 2011

Officers

Wm. Eugene “Gene” Powell, Chairman
Paul L. Foster, Vice Chairman
R. Steven “Steve” Hicks, Vice Chairman
James D. Dannenbaum, Vice Chairman
Francie A. Frederick, General Counsel to the Board of Regents

Members

*Terms scheduled to expire February 1, 2013**

James D. Dannenbaum	Houston
Paul L. Foster	El Paso
Printice L. Gary	Dallas

*Terms scheduled to expire February 1, 2015**

R. Steven “Steve” Hicks	Austin
Wm. Eugene “Gene” Powell	San Antonio
Robert L. Stillwell	Houston

*Terms scheduled to expire February 1, 2017**

Alex M. Cranberg	Austin
Wallace L. Hall, Jr.	Dallas
Brenda Pejovich	Dallas

*Term scheduled to expire May 31, 2012**

John Davis Rutkauskas (Student Regent)	U. T. Austin
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*Each Regent’s term expires when a successor has been appointed, qualified, and taken the oath of office.
The Student Regent serves a one-year term.

**THE UNIVERSITY OF TEXAS SYSTEM
SENIOR ADMINISTRATIVE OFFICIALS**
As of August 31, 2011

Francisco G. Cigarroa, M.D., Chancellor

Scott C. Kelley, Executive Vice Chancellor for Business Affairs

David B. Prior, Executive Vice Chancellor for Academic Affairs

Kenneth I. Shine, M.D., Executive Vice Chancellor for Health Affairs

Barry D. Burgdorf, Vice Chancellor and General Counsel

Barry McBee, Vice Chancellor and Chief Governmental Relations Officer

Randa S. Safady, Vice Chancellor for External Relations

William H. Shute, Vice Chancellor for Federal Relations

Amy Shaw Thomas, Vice Chancellor and Counsel for Health Affairs

Sandra K. Woodley, Vice Chancellor for Strategic Initiatives

Bruce E. Zimmerman, Chief Executive Officer and Chief Investment Officer–UTIMCO

THE UNIVERSITY OF TEXAS SYSTEM
Management's Discussion and Analysis
For the Year Ended August 31, 2011
(Unaudited)

INTRODUCTION

The University of Texas System (the System) was established by the Texas Constitution of 1876. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas (UT) at Austin opened in 1883, and eight years later, the John Sealy Hospital in Galveston (now a part of the Medical Branch at Galveston) established a program for university-trained medical professionals. In addition to the original academic campus located in Austin, the System now includes eight additional academic campuses in Arlington, Brownsville, Dallas, Edinburg, El Paso, Odessa, San Antonio, and Tyler. Health institutions for medical education and research have expanded beyond the original Galveston medical campus to include M. D. Anderson Cancer Center, Southwestern Medical Center, and Health Science Centers at Houston, San Antonio and Tyler.

The System's fifteen institutions are, collectively, one of the nation's largest educational enterprises. They provide instruction and learning opportunities to over 211,000 undergraduate, graduate and professional school students from a wide range of social, ethnic, cultural and economic backgrounds. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a non-voting student Regent for a one-year term.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended August 31, 2011, with selected comparative information for the years ended August 31, 2010 and 2009. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on the current year data. Unless otherwise indicated, years in this MD&A refer to the fiscal years ended August 31. The System's consolidated financial report includes three primary financial statements: the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

FINANCIAL HIGHLIGHTS

- In the fall of 2010, the System's enrollment increased 4.4% to 211,213 students. The System's academic institutions enroll 37.9% of the State's public college students, and the System's health-related institutions enroll 64.9% of the students attending the State's public health institutions. On March 3, 2010, the Board of Regents approved tuition and fee plans for academic years 2010-2011 and 2011-2012, which limited tuition increases for undergraduate students to a maximum of 3.95%, or \$280 per academic year, excluding student initiated fees adopted via campus referenda. A 6.4% increase in student semester credit hours at the academic institutions along with limited tuition and fee increases contributed to the increase of net tuition and fees of \$104.2 million in 2011, or 8.8%. The plans approved by the System's Board of Regents include setting aside the statutorily required portion of at least 20% of new tuition revenues for financial aid programs, as well as a variety of ways that students can take advantage of special discounts in tuition rates. The approved plans also include pricing incentives to encourage students to graduate on time by taking more semester credit hours in each term they are enrolled.

- Net patient care revenues, which consists of net sales and services of hospitals and net professional fees, increased \$451.0 million in 2011, or 9.9%, as a result of increases in patient volumes and rates. Hurricane *Ike*, which made landfall on September 13, 2008, caused a significant business disruption in 2009 at UT Medical Branch at Galveston. This resulted in the reduced patient care revenue as hospital and clinic operations were suspended for a period of time. Restoration of operations began to be realized mid 2009 and continue today.
- As a result of improved market conditions in 2011, net investment income, excluding the change in fair value of investments, increased \$814.9 million, from \$1.4 billion in 2010 to \$2.2 billion in 2011 (Table 3). The net increase in fair value of investments was \$1.9 billion in 2011, as compared to \$1.5 billion in 2010 (Table 3), an increase of \$374.8 million. These realized and unrealized gains were the largest contributor to the total increase in net assets of \$3.7 billion during 2011.
- Investments in capital asset additions were \$2.0 billion in 2011, of which \$1.1 billion consisted of new projects under construction. Major capital projects completed in 2011 include:
 - ❖ the Administrative Support Building at UT M.D. Anderson Cancer Center, \$292.1 million;
 - ❖ the Alkek Expansion at UT M.D. Anderson Cancer Center, \$257.2 million;
 - ❖ the North Campus Expansion Phase V at UT Southwestern Medical Center, \$111.8 million;
 - ❖ the Engineering Research Building at UT Arlington, \$106.7 million;
 - ❖ the Center for Targeted Therapy at UT M.D. Anderson Cancer Center, \$87.5 million;
 - ❖ the Science & Technology Complex at UT Permian Basin, \$57.1 million;
 - ❖ the College of Health Sciences/School of Nursing Building at UT El Paso, \$39.4 million;
 - ❖ the Mid-Campus Parking Facility at UT M.D. Anderson Cancer Center, \$34.1 million;
 - ❖ the Student Living/Learning Center at UT at Dallas, \$28.6 million;
 - ❖ the Combined Science Facility Renovation at UT San Antonio, \$23.3 million; and,
 - ❖ the Biomedical Engineering Building at UT at Austin, \$20.0 million.
- Bonds payable relating to financing of current and prior years' construction needs were the largest portion of the System's liabilities and increased \$450.0 million to \$6.7 billion at August 31, 2011. All bonds continue to reflect the highest uninsured "Aaa" and "AAA" credit ratings from the three major bond-rating agencies.
- Other Post Employment Benefits (OPEB) liability increased \$470.9 million to \$1.8 billion for 2011 related to retiree medical and dental costs. The System's total unfunded actuarial accrued liability was \$6.0 billion as of August 31, 2011.

The Balance Sheet

The balance sheet presents the assets and deferred outflows (assets), liabilities and deferred inflows (liabilities) and net assets of the System as of the end of the year. This is a point-in-time financial presentation of the financial status as of August 31, 2011, with comparative information for the previous years. The balance sheet presents information in current and noncurrent format for both assets and liabilities. The net assets section presents assets less liabilities. Over time, increases or decreases in net assets are one indicator of the improvement or decline of the System's financial health when considered with nonfinancial factors such as enrollment, patient levels, and the condition of facilities. A summarized comparison of the System's balance sheets at August 31, 2011, 2010 and 2009 follows:

Table 1

	2011	Restated 2010	2009
		(\$ in millions)	
Assets and Deferred Outflows:			
Current assets	\$ 5,546.0	5,539.7	5,005.2
Noncurrent investments	27,833.1	23,263.6	20,920.6
Other noncurrent assets and deferred outflows	713.4	643.9	360.5
Capital/intangible assets, net	11,785.4	11,008.0	10,130.7
Total assets and deferred outflows	<u>45,877.9</u>	<u>40,455.2</u>	<u>36,417.0</u>
Liabilities and Deferred Inflows:			
Current liabilities	6,261.3	5,888.6	6,112.4
Noncurrent liabilities and deferred inflows	9,195.5	7,859.6	6,248.9
Total liabilities and deferred inflows	<u>15,456.8</u>	<u>13,748.2</u>	<u>12,361.3</u>
Net Assets:			
Invested in capital assets, net of related debt	5,029.2	4,630.8	4,475.1
Restricted	22,016.1	19,166.6	17,197.0
Unrestricted	3,375.8	2,909.6	2,383.6
Net assets	<u>30,421.1</u>	<u>26,707.0</u>	<u>24,055.7</u>
Liabilities, deferred inflows and net assets	<u>\$ 45,877.9</u>	<u>40,455.2</u>	<u>36,417.0</u>

In 2011, the 2010 balance sheet was restated to present derivative assets and liabilities on a gross basis and to more closely align derivative assets, derivative liabilities, and deposits and payables with brokers with The University of Texas Investment Management Company (UTIMCO). In addition, the 2010 balance sheet included a reclassification from unrestricted to restricted net assets at a health institution.

Assets and Deferred Outflows (Table 1)

Assets and deferred outflows increased \$5.4 billion, or 13%, in 2011 primarily due to financial market conditions and strong investment performance at UTIMCO resulting in significant realized and unrealized gains in the System's investments as well as new investments in capital assets mentioned above.

Current Assets

Current assets consist primarily of cash and cash equivalents; securities lending collateral; various student, patient, gift and investment trades receivables; and student notes receivable. The System's current assets remained unchanged at \$5.5 billion in 2011.

Noncurrent Investments

Noncurrent investments include permanent endowments, funds functioning as endowments, annuity and life income funds and other investments including investment derivative instruments. These assets increased \$4.6 billion in 2011 primarily due to realized gains and increases in the fair value of investments. Included in permanent endowments is the fair value of investments in the Permanent University Fund (PUF) including the PUF lands. The fair value of the PUF lands at August 31, 2011 was \$1.7 billion, a \$173.7 million increase from the prior year due to an increase in the value of proved oil and gas reserves.

Other Noncurrent Assets and Deferred Outflows

GASB requires derivative instruments to be reported at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments. Changes in fair value of investment derivative instruments are reported as net increase (decrease) in fair value of investments, a component of investment income. The asset positions of investment derivative instruments increased \$286.3 million to \$359.4 million in 2011 primarily due to an increase in purchased options. Deferred outflows related to hedging derivatives decreased \$2.9 million to \$202.2 million in 2011 with an offsetting hedging derivative liability.

Capital Assets

The development and renewal of its capital assets is one of the critical factors in continuing the System's quality academic, health and research programs. The System continues to implement its \$6.5 billion capital improvement program to upgrade its facilities and address planned growth in patient care and student enrollment. Capital additions totaled \$2.0 billion in 2011, of which \$1.1 billion consisted of new projects under construction. These capital additions were comprised of replacement, renovation, and new construction of academic, research and health care facilities, as well as significant investments in equipment.

In 2010, the System implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, addressing accounting and financial reporting for intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Implementation of GASB 51 did not have a significant impact on the System's net assets as the System was already applying Statement of Position 98-1 (SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Computer software is the biggest component of UT System's intangible assets. Under guidance from SOP 98-1, the System previously capitalized \$495.6 million of software that was reclassified during 2010 from equipment to intangible assets. During 2011, the System placed an additional \$166.0 million of computer software in service.

Liabilities and Deferred Inflows (Table 1)

Liabilities and deferred inflows increased \$1.7 billion, or 12%, primarily due to an increase in the other postemployment benefit liability and new debt issued to fund investment in capital assets. The System's liabilities primarily consist of current liabilities, bonds and notes payable, other postemployment benefits, assets held for others, amounts due to the Texas A&M University System (TAMUS), hedging derivative liabilities, investment derivatives – liability positions, payable to brokers for collateral held, and other liabilities.

Current Liabilities

Current liabilities consist primarily of accounts payable and accrued liabilities, investment trades payable, securities lending obligations, deferred revenues, current portion of employee compensable leave, commercial paper notes and the current portion of bonds payable. The System's current liabilities increased \$372.7 million in 2011 primarily due to increased accounts payable and accrued liabilities as a result of the increase in operating revenues and an increase in the current portion of the liability to TAMUS. In accordance with the provisions set forth in Article 7, Section 18 of the Texas Constitution, the System recorded a liability to TAMUS for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS.

Bonds and Notes Payable

Bonds payable relating to financing of current and prior years' construction needs were the largest portion of the System's liabilities and totaled \$6.7 billion and \$6.2 billion at August 31, 2011 and 2010, respectively. All bonds continue to reflect the highest uninsured "Aaa" and "AAA" credit ratings from the three major bond-rating agencies. During 2011, the System issued \$644.1 million of bonds to provide \$623.8 million of new money to finance the costs of capital projects, current refund \$21.3 million outstanding RFS commercial paper notes, and pay the cost of issuance. Additionally, during 2011 \$4.6 million of RFS bonds were optionally redeemed.

Of the \$644.1 million of bonds issued during 2011, \$604.3 million were Build America Bonds authorized by the American Recovery and Reinvestment Act of 2009. The federal government provides a subsidy equal to 35% of the interest payments on Build America Bonds. During 2011, the System reported \$30.1 million of Build America Bond subsidy revenues.

Notes and loans payable increased \$74.0 million in 2011. These notes are issued periodically to provide interim financing for capital improvements and to finance the acquisition of capital equipment. The System typically refunds a portion of these outstanding notes through the issuance of long-term debt to provide permanent financing for projects.

For additional information concerning capital assets and related debt activities, see Notes 5, 8, 9, 10 and 12 to the consolidated financial statements.

Other Postemployment Benefits Liability

The System reported an OPEB liability of \$1.8 billion for 2011, and \$1.3 billion for 2010 related to retiree medical and dental costs. The System is not required to fund the OPEB liability; instead, the difference between the OPEB cost and the System's contributions to the plan will increase the unfunded actuarial accrued liability. For the year ended August 31, 2011, the System's annual OPEB cost was \$595.2 million. Employer contributions for 2011 were \$124.3 million, resulting in an increase in net OPEB obligation of \$470.9 million in 2011. The System's total unfunded actuarial accrued liability was \$6.0 billion as of August 31, 2011. For additional information concerning the OPEB liability, see Note 7 to the consolidated financial statements.

Liability to the Texas A&M University System

The System recorded a liability to TAMUS of \$644.4 million and \$611.9 million at August 31, 2011 and 2010, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the balance sheet.

Hedging Derivative Liability, Investment Derivatives – Liability Positions, and Payable to Brokers for Collateral Held

The System recorded a hedging derivative liability with an offsetting deferred outflow of \$202.2 million and \$205.2 million for 2011 and 2010, respectively. The System also recorded investment derivatives – liability positions of \$274.2 million and \$28.4 million for 2011 and 2010, respectively. Payables to brokers for collateral held were \$162.5 million and \$23.1 million for 2011 and 2010, respectively.

Other Liabilities

Other significant liabilities for the System include accounts payable of \$879.2 million and \$730.7 million for 2011 and 2010, respectively; assets held for others of \$783.3 million and \$669.1 million for 2011 and 2010, respectively; employee compensable leave of \$453.2 million and \$441.0 million for 2011 and 2010, respectively; salaries payable of \$403.7 million and \$394.2 million for 2011 and 2010, respectively; securities lending obligations of \$384.6 million and \$468.4 million for 2011 and 2010, respectively; and payables related to investment trades of \$101.5 million and \$99.7 million for the same two periods.

Net Assets (Table 2)

Net assets represent the residual interest in the System's assets after liabilities are deducted. As stated previously under Financial Highlights, net assets increased by \$3.7 billion in 2011. The following table summarizes the composition of net assets at August 31, 2011, 2010 and 2009:

		2011	Restated 2010	2009
			(\$ in millions)	
Net assets:				
Invested in capital assets, net of related debt	\$	5,029.2	4,630.8	4,475.1
Restricted:				
Nonexpendable		12,233.6	10,987.4	10,224.5
Expendable		9,782.5	8,179.2	6,972.5
Total restricted		22,016.1	19,166.6	17,197.0
Unrestricted		3,375.8	2,909.6	2,383.6
Total net assets	\$	<u>30,421.1</u>	<u>26,707.0</u>	<u>24,055.7</u>

In 2011, the 2010 balance sheet included a reclassification from unrestricted to restricted net assets at a health institution.

Invested in Capital Assets, Net of Related Debt

Net assets invested in capital assets, net of related debt represents the System's capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The \$398.4 million increase in invested in capital assets, net of related debt, in 2011 resulted primarily from a net increase in gross capital/intangible assets of \$1.5 billion offset by a net increase in related debt of capital assets placed in service of \$382.0 million and an increase in accumulated depreciation of \$756.0 million.

Restricted Net Assets

Restricted net assets primarily include the System's permanent endowment funds subject to externally imposed restrictions governing their use. The System's permanent endowment funds include the PUF, which supports both the System and TAMUS. Per the Texas Constitution, distributions from the PUF must not be less than the amount needed to pay the principal and interest due on PUF bonds and notes. The System's permanent endowment funds also include the Permanent Health Fund Endowments (PHF) established in 1999 from tobacco-related litigation funds received from the Texas State Legislature. A portion of the PHF was established for the benefit of the System's health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine. The corpus of the PHF is restricted by statute to remain intact, and the earnings from the funds are required to be utilized for public health activities such as medical research, health education and treatment programs. The final component of the System's endowment funds includes donor restricted endowments, the income of which is used to fund various endeavors in accordance with the donors' wishes. These funds may be invested in the System's Long Term Fund or they may be separately invested (see Note 4 to the consolidated financial statements for additional information).

Restricted Nonexpendable Net Assets

As of August 31, 2011 and 2010, restricted nonexpendable net assets include \$8.2 billion and \$7.1 billion, respectively, of the PUF corpus, \$820 million for both years of the PHF corpus, and \$3.2 billion and \$3.0 billion, respectively, of other endowments' corpus. Restricted nonexpendable net assets increased by \$1.2 billion to \$12.2 billion in 2011, resulting primarily from new gifts and the increase in the corpus of the PUF.

Restricted Expendable Net Assets

PUF appreciation consists of the market value of all investments in excess of the corpus, including oil and gas reserves. Although appreciation related to the PUF is included in the restricted, expendable line item, it should be noted that the Texas Constitution provides that the UT System Board of Regents shall determine the amount of distributions to the Available University Fund (AUF), in an amount not to exceed 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes. Additionally, the UT System Board of Regents must determine the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF. Therefore, although technically the appreciation attributable to the PUF is expendable, the UT System Board of Regent's must adhere to the Texas Constitution as discussed further in Note 4 to the consolidated financial statements.

As of August 31, 2011, restricted expendable net assets include \$5.6 billion of the PUF appreciation, \$172.9 million of PHF appreciation, \$1.9 billion of other endowments' appreciation, \$266.9 million of restricted funds functioning as endowments, restricted contract and grant and loan funds of \$1.5 billion, funds restricted to support cancer treatment and programs that benefit public health of \$94.5 million, and bond proceeds for capital projects of \$68.5 million.

Unrestricted Net Assets

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the System's unrestricted net assets have been committed for various future operating budgets related to academic, patient, and research programs and initiatives, as well as capital projects. Unrestricted net assets of \$3.4 billion also include funds functioning as endowments of \$689.9 million.

2010 Highlights - Balance Sheet

Due to an improvement in the financial market conditions in 2010, as well as strong investment performance at UTIMCO, net investment income, excluding the change in fair value of investments, increased by \$2.7 billion to \$1.4 billion. In addition, the net increase in fair value of investments increased \$2.8 billion to \$1.5 billion in 2010. These realized and unrealized gains were the biggest contributor to the total increase in net assets of \$2.7 billion during 2010. In addition, the System reported an OPEB liability of \$1.3 billion for 2010, an increase of \$454.7 million as compared to 2009.

The Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets details the changes in total net assets as presented on the balance sheet. The statement presents both operating and nonoperating revenues and expenses for the System. The following table summarizes the System's revenues, expenses and changes in net assets for the years ended August 31, 2011, 2010 and 2009:

Table 3

	2011	Restated 2010	2009
	(\$ in millions)		
Operating revenues:			
Net student tuition and fees	\$ 1,290.6	1,186.4	1,104.3
Sponsored programs	2,860.9	2,688.1	2,517.0
Net sales and services of hospitals	3,812.1	3,432.8	3,133.5
Net professional fees	1,175.2	1,103.5	989.5
Net auxiliary enterprises	407.7	391.9	372.3
Other	512.8	464.8	447.6
Total operating revenues	<u>10,059.3</u>	<u>9,267.5</u>	<u>8,564.2</u>
Total operating expenses	<u>(12,921.4)</u>	<u>(12,248.2)</u>	<u>(11,775.2)</u>
Operating loss	<u>(2,862.1)</u>	<u>(2,980.7)</u>	<u>(3,211.0)</u>
Nonoperating revenues (expenses):			
State appropriations	1,857.3	2,087.5	2,115.0
Nonexchange Sponsored Programs	394.9	396.7	189.1
Gift contributions for operations	325.5	299.2	289.6
Net investment income (loss) excluding the change in fair value of investments	2,246.3	1,431.4	(1,304.9)
Net increase (decrease) in fair value of investments	1,896.9	1,522.1	(1,302.5)
Interest expense on capital asset financings	(262.7)	(207.5)	(158.9)
Net other nonoperating revenues (expenses)	<u>(32.8)</u>	<u>(26.6)</u>	<u>26.9</u>
Income (loss) before other revenues, expenses, gains or losses and transfers	3,563.3	2,522.1	(3,356.7)
Capital appropriations – Higher Education Assistance Fund (HEAF)	17.4	17.5	17.5
Capital gifts and grants and additions to permanent endowments	353.0	335.6	165.4
Net Transfers to other State entities	<u>(219.6)</u>	<u>(223.9)</u>	<u>(388.1)</u>
Change in net assets	<u>3,714.1</u>	<u>2,651.3</u>	<u>(3,561.9)</u>
Net assets, beginning of the year	<u>26,707.0</u>	<u>24,055.7</u>	<u>27,617.6</u>
Net assets, end of the year	<u>\$ 30,421.1</u>	<u>26,707.0</u>	<u>24,055.7</u>

In 2011, the 2010 operating results were adjusted to reflect a reclassification between operating and nonoperating revenues related to a health institution.

Operating Revenues (Table 3)

Operating revenues totaled \$10.1 billion for the fiscal year ended August 31, 2011, an increase of \$791.8 million over 2010. The System's primary sources of operating revenues come from net student tuition and fees, sponsored programs, net sales and services of hospitals, net professional fees, and net auxiliary enterprises.

Net Student Tuition and Fees

Student tuition and fees, a primary source of funding for the System's academic programs, representing 12.8% of operating revenues, are reflected net of associated discounts and allowances. Net student tuition and fees increased \$104.2 million, or 8.8%, as a result of enrollment increases of 4.3% at the academic institutions and 7.1% at the health institutions in addition to tuition and fee increases.

Sponsored Programs

Sponsored program revenues, representing 28.4% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs. Governmental sponsored programs include grants from the federal government such as the Department of Health and Human Services. Other sponsored programs include student financial aid and contracts with affiliated hospitals for clinical activities. These revenues increased \$172.8 million, or 6.4%, in 2011 largely due to an increase in federal awards and an increase in contracts with nongovernmental entities. The American Recovery and Reinvestment Act of 2009 (ARRA) provided additional sponsored program revenues for colleges and universities.

Net Patient Care Revenues

Net patient care revenues, which consist of net sales and services of hospitals and net professional fees, are principally generated within the System's hospitals and physicians' practice plans under contractual arrangements with governmental payors and private insurers. These revenues, which represent 49.6% of operating revenues, are reported net of contractual allowances, bad debt expense, and unreimbursed charges for financially or medically indigent patients. Net patient care revenues increased \$451.0 million, or 9.9%, in 2011, as a result of increases in patient volumes and rates. The System's health-related institutions provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs and providers recognize appropriate patient specific funding and lump sum funding available to offset costs. Uncompensated care costs amounted to \$614.4 million and \$648.6 million for 2011 and 2010, respectively.

Net Auxiliary Enterprises

Net auxiliary enterprise revenues were earned from a host of activities such as athletics, housing and food service, bookstores, parking, student health and other activities. These revenues increased \$15.8 million, or 4.0%, in 2011 primarily due to increased gate receipts for athletic events.

Operating Expenses (Table 4)

Total Operating Expenses totaled \$12.9 billion for the fiscal year ended August 31, 2011, an increase of \$673.2 million over 2010. The following data summarizes the composition of operating expenses by programmatic function for the years ended August 31, 2011, 2010 and 2009:

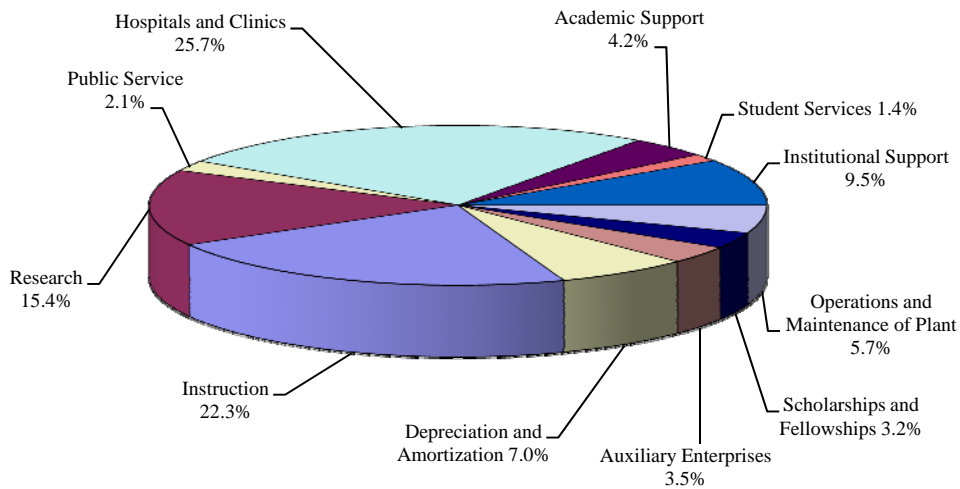
Table 4

	2011	2010	2009
Functional classification of operating expenses:		(\$ in millions)	
Instruction	\$ 2,880.8	2,755.2	2,598.1
Research	1,990.3	1,858.8	1,780.9
Public service	275.6	254.7	284.2
Hospitals and clinics	3,315.3	3,148.1	2,963.7
Academic support	541.1	486.0	456.6
Student services	186.3	180.5	180.6
Institutional support	1,221.8	1,237.0	1,173.7
Operations and maintenance of plant	730.5	728.3	861.6
Scholarships and fellowships	419.6	371.1	296.5
Auxiliary enterprises	457.7	443.1	438.5
Depreciation and amortization	902.4	785.4	740.8
Total operating expenses	\$ 12,921.4	12,248.2	11,775.2

The operating expenses reflect the System’s commitment to promoting instruction, research, patient care, public service and student support. Total operating expenses increased \$673.2 million, or 5%, in 2011 in response to growing student enrollment, research, and patient care activities. The System’s full-time equivalent employees increased 0.3% from 82,711 in 2010 to 82,943 in 2011. Employee-related costs increased due to salary increases and higher medical costs.

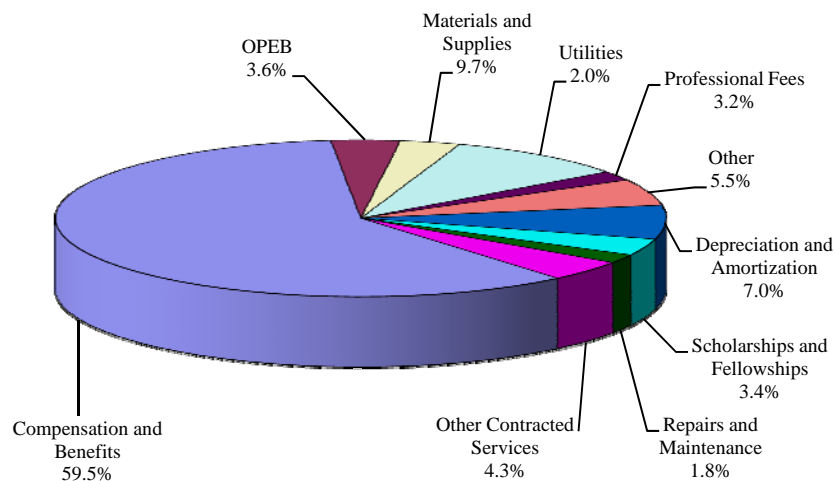
The following is a graphic illustration of operating expenses by their functional classification for the year ended August 31, 2011.

Functional Classification of Operating Expenses (\$12.9 billion)



In addition to programmatic (functional) classification of operating expenses, the following graph also illustrates the System’s operating expenses by natural classification for the year ended August 31, 2011.

Natural Classification of Operating Expenses (\$12.9 billion)



Nonoperating Revenues and Expenses (Table 3)

Certain significant recurring revenues are considered nonoperating. The System's primary sources of nonoperating revenues and expenses come from State appropriations, nonexchange sponsored programs, gift contributions for operations, net investment income (loss) excluding the change in fair value of investments, net increase (decrease) in fair value of investments, and interest expense.

State Appropriations

The State appropriation line item decreased \$230.2 million, or 11%. Of this amount, \$175.3 million was due to a legislative mandate requiring a 5% reduction of general revenue appropriated for the 2010-11 biennium. A subsequent reduction was the result of a separate 2.5% reduction of 2011 general revenue or \$39.0 million.

Nonexchange Sponsored Programs

Federal nonexchange sponsored programs includes \$323.6 million of Pell revenues, an increase of 15% , and \$30.1 million of Build America Bond subsidy revenues, an increase of 143% as a result of more Build America Bonds being outstanding. State nonexchange pass-throughs consist of the Texas Research Incentive Program of \$10.0 million and enrollment growth funding of \$0.5 million from the Texas Higher Education Coordinating Board.

Gift Contributions for Operations

Gift contributions for operations of \$325.5 million increased \$26.3 million from 2010 in spite of the current economic environment.

Net Investment Income (Loss) Excluding the Change in Fair Value of Investments

Due to improved market conditions, net investment income, excluding the change in the fair value of investments, increased \$814.9 million from \$1.4 billion in 2010 to \$2.2 billion in 2011. Net investment income includes realized gains of \$980.2 million in 2011 compared to \$797.4 million in 2010.

Net Increase (Decrease) in Fair Value of Investments

The change in the fair value of the System's investments in 2011 was an increase of \$1.9 billion as compared to \$1.5 billion in 2010 due to more favorable market conditions. Included in the \$1.9 billion increase is a \$173.7 million increase in the value of the PUF lands. The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved reserves. The present value of the royalty cash flows is calculated by applying a 10 percent discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31, 2011. Probable and possible reserves of oil and gas are not included in the fair value estimate. The fair value of the PUF lands at August 31, 2011 was \$1.7 billion.

Interest Expense

Finally, interest expense on capital asset financings increased by \$55.2 million from \$207.5 million in 2010 to \$262.7 million in 2011 as a result of new debt issuances. Of the \$644.1 million of bonds issued during 2011, \$604.3 million were Build America Bonds. The subsidy from the federal government of 35% of the interest payments on Build America Bonds is reported as federal nonexchange sponsored programs and not as a credit to interest expense. During 2011, the System reported \$30.1 million of Build America Bond subsidy revenues compared to \$12.4 million in 2010.

Income (Loss) Before Other Revenue, Expenses, Gains or Losses and Transfers (Table 3)

Income before other revenue, expenses, gains or losses and transfers, is the sum of the operating loss plus nonoperating revenues (expenses). It is an indication of recurring revenues and expenses for the System and does not take into account capital and endowment-related additions and transfers. The income before other revenues, expenses, gains or losses totaled \$3.6 billion in 2011, an increase of \$1.0 billion over 2010. This increase was largely a result of an increase in investment income including realized gains on investments and an increase in the fair value of investments, partially offset by an increase in OPEB expense. The System measures its operating results by considering operating activities, including certain significant recurring nonoperating revenues and expenses. The following table summarizes the System's view of its operating results for 2011, 2010 and 2009:

Table 5

	2011	Restated 2010	2009
		(\$ in millions)	
Operating results:			
Income (loss) before other revenue, expenses, gains/(losses) & transfers	\$ 3,563.3	2,522.1	(3,356.7)
Remove nonoperating items:			
Net (increase)/decrease in fair value of investments	(1,896.9)	(1,522.1)	1,302.5
Loss on sale of capital assets	41.6	12.6	6.9
Other nonoperating (income)/expense	(8.7)	14.0	(33.8)
Realized (gains)/losses on investments	(980.2)	(797.4)	1,903.3
Net operating results	\$ 719.1	229.2	(177.8)

In 2011, the 2010 operating results were adjusted to reflect a reclassification between operating and nonoperating revenues related to a health institution.

Capital Appropriations, Capital Gifts and Grants, and Additions to Permanent Endowments (Table 3)

Capital appropriations, capital gifts and grants and additions to permanent endowments totaled \$370.4 million for the year ended August 31, 2011, an increase of \$17.3 million over 2010 primarily as a result of new gifts for capital purposes. The System continues its fundraising efforts to address facilities expansion and renovation, and the establishment of endowments for instruction, research and patient care activities.

Net Transfers to Other State Entities (Table 3)

Transfers to and from other State agencies includes \$168.8 million and \$172.1 million for 2011 and 2010, respectively, for the AUF distribution to TAMUS for its annual one-third participation in distributions from the PUF endowment. In accordance with the provisions set forth in Article 7, Section 18 of the Texas Constitution, the System transfers one-third of the distributions from the total return of PUF investments and net income from the surface lands to TAMUS. In addition to the transfer of the current year earnings, the System recorded a liability of \$644.4 million and \$611.9 million at August 31, 2011 and 2010, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. As a result, the change in PUF debt issued by TAMUS is reflected as a transfer to or from other State agencies. In 2011, there was an increase in TAMUS's PUF debt of \$32.5 million, while in 2010 there was an increase of \$34.8 million.

Change in Net Assets (Table 3)

The change in net assets results from all revenues, expenses, gains, losses, gifts and transfers that occurred during the accounting period. It is an overall indication of the improvement or decline between the prior and current year's balance sheet. Net assets increased by \$3.7 billion in 2011 as compared to \$2.7 billion in 2010, primarily due to improved market conditions in 2011. Net investment income, excluding the change in fair value of investments, increased \$814.9 million, from \$1.4 billion in 2010 to \$2.2 billion in 2011. The net increase (decrease) in fair value of investments was \$1.9 billion in 2011, as compared to \$1.5 billion in 2010, an increase of \$374.8 million. These realized and unrealized gains were the largest contributor to the total increase in net assets of \$3.7 billion during 2011.

2010 Highlights - Statement of Revenues, Expenses and Changes in Net Assets

In 2010, the System's net tuition and fees increased \$82.1 million over 2009 due to increases in student semester credit hours as well as continued enrollment growth. Sponsored program revenues increased \$171.1 million in 2010 primarily due to increased federal awards and an increase in contracts with nongovernmental entities. Net patient care revenues grew by \$387.6 million as a result of increased patient volumes and higher rates. Total operating expenses increased \$473.1 million due to the growth in student enrollment, research, patient care, public service and student support. Additionally, the System recorded a net OPEB obligation expense of \$454.7 million in 2010.

The improvement in the financial market conditions in 2010 resulted in positive net investment income, excluding the increase in fair value of investments, of \$1.4 billion. The net increase in fair value of investments was an additional \$1.5 billion in 2010. Both of these components of investment income were the largest contributors to the total increase in net assets of \$2.7 billion during 2010.

Economic Outlook

The mission of the System is to provide high-quality educational opportunities for the enhancement of the human resources of Texas, the nation, and the world through intellectual and personal growth. The achievement of the System's mission is dependent upon the ability to attract and support dedicated students from many cultures; acquire and retain the highest quality diverse faculty; recruit and appropriately recognize exemplary administrators and staff members; create and sustain physical environments that enhance and complement educational goals; and encourage ongoing public and private sector support of higher education. Philanthropic donations from the private sector provide valuable support for endowed faculty positions, student fellowships and scholarships, special facilities, enhancement of academic programs, and many other needs. The level of private support underscores the continued confidence among donors in the quality of the System's programs and the importance of its mission. At the same time, public and private support in 2012 will likely continue to reflect the changes in the economy and financial markets, the effect of which is not determinable at this time.

Major strengths of the System include a diverse source of revenues, including those from the State of Texas, student tuition and fees, sponsored programs, patient care revenues, self-supporting enterprises and private support. The diversity of revenues is becoming increasingly important with the continuing economic crisis of the country. In past years, student tuition and fee increases have been necessary to address increasing costs exceeding the growth in State appropriations; however, tuition increases will continue to be closely monitored. The Texas economy continues to fare better than those of many other states, but Texas is beginning to feel the effects of the worldwide recession. The University of Texas System appropriations for the 2012-13 biennium were reduced \$475.4 million or 14.36 percent compared to the original appropriations for the 2010-11 biennium. However, because of advanced planning and other sources of revenue, the University of Texas academic and health institutions have successfully identified and are pursuing various strategies to manage the reduced state appropriations, including elimination of vacant and filled positions.

The System continues to recognize a portion of the accrued expenses of its healthcare and dental benefits costs for its 102,630 employees and retirees over the next 26 years. The unfunded actuarial accrued liability for these costs was \$6.0 billion as of August 31, 2011. Presently, the amount that the System contributes to the plan each year is equal to the cost of providing the benefits incurred during the year. The System's ability to continue this benefit is dependent on continuing to receive support from the State at its current level. Long-term policy issues, such as plan changes, will be considered in the future.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act includes expanded health insurance coverage by providing mandated coverage for health insurance, a substantial expansion of Medicaid eligibility, and additional coverage for the Children's Health Insurance Program. The Affordability Act also includes incentives for research, prevention and wellness, changes designed to curb fraud, waste and abuse, and administrative simplification such as electronic medical records. Some provisions of the Affordable Care Act are effective immediately; others will be phased in through 2014. The impact of this legislation will affect the System's health institutions, the effects of which are not determinable at this time.

The University of Texas System Consolidated
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 1,963,128,221.31	2,031,156,922.39
Restricted Cash & Cash Equivalents	213,140,222.76	531,477,594.56
Balance in State Appropriations	215,664,514.14	232,207,902.45
Securities Lending Collateral	384,553,434.02	468,365,170.60
Accounts Receivable, Net:		
Federal (allow. \$778,545.40 in 2011 & \$5,274,118.53 in 2010)	432,143,693.05	330,248,827.21
Other Intergov. (allow. \$33,214.20 in 2011 & \$173,861.66 in 2010)	46,151,118.08	33,867,230.14
Student (allow. \$10,903,105.88 in 2011 & \$8,679,725.64 in 2010)	215,484,671.10	197,376,727.31
Patient & Healthcare(allow. \$1,238,252,830.01 in 2011 & \$1,250,034,527.84 in 2010)	699,714,282.65	646,997,420.21
Interest and Dividend Receivables	53,180,369.34	57,430,081.89
Contributions (allow. \$4,766,852.81 in 2011 & \$6,314,248.28 in 2010)	103,254,381.83	96,821,978.22
Investment Trades Receivables	301,211,894.86	89,384,866.15
Other (allow. \$5,897,622.82 in 2011 & \$10,023,276.35 in 2010)	232,845,501.35	225,586,282.12
Due From Other Funds	340,219,199.80	276,590,688.10
Due From Other Agencies	31,416,853.34	22,221,717.44
Inventories	79,768,183.67	69,115,617.72
Loans & Contracts (allow. \$7,716,828.72 in 2011 & \$6,907,608.23 in 2010)	47,472,745.02	47,896,368.39
Other Current Assets	186,643,879.34	182,987,986.68
Total Current Assets and Deferred Outflows	5,545,993,165.66	5,539,733,381.58
Noncurrent Assets and Deferred Outflows:		
Cash and Cash Equivalents (Noncurrent Restricted)	20,663.52	17,833.94
Restricted Investments	23,276,589,196.46	19,914,534,264.79
Deposit with Brokers for Derivative Contracts	274,476,455.36	166,223,590.62
Loans & Contracts (allow. \$18,861,637.15 in 2011 & \$17,827,884.31 in 2010)	76,104,253.92	80,581,150.14
Contributions Rec. (allow. \$4,513,325.79 in 2011 & \$8,940,963.81 in 2010)	122,002,989.03	153,097,934.90
Unrestricted Investments	4,556,528,092.20	3,349,097,000.87
Deferred Outflows-FMV of Derivatives (Noncurrent)	202,247,306.74	205,166,048.45
Other Noncurrent Assets	38,452,494.14	38,794,043.27
Gross Capital/Intangible Assets	19,629,963,200.67	18,096,450,834.49
Accumulated Depreciation/Amortization	(7,844,527,482.10)	(7,088,481,724.98)
Total Noncurrent Assets and Deferred Outflows	40,331,857,169.94	34,915,480,976.49
Total Assets and Deferred Outflows	\$ 45,877,850,335.60	40,455,214,358.07
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	879,232,710.24	730,746,531.67
Salaries Payable	403,707,940.69	394,203,710.17
Federal Payables	41,480,749.76	90,742,408.75
Other Intergovernmental Payables	44,161.49	10,919.10
Investment Trades Payables	101,529,453.72	99,739,901.39
Incurred But Not Reported Self Insurance Claims	90,148,468.27	90,261,548.41
Securities Lending Obligations	384,553,434.02	468,365,170.60
Due To Other Funds	340,219,199.80	276,590,688.10
Due To Other State Agencies	16,813,623.00	15,749,328.21
Statewide Interfund Payable	116,231,373.47	21,231,597.72
Deferred Revenue	1,149,501,102.55	1,097,823,518.92
Employees' Compensable Leave - Current Portion	300,782,958.22	283,402,408.81
Notes, Loans, and Leases Payable	635,704,657.48	559,522,789.58
Payable From Restricted Assets	135,773,403.54	103,465,634.92
Revenue Bonds Payable	1,574,446,439.42	1,581,825,028.08
Assets Held for Others	33,850,866.33	20,509,345.53
Other Current Liabilities	57,274,506.71	54,390,288.58
Total Current Liabilities and Deferred Inflows	6,261,295,048.71	5,888,580,818.54
Noncurrent Liabilities and Deferred Inflows:		
Incurred But Not Reported Self Insurance Claims	22,339,730.73	27,394,726.59
Employees' Compensable Leave	152,430,143.36	157,620,933.50
Assets Held for Others	749,470,780.17	648,572,151.33
Liability to Beneficiaries	14,547,274.13	11,878,505.23
Net Other Postemployment Benefits Obligation	1,766,652,036.00	1,295,763,104.00
Notes, Loans, and Leases Payable	26,054,329.69	28,749,778.54
Revenue Bonds Payable	5,281,810,720.08	4,829,918,627.30
Statewide Interfund Payable	534,456,923.24	594,163,706.12
Hedging Derivative Liability (Noncurrent)	202,247,306.74	205,166,048.45
Payable to Brokers for Collateral Held	162,500,000.00	23,140,000.00
Investment Derivatives - Liability Positions	274,239,540.27	28,418,866.68
Other Noncurrent Liabilities	8,756,069.77	8,839,114.73
Total Noncurrent Liabilities and Deferred Inflows	9,195,504,854.18	7,859,625,562.47
Total Liabilities and Deferred Inflows	15,456,799,902.89	13,748,206,381.01
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	5,029,154,009.67	4,630,805,088.14
Restricted for:		
Nonexpendable		
Permanent University Fund Endowment	8,214,528,602.13	7,109,333,589.72
Permanent Health, True Endowments, and Annuities	4,019,041,080.35	3,878,031,774.30
Expendable		
Capital Projects	68,537,330.77	111,397,925.90
Debt Service	6,826,165.95	7,538,520.69
Funds Functioning as Endowment (Restricted)	266,853,805.92	243,435,473.09
Other Expendable	9,440,321,446.57	7,816,823,280.67
Unrestricted Net Assets	3,375,787,991.35	2,909,642,324.55
Total Net Assets	30,421,050,432.71	26,707,007,977.06
Total Liabilities, Deferred Inflows and Net Assets	\$ 45,877,850,335.60	40,455,214,358.07

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

The University of Texas System Consolidated
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 1,735,797,268.71	1,564,426,628.00
Discounts and Allowances	(445,152,112.72)	(377,993,767.87)
Federal Sponsored Programs	1,514,900,155.71	1,455,316,516.19
Federal Sponsored Programs Pass-Through from State Agencies	111,065,556.29	104,270,983.81
State Sponsored Programs	556,970.25	24,843.75
State Sponsored Programs Pass-Through from State Agencies	263,593,919.85	192,957,787.52
Local Sponsored Programs	565,724,693.56	536,747,022.83
Private Sponsored Programs	405,053,869.55	398,799,011.26
Sales and Services of Educational Activities	421,531,496.81	366,804,074.45
Discounts and Allowances Sales and Services of Educational Activities	(156,605.33)	(466,459.52)
Sales and Services of Hospitals	7,982,708,064.62	7,289,132,333.22
Discounts and Allowances Sales and Services of Hospitals	(4,170,615,832.99)	(3,856,237,699.33)
Professional Fees (Patient Charges)	3,926,418,054.86	3,618,448,880.22
Discounts and Allowances Professional Fees (Patient Charges)	(2,751,250,431.86)	(2,514,973,350.50)
Auxiliary Enterprises	421,473,883.06	402,023,975.69
Discounts and Allowances Auxiliary Enterprises	(13,747,245.49)	(10,148,432.20)
Other Operating Revenues	91,379,991.57	98,421,503.11
Total Operating Revenues	10,059,281,696.45	9,267,553,850.63
Operating Expenses:		
Instruction	2,880,822,999.42	2,755,199,527.12
Research	1,990,269,382.54	1,858,819,292.52
Public Service	275,579,023.10	254,703,054.08
Hospitals / Clinics	3,315,279,278.08	3,148,110,319.71
Academic Support	541,054,041.51	486,020,636.10
Student Services	186,349,339.36	180,505,079.92
Institutional Support	1,221,806,401.50	1,236,966,717.28
Operations and Maintenance of Plant	730,462,817.30	728,275,976.15
Scholarships and Fellowships	419,643,053.88	371,088,064.15
Auxiliary Enterprises	457,742,998.63	443,165,609.13
Depreciation and Amortization	902,392,156.25	785,394,588.26
Total Operating Expenses	12,921,401,491.57	12,248,248,864.42
Operating Income (Loss)	(2,862,119,795.12)	(2,980,695,013.79)
Nonoperating Revenues (Expenses):		
State Appropriations	1,857,302,142.79	2,087,478,451.71
Federal Nonexchange Sponsored Programs	337,716,883.00	304,309,174.84
Federal Nonexchange Pass-Through	46,700,965.33	80,693,072.55
State Nonexchange Pass-Through	10,484,786.67	11,659,618.04
Gift Contributions for Operations	325,480,500.49	299,170,098.79
Investment Income	2,246,340,312.86	1,431,411,185.07
Net Increase (Decrease) in Fair Value of Investments	1,896,945,027.37	1,522,080,692.00
Interest Expense on Capital Asset Financings	(262,697,742.27)	(207,452,078.89)
Gain (Loss) on Sale of Capital Assets	(41,632,313.28)	(12,559,195.62)
Other Nonoperating Revenues	15,333,192.90	14,169,315.68
Other Nonoperating (Expenses)	(6,560,553.47)	(28,194,064.53)
Net Nonoperating Revenues (Expenses)	6,425,413,202.39	5,502,766,269.64
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	3,563,293,407.27	2,522,071,255.85
Capital Appropriations (HEAF)	17,368,543.00	17,461,477.00
Gifts and Sponsored Programs for Capital Acquisitions	250,218,171.89	216,628,695.16
Additions to Permanent Endowments / Annuities	102,748,385.40	118,982,935.67
Transfers From Other State Agencies	142,953,145.40	105,864,387.14
Transfers to Other State Agencies	(362,679,231.25)	(330,054,276.13)
Legislative Appropriations Lapsed	140,033.94	361,719.15
Change in Net Assets	3,714,042,455.65	2,651,316,193.84
Beginning Net Assets	26,707,007,977.06	24,025,265,555.60
Restatements		30,426,227.62
Beginning Net Assets (As Restated)	26,707,007,977.06	24,055,691,783.22
Ending Net Assets	\$ 30,421,050,432.71	26,707,007,977.06

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

The University of Texas System Consolidated
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	1,343,478,657.71	1,228,525,974.71
Proceeds from Patients and Customers	4,952,471,706.00	4,530,941,994.44
Proceeds from Sponsored Programs	2,729,487,139.76	2,698,751,656.25
Proceeds from Auxiliaries	391,588,523.38	401,855,234.48
Proceeds from Other Revenues	541,855,444.83	472,961,263.99
Payments to Suppliers	(3,744,920,512.08)	(3,669,623,572.38)
Payments to Employees	(7,672,292,379.58)	(7,331,628,104.78)
Payments for Loans Provided	(99,009,484.77)	(87,708,290.35)
Proceeds from Loan Programs	100,191,935.83	91,104,668.48
Net Cash Provided (Used) by Operating Activities	<u>(1,457,148,968.92)</u>	<u>(1,664,819,175.16)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	1,876,638,361.39	2,094,751,867.49
Proceeds from Operating Gifts	351,284,263.69	247,841,735.53
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	390,858,387.76	342,595,298.60
Proceeds from Other Nonoperating Revenues	9,055,607.62	14,340,530.73
Payments / Receipts for Transfers to / from System or Other Agencies	(1,169,991,581.46)	(331,419,591.13)
Payments for Other Uses	(6,223,227.10)	(27,379,667.55)
Proceeds from Nonexchange Sponsored Programs	408,065,701.88	360,290,115.68
Net Cash Provided by Noncapital Financing Activities	<u>1,859,687,513.78</u>	<u>2,701,020,289.35</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	833,078,465.40	2,134,462,780.26
Payments of Other Costs on Debt Issuance	(1,783,614.36)	(46,219,346.53)
Proceeds from Capital Appropriations, Grants, and Gifts	142,557,116.99	180,840,828.73
Proceeds from Sale of Capital Assets	2,156,604.26	1,382,247.00
Payments for Additions to Capital Assets	(1,568,299,340.20)	(1,655,233,606.46)
Payments of Principal on Capital Related Debt	(305,610,355.64)	(1,551,210,275.79)
Payments of Interest on Capital Related Debt	(262,089,757.56)	(205,523,612.27)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,159,990,881.11)</u>	<u>(1,141,500,985.06)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	10,954,576,649.04	11,283,994,693.83
Proceeds from Interest and Investment Income	1,397,184,818.68	699,568,255.93
Payments to Acquire Investments	(11,980,672,374.77)	(11,660,348,733.50)
Net Cash Provided (Used) by Investing Activities	<u>371,089,092.95</u>	<u>323,214,216.26</u>
Net Increase (Decrease) in Cash	(386,363,243.30)	217,914,345.39
Cash and Cash Equivalents (Beginning of the Year)	2,562,652,350.89	2,344,738,005.50
Cash and Cash Equivalents (End of the Year)	<u>\$ 2,176,289,107.59</u>	<u>\$ 2,562,652,350.89</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(2,862,119,795.12)	(2,980,695,013.79)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	902,392,156.25	785,394,588.26
Bad Debt Expense	270,760,241.43	289,177,138.43
Changes in Assets and Liabilities:		
Accounts Receivable	(450,562,304.49)	(329,005,512.15)
Inventories	(10,652,565.95)	(3,220,938.80)
Loans and Contracts	1,182,451.06	3,396,378.13
Other Current and Noncurrent Assets	1,494,941.10	19,245,359.42
Accounts Payable	137,258,107.41	17,945,243.64
Deferred Revenue	49,910,243.50	64,738,223.16
Assets Held for Others	17,483,915.45	2,838,306.69
Employees' Compensable Leave	12,189,759.27	5,967,245.29
Other Current and Noncurrent Liabilities	2,624,949.17	4,661,992.56
Other Postemployment Benefits Obligation	470,888,932.00	454,737,814.00
Total Adjustments	<u>1,404,970,826.20</u>	<u>1,315,875,838.63</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,457,148,968.92)</u>	<u>\$ (1,664,819,175.16)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	1,896,945,027.37	1,522,080,692.00
Donated Capital Assets	122,502,567.48	40,842,915.91
Capital Assets Acquired Under Capital Lease Purchases	868,774.69	1,046,233.15
Miscellaneous Noncash Transactions	(33,111,234.89)	(13,192,277.10)

The accompanying Notes to the Consolidated Financial Statements are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended August 31, 2011
(Unaudited)

1. The Financial Reporting Entity

The financial records of The University of Texas System (the System), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The significant accounting policies followed by the System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include System Administration and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of nine academic and six health-related institutions of higher education, as well as the System administrative offices. The fifteen institutions are as follows: the University of Texas at Arlington, the University of Texas at Austin, the University of Texas at Brownsville, the University of Texas at Dallas, the University of Texas at El Paso, the University of Texas – Pan American, the University of Texas of the Permian Basin, the University of Texas at San Antonio, the University of Texas at Tyler, the University of Texas Southwestern Medical Center, the University of Texas Medical Branch at Galveston, the University of Texas Health Science Center at Houston, the University of Texas Health Science Center at San Antonio, the University of Texas M. D. Anderson Cancer Center, and the University of Texas Health Center at Tyler. The System is governed by a nine-member Board of Regents appointed by the Governor.

Blended Component Units

The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. The net assets of the blended component units are insignificant to the System. Blended financial information is available upon request.

UT Southwestern Health Systems, 1301 Elmbrook, Dallas, Texas 75390, is governed by a three-member board appointed by the University of Texas (UT) Southwestern Medical Center. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Southwestern Medical Center. The corporation's fiscal year end is August 31.

The National Pediatric Infectious Diseases Foundation, 4712 Wildwood Drive, Dallas, Texas 75209, was governed by a three-member board appointed by UT Southwestern Medical Center. In 2010, the foundation was blended rather than discretely presented because it had substantively the same governing board as UT Southwestern Medical Center. The foundation's fiscal year end was August 31 and was dissolved prior to August 31, 2010.

UT Southwestern Moncrief Cancer Center, 1701 River Run, Suite 500, Fort Worth, Texas 76107, is governed by a five-member board appointed by the president of UT Southwestern Medical Center. The corporation is blended rather than discretely presented because it has substantively the same governing board as UT Southwestern Medical Center. The corporation's fiscal year end is August 31.

UTMB Healthcare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555, is governed by an eight-member board appointed by UT Medical Branch at Galveston. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Medical Branch at Galveston. The corporation's fiscal year end is August 31.

UT Physicians, P. O. Box 20627, Houston, Texas 77225, is governed by a five-member board appointed by UT Health Science Center at Houston. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Health Science Center at Houston. The corporation's fiscal year end is August 31.

UT System Medical Foundation, 6431 Fannin, Suite JLL 310, Houston, Texas 77030, is governed by a three-member board appointed by UT Health Science Center at Houston. The foundation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Health Science Center at Houston. The foundation's fiscal year end is August 31.

University Physicians Group, 6126 Wurzbach Road, San Antonio, Texas 78238, is governed by a five member board which includes six members at large appointed by UT Health Science Center at San Antonio. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Health Science Center at San Antonio. The corporation's fiscal year end is August 31.

M. D. Anderson Physician's Network, 7505 South Main, Suite 500, Houston, Texas 77030, is governed by a four-member board appointed by UT M. D. Anderson Cancer Center. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT M. D. Anderson Cancer Center. The corporation's fiscal year end is August 31.

M. D. Anderson Services Corporation, 7505 South Main, Suite 500, Houston, Texas 77030, is governed by a seven-member board appointed by the president of UT M. D. Anderson Cancer Center and the UT System Board of Regents. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT M. D. Anderson Cancer Center. The corporation's fiscal year end is August 31.

East Texas Quality Care Network, Inc., P. O. Box 6053, Tyler, Texas 75711-6053, is governed by a four-member board appointed by UT Health Science Center at Tyler. The corporation is blended rather than discretely presented because it has substantively the same governing board as UT Health Science Center at Tyler. The corporation's fiscal year end is August 31.

The University of Texas Investment Management Company (UTIMCO), 401 Congress Avenue, Suite 2800, Austin, Texas 78701, is governed by a nine-member board appointed by the UT System Board of Regents. The corporation is blended rather than discretely presented because it provides services entirely or almost entirely to UT System. The corporation's fiscal year end is August 31.

The University of Texas Fine Arts Foundation, UT Austin, Main Building, P. O. Box T, Austin, Texas 78713 is governed by a three-member board appointed by the University of Texas at Austin (UT Austin). The foundation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Austin. The foundation's fiscal year end is December 31.

University of Texas Communication Foundation, UT Austin, P.O. Box 7322, Austin, Texas 78713 is governed by a three-member board appointed by UT Austin. The foundation is blended rather than discretely presented because it provides services entirely or almost entirely to UT Austin. The foundation's fiscal year end is August 31.

ASSETS HELD BY AFFILIATED ORGANIZATIONS

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government, the System. This guidance states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 5% of net assets. As of August 31, 2011, none of the System's potential component units meet the criteria for inclusion in the System's financial statements. Based upon the most recent available information, the combined net assets of these potential component units reported by the organizations total \$1,829,576,344.00 at August 31, 2011 and \$1,558,539,874.00 at August 31, 2010.

2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. The System reports as a business type activity, as defined by GASB. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The System does not apply any Financial Accounting Standards Board pronouncements issued after November 30, 1989.

CASH AND CASH EQUIVALENTS

Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Intermediate Term Fund (ITF) and the Long Term Fund (LTF) are not considered cash and cash equivalents. Additionally, Funds Functioning as Endowments invested in money market accounts are also excluded from Cash and Cash Equivalents as it is management's intent to invest these funds for more than one year. Cash held in the State treasury for the Permanent University Fund (PUF), the Permanent Health Fund (PHF) and the Available University Fund (AUF) are considered cash and cash equivalents. Other highly liquid investments of these major funds which are held in pooled funds and invested with custodians are not considered cash and cash equivalents according to the investment policies of the System. Cash and cash equivalents held in restricted funds, including endowment and similar funds, as well as those held for debt service are classified as restricted cash and cash equivalents. Also included in restricted cash and cash equivalents are Short Term Fund (STF) holdings held as collateral on interest rate swaps and STF held in agency funds on behalf of foundations prior to those funds buying into the LTF.

BALANCE IN STATE APPROPRIATIONS

This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recorded at fair value. The fair value of derivatives is recorded as either an asset or liability on the balance sheet. The valuation of investment derivatives is discussed in the Investments disclosure below. Financial institutions have calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows.

The System has entered into interest rate swap agreements with various counterparties, all of which a highly rated financial institutions, to manage various risks associated with the System's debt programs. Each of the System's interest rate swaps is a contractual agreement entered into between the System and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense.

Interest rate swaps determined to be hedging derivatives are designated as cash flow hedges. Hedging derivative assets and hedging derivative liabilities are recorded on the System's balance sheet. Under hedge accounting, for derivatives that are determined to be effective, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not effective are recorded as net increase (decrease) in the fair value of investments in the statement of revenues, expenses and changes in net assets.

Derivative instruments are recorded at fair value. If the fair value of a hedging derivative is positive, it is reported as a hedging derivative asset. If the fair value of a hedging derivative is negative, it is reported as a hedging derivative liability.

Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred outflows for hedging derivatives with negative fair values and deferred inflows for hedging derivatives with positive fair values.

INVESTMENTS

Investments of the System, except for PUF lands, are managed by UTIMCO, a private investment corporation that provides services entirely to the System and its related foundations. All investments are reported as noncurrent as these funds have an investment horizon extending beyond one year. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions. The System's investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities held directly by the System are valued based upon prices supplied by FT Interactive Data and other major fixed income pricing services, external broker quotes and internal pricing matrices.

Equity security fair values are based on the New York Stock Exchange composite closing prices, if available. If not available, the fair value is based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used).

Physical commodities, specifically gold, are valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold.

Private investment funds are fair valued by management. The fair values of these investments are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources. In rare cases the private investments are valued at cost, but only when management believes this is the best approximation of value. As of August 31, 2011 and 2010, investments in private investment funds in the amount of \$4,924,030,425.00 and \$3,755,602,135.00, respectively, have been estimated by management.

Hedge funds, developed country equity, emerging markets equity and fixed income investment funds and certain other private placements are fair valued by management based on net asset value information provided by the investment manager, as well as other relevant factors as indicated above. As of August 31, 2011 and 2010, investments in these funds in the amount of \$10,458,293,702.00 and \$8,777,863,254.00, respectively, have been estimated by management.

The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO via www.utimco.org.

The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved reserves. The present value of the royalty cash flows is calculated by applying a ten percent discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31, 2011. Probable and possible reserves of oil and gas are not included in the fair value estimate. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are valued at three times the previous 12 months' revenue. As a rule of thumb, this measure has been used historically to determine the selling price of these types of properties by willing parties. The PUF lands' surface interests are reported at their appraised value as of January 1, 2011. Other real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent State certified or other licensed appraiser, or by any other generally accepted industry standard, including tax assessments.

The System is authorized to invest funds, as provided in Section 51.0031 of the Texas Education Code and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed income and equity type securities. The investments of the System are governed by various investment policies approved by the UT System Board of Regents.

CONTRIBUTIONS RECEIVABLE

Current and noncurrent contributions receivable are amounts pledged to the university by donors, net of allowances. Multi-year gift pledges greater than \$10,000 must be reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing new multi-year gift pledges that are received during the new fiscal year. The scale of discount rates are based upon U.S. Treasury Notes and Bonds asked yields as listed in the Wall Street Journal on the first day of the fiscal year. Existing gift pledges are not recalculated since these pledges were previously calculated at historical discount rates.

INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically based on the specific identification, weighted average or first-in, first-out methods, which are not in excess of net realizable value.

RESTRICTED ASSETS

Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.

LOANS AND CONTRACTS

Current and noncurrent loans and contracts are receivables, net of allowances, related to student loans.

SECURITIES LENDING COLLATERAL AND OBLIGATIONS

The collateral secured for securities lent are reported as an asset on the balance sheet. The obligations for securities lent are reported as a liability on the balance sheet that directly offsets the cash collateral received from brokers or dealers in exchange for securities loaned. The costs of securities lending transactions are reported as expenses in the statement of revenues, expenses and changes in net assets. See Note 3 for details regarding the securities lending program.

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. The System follows the State's capitalization policy with a cost equal to or greater than \$5,000.00 for equipment items, \$100,000.00 for buildings, building improvements and improvements other than buildings, and \$500,000.00 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on the resources reserved for this purpose (see Note 8).

In February 2010, the State Comptroller's Office issued guidance for intangible assets, and changed the thresholds for software which was previously included with equipment to \$100,000.00 for purchased software and \$1,000,000.00 for internally developed software including Enterprise Resource Planning replacements. This threshold change was effective September 1, 2009.

The System capitalizes, but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally two to fifteen years for equipment items, five years for software, six years for Enterprise Resource Planning replacements, fifteen years for library books, ten to fifty years for buildings and their components and fifteen to forty years for infrastructure elements.

OTHER ASSETS

Included in other current assets are prepaid expenses and lease receivables due within one year. Included in the other noncurrent assets are unamortized bond issuance costs and lease receivables that will be realized beyond one year. Unamortized bond issuance costs are amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method. The unamortized bond issuance costs as of August 31, 2011 and 2010 were \$21,568,226.85 and \$19,648,534.66, respectively.

DEFERRED REVENUE

Deferred revenue represents revenues such as tuition recorded in August for the fall semester and payments received in advance for sponsored programs.

ASSETS HELD FOR OTHERS – CURRENT AND NONCURRENT

Assets held for others represent funds held by the System as custodial or fiscal agent for students, faculty members, foundations, and others. Included in assets held for others as of August 31, 2011 and 2010 is \$343,084,855.17 and \$309,949,765.77, respectively, for the Physician's Referral Service Supplemental Retirement Plan/Retirement Benefit Plan at UT M. D. Anderson Cancer Center. As of August 31, 2011 and 2010, assets held for others also included \$334,744,763.14 and \$276,646,838.27, respectively, from foundations that invest their assets with UTIMCO.

LIABILITY TO BENEFICIARIES

The System holds numerous irrevocable charitable remainder trusts and a pooled income fund. Together, these assets are reflected in the accompanying consolidated financial statements within restricted investments.

The charitable remainder trusts designate the UT System Board of Regents as both trustee and remainder beneficiary. The System is required to pay to the donors (or other donor-designated income beneficiaries) either a fixed amount or the lesser of a fixed percentage of the fair value of the trusts' assets or the trusts' income during the beneficiaries' lives. Trust assets are measured at fair value when received and monthly thereafter. A corresponding liability to beneficiaries is measured at the present value of expected future cash flows to be paid to the beneficiaries based upon the applicable federal rate on the gift date. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by UTIMCO. Donors (or designated beneficiaries) periodically receive, during their lives, a share of the income earned on the fund proportionate to the value of their contributions to the fund. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes. Contribution revenue is measured at the fair value of the assets received, discounted for a term equal to the life expectancies of the beneficiaries.

REFUNDING AND DEFEASANCE OF DEBT

For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a deduction from or an addition to the debt liability. The gain or loss is amortized, using the straight line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net assets as a component of interest expense.

NET ASSETS

The System has classified resources into the following three net asset categories:

Invested in Capital Assets, Net of Related Debt

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

Restricted:

Nonexpendable

Net assets subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Expendable

Net assets whose use by the System is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations or that expire with the passage of time.

Unrestricted

Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for special purposes by action of management or the UT System Board of Regents. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs (see Note 13 for details on unrestricted net assets).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

REVENUES AND EXPENSES

Operating revenues include activities such as student tuition and fees; net sales and services of hospitals; net professional fees; net sales and services of auxiliary enterprises; most federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation, scholarships and fellowships, and impairment losses and insurance recoveries received in the same year as the associated loss. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, State appropriations, investment income and other revenue sources that are defined as nonoperating revenues by GASB. UT System institutions are the named beneficiaries in certain lawsuits, wills, trust, and insurance policies. UT System does not recognize these potential refunds, gifts and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses that are defined as nonoperating expenses by GASB.

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

STATEWIDE INTERFUND TRANSFERS AND INTERFUND PAYABLES

In accordance with the provisions set forth in Article 7, Section 18 of the Texas Constitution, the System transfers one-third of the annual earnings of the PUF investments and lands to the Texas A&M University System (TAMUS). In addition to the transfer of the current year earnings in 2011 and 2010 of \$168,798,604.00 and \$172,139,802.00, respectively, the System recorded a liability of \$644,425,000.00 and \$611,895,000.00 at August 31, 2011 and 2010, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the balance sheet. Additional details related to the operations of the PUF can be found in Note 4. Also included in statewide interfund payables as of August 31, 2011 and 2010 is \$6,263,296.71 and \$3,500,303.84, respectively, related to the LoanStar program that is administered by the Texas State Comptroller's Office.

In accordance with tuition set-asides required by Section 61.539, Section 61.910, Section 61.9660, Section 61.9731, Section 56.095 and Section 56.465 of the Texas Education Code, the institutions transferred tuition revenues of \$19,573,730.70 in 2011 and \$17,360,823.59 in 2010 to the Texas Higher Education Coordinating Board.

UNCOMPENSATED CARE

The System's health-related institutions provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs and providers recognize appropriate patient specific funding and lump sum funding available to offset costs. Hospital charges are converted to cost by the application of the Medicare cost to charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost to charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to \$614,360,850.99 and \$648,638,249.91 for 2011 and 2010, respectively.

NET PATIENT SERVICE REVENUE

The System's health-related institutions have agreements with third-party payors that provide for payments to these institutions at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

UT Southwestern Medical Center's, UT Medical Branch at Galveston's and UT Health Science Center at Tyler's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are reimbursed under a prospective reimbursement methodology. Also, additional reimbursement is received for graduate medical education, disproportionate share, bad debts and other reimbursable costs, as defined, under a variety of payment methodologies.

UT M. D. Anderson Cancer Center's inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facilities current year cost to the facility-specific cost per discharge. Certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services.

However, as UT M. D. Anderson Cancer Center is designated as a cancer hospital, the Medicare program provides for a “hold-harmless” payment that is equal to the difference between the prospectively determined amounts and the current year adjusted cost (i.e., the current year adjusted cost is determined through application of a payment to cost ratio, which is derived from a previous Medicare cost report, to the current year actual cost). UT M. D. Anderson Cancer Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by UT M. D. Anderson Cancer Center and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement cost methodology. The System’s health-related institutions are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System’s health-related institutions and audits thereof by the Medicaid fiscal intermediary.

The System’s health-related institutions have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System’s health-related institutions under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. The System’s health-related institutions recognized bad debt expense of \$268,141,901.90 and \$283,972,943.78 in 2011 and 2010, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposits, Investments and Repurchase Agreements

DEPOSITS OF CASH IN BANK

As of August 31, 2011 and 2010, the carrying amount of deposits was \$174,485,498.18 and \$50,766,579.88, respectively, as presented below:

	2011	2010
Cash and cash equivalents per statement of cash flows and Exhibit A	\$ 2,176,289,107.59	2,562,652,350.89
Less: Cash in State Treasury	591,246,533.28	529,266,586.85
Cash equivalent investments	1,384,162,600.51	1,974,858,990.55
Other	26,394,475.62	7,760,193.61
Deposits of cash in bank	\$ 174,485,498.18	50,766,579.88

As of August 31, 2011 and 2010, the total bank balances were \$51,026,960.63 and \$149,536,282.80, respectively.

DEPOSIT RISKS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System maintains depository relationships with various banking institutions. The System’s policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. This agreement provides that the System’s deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2011, UT Health Science Center at Tyler’s blended component unit, East Texas Quality Care Network (ETQCN), held deposits that were exposed to custodial credit risk. ETQCN had no policies regarding these deposits. The bank balances that were exposed to custodial credit risk as of August 31, 2011 were uninsured and uncollateralized deposits of \$54,333.65. As of August 31, 2010, the System had no bank balances that were exposed to custodial credit risk.

INVESTMENT RISKS

The investment risk disclosure that follows relates to the System's investments. Risks associated with the System's investments in hedge funds, private investments, public market funds, and securities lending transactions are discussed in separate sections of this note. As of August 31, 2011 and 2010, the investments including securities lending collateral were as follows:

<u>Type of Security</u>	<u>2011 Fair Value</u>	<u>2010 Fair Value</u>
U.S. Government:		
U.S. Treasury Securities	\$ 458,497,183.06	318,962,979.33
U.S. Treasury Strips	709,760.76	11,351,847.36
U.S. Treasury TIPS	-	1,926,040.08
U.S. Government Agency Obligations	312,998,171.86	338,154,876.91
Corporate Obligations	386,019,362.13	416,335,372.99
Corporate Asset and Mortgage Backed Securities	114,695,920.69	429,014,846.73
Equity	1,199,093,401.90	989,689,656.77
International Obligations (Government and Corporate)	1,517,327,425.13	1,234,668,824.75
International Equity	2,176,421,767.03	2,032,976,385.49
Fixed Income Money Market and Bond Mutual Fund	2,435,623,908.37	2,254,529,335.92
Other Commingled Funds	25,392,149.67	23,454,375.55
International Other Commingled Funds	7,990,136.75	7,389,071.18
PUF Lands	1,696,444,712.00	1,522,699,125.00
Other Real Estate	325,517,723.64	325,843,754.88
Physical Commodity	1,249,184,677.75	-
Investment Derivatives – Asset Positions	359,391,695.33	73,102,134.31
Investment Funds:		
U.S. Equity	750,142,906.11	690,667,763.09
Non-U.S. Developed Equity	943,469,281.74	641,374,725.72
Emerging Markets	975,857,687.92	932,887,115.14
Fixed Income	19,768,851.30	324,527,145.78
Real Estate	-	30,325,473.29
Natural Resources	321,861,336.27	235,676,217.45
Externally Managed Investments:		
Hedge Funds	7,466,962,487.19	6,526,421,952.26
Limited Partnerships (Private Investments)	4,924,030,424.83	3,755,602,135.39
Miscellaneous (guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	165,716,317.23	146,050,110.29
Total Securities	27,833,117,288.66	23,263,631,265.66
Securities Lending Collateral Investment Pool	384,553,434.02	468,365,170.60
TOTAL	\$ 28,217,670,722.68	23,731,996,436.26
Deposit with Brokers for Derivative Contracts, net:		
U.S. Government Treasury Bills	\$ 4,801,085.59	37,610,142.39
Foreign Government and Provincial Obligations	57,063,589.75	-
Fixed Income Money Market and Mutual Funds	50,111,780.02	-
Cash	-	105,473,448.23
Total Deposit with Brokers for Derivative Contracts, net	\$ 111,976,455.36	143,083,590.62

(A) *Credit Risk* - Article VII, Section 11b of the Texas Constitution authorizes the UT System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the UT System Board

of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. In 2011, some of the U.S. government direct obligations were downgraded and thus U.S. government direct obligations have been added to the credit risk disclosure. The following tables present each applicable investment type grouped by rating as of August 31, 2011 and 2010:

<u>Investment Type</u>	August 31, 2011					
	MOODY'S		STANDARD & POOR'S		FITCH	
	<u>Fair Value</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government Direct Obligations	\$ 463,858,747.91	Aaa	464,008,029.41	Aa	463,354,218.81	Aaa
	149,281.50	NR	-	-	653,810.60	Aa
U.S. Government Agency Obligations	257,408,926.59	Aaa	257,611,368.59	AA	257,131,264.34	AAA
	55,589,245.27	NR	55,386,803.27	NR	55,866,907.52	NR
Corporate Obligations	5,851,996.84	Aaa	4,493,215.50	AAA	5,443,448.09	AAA
	52,840,851.81	Aa	49,031,208.55	AA	39,100,978.85	AA
	177,584,113.27	A	191,285,561.77	A	162,387,679.19	A
	122,963,878.55	Baa	120,575,646.72	BBB	78,609,545.45	BBB
	5,279,429.50	Ba	8,253,964.00	BB	9,360,218.92	BB
	6,550,705.00	B	171,323.75	B	91,117,491.63	NR
	14,948,387.16	NR	3,798,003.02	CCC	-	-
	-	-	8,410,438.82	NR	-	-
Corporate Asset and Mortgage Backed Securities	27,606,008.14	Aaa	57,974,663.69	AAA	58,410,518.09	AAA
	1,419,528.92	Aa	4,011,714.69	AA	879,364.75	AA
	1,782,828.19	A	13,140,861.15	A	7,959.43	A
	2,637,875.62	Baa	1,301,467.92	BBB	863,420.90	BB
	1,091,492.25	Ba	2,285,295.87	BB	4,585,410.66	BB
	5,872,144.49	B	541,867.43	B	3,510,481.89	CC
	19,802,705.17	Caa	16,962,964.92	CCC	608,033.01	C
	1,648,315.33	Ca	3,651,499.70	CC	45,830,731.96	NR
	52,835,022.58	NR	1,029,890.18	D	-	-
	-	-	13,795,695.14	NR	-	-
International Obligations (Government and Corporate)	723,941,751.32	Aaa	353,066,860.41	AAA	567,291,884.15	AAA
	120,338,075.75	Aa	72,649,039.77	AA	140,626,909.88	AA
	199,498,974.39	A	249,602,862.19	A	162,753,392.40	A
	407,379,978.11	Baa	57,889,834.38	BBB	100,042,394.69	BBB
	28,799,603.33	Ba	17,315,002.27	BB	27,902,730.80	BB
	2,419,529.33	B	2,419,529.33	B	1,001,000.00	CC
	92,013,102.65	NR	1,001,000.00	C	574,772,702.96	NR
	-	-	820,446,886.53	NR	-	-
Fixed Income Money Market and Bond Mutual Fund	2,262,195,820.65	Aaa	2,261,887,768.33	AAA	33,436,360.32	AAA
	18,031,839.00	Aa	18,339,891.32	Aa	18,031,839.00	AA
	159,202,285.99	NR	159,202,285.99	NR	2,387,961,746.32	NR
Miscellaneous	5,302,013.60	Aaa	1,027,030.00	AAA	4,274,773.60	AAA
	10,396,810.80	Aa	15,641,940.40	AA	7,606,947.35	AA
	24,679,626.80	A	23,002,341.80	A	23,132,521.80	A
	4,430,447.55	Baa	1,154,270.25	BBB	63,548.80	BBB
	20,284,866.30	NR	3,212,628.50	BB	1,548,421.00	BB
	-	-	21,055,554.10	NR	28,467,552.50	NR
	\$ <u>5,356,636,209.66</u>		<u>5,356,636,209.66</u>		<u>5,356,636,209.66</u>	

August 31, 2010

<u>Investment Type</u>	<u>MOODY'S</u>		<u>STANDARD & POOR'S</u>		<u>FITCH</u>	
	<u>Fair Value</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government Agency Obligations	\$ 324,875,610.04	Aaa	324,875,610.04	AAA	322,914,049.79	AAA
	-	-	-	-	1,961,560.25	NR
Corporate Obligations	8,223,392.16	Aaa	6,901,505.71	AAA	6,085,847.14	AAA
	56,381,201.51	Aa	58,557,196.87	AA	51,588,649.38	AA
	176,110,218.57	A	185,840,246.27	A	172,368,751.31	A
	136,758,793.59	Baa	146,858,954.91	BBB	92,954,716.08	BBB
	11,760,282.23	Ba	7,570,995.94	BB	8,058,525.74	BB
	6,898,554.69	B	4,957,886.25	B	3,206,567.73	B
	1,218,490.00	Caa	5,648,587.04	NR	82,072,315.61	NR
	18,984,440.24	NR	-	-	-	-
Corporate Asset and Mortgage Backed Securities	110,862,260.34	Aaa	98,287,325.21	AAA	154,924,572.86	AAA
	40,124,094.45	Aa	14,776,711.82	AA	5,324,681.21	AA
	38,542,666.79	A	95,772,543.66	A	2,824,057.46	A
	14,081,859.92	Baa	80,688,760.68	BBB	5,262,828.17	BBB
	4,341,734.40	Ba	43,804,506.82	BB	2,167,496.17	BB
	38,258,878.62	B	22,437,548.06	B	8,489,212.91	B
	52,648,258.75	Caa	32,563,066.29	CCC	16,304,181.40	CCC
	1,759,740.89	Ca	4,626,617.12	CC	13,057,671.41	CC
	128,395,352.57	NR	160,057.01	D	1,875,096.42	C
	-	-	35,897,710.06	NR	218,785,048.72	NR
International Obligations (Government and Corporate)	641,121,206.45	Aaa	689,879,336.95	AAA	540,111,545.32	AAA
	139,844,089.50	Aa	139,120,098.83	AA	182,603,501.06	AA
	170,052,306.04	A	191,624,794.26	A	136,144,028.46	A
	105,094,833.06	Baa	54,441,239.89	BBB	56,597,255.89	BBB
	25,929,028.64	Ba	13,065,820.00	BB	27,357,541.67	BB
	1,630,984.49	B	2,958,484.49	B	571,726.80	B
	150,907,138.40	NR	949,000.00	C	949,000.00	CC
	-	-	142,540,812.16	NR	290,244,987.38	NR
Fixed Income Money Market and Bond Mutual Fund	2,404,965,480.29	Aaa	2,404,716,704.04	AAA	45,941,629.00	AAA
	61,699,709.20	Aa	61,699,709.20	AA	51,618,659.00	AA
	7,236.00	A	21,965,971.19	NR	2,390,822,096.43	NR
	21,709,958.94	NR	-	-	-	-
Miscellaneous	1,059,475.00	Aaa	3,188,682.03	AAA	3,943,837.40	AA
	309,930,789.39	Aa	308,311,527.36	AA	15,424,418.60	A
	9,519,222.60	A	15,528,174.60	A	1,691,149.80	BBB
	4,774,430.30	Baa	4,600,720.50	BBB	328,147,285.31	NR
	23,922,773.82	NR	17,577,586.62	NR	-	-
	\$ <u>5,242,394,491.88</u>		<u>5,242,394,491.88</u>		<u>5,242,394,491.88</u>	

(B) *Concentrations of Credit Risk* – The System’s investment policy statements for funds managed by UTIMCO contain the limitation that no more than five percent of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2011 and 2010, these funds did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the fund’s fixed income investments.

(C) *Custodial Credit Risk* – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the System’s investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2011 and 2010, the System did not have any deposits or investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the System’s investments is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the System’s investments to changes in interest rates. The System has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the System’s modified duration by investment type as of August 31, 2011 and 2010:

Investment Type	August 31, 2011		August 31, 2010	
	Fair Value	Modified Duration	Fair Value	Modified Duration
Investments in Securities:				
U.S. Government Guaranteed:				
U.S. Treasury Bonds and Notes	\$ 447,530,678.50	9.95	302,266,841.14	9.95
U.S. Treasury Strips	709,760.76	2.26	11,351,847.36	1.07
U.S. Treasury Bills	10,966,504.56	0.50	16,696,138.19	0.12
U.S. Treasury Inflation Protected	-	-	1,926,040.08	22.11
U.S. Agency Asset Backed	8,082,689.13	4.39	13,279,266.87	4.84
Total U.S. Government Guaranteed	<u>467,289,632.95</u>	9.62	<u>345,520,133.64</u>	9.05
U.S. Government Non-Guaranteed:				
U.S. Agency	32,194,812.33	1.72	8,961,973.01	4.57
U.S. Agency Asset Backed	272,720,670.40	3.17	315,913,637.03	2.41
Total U.S. Government Non-Guaranteed	<u>304,915,482.73</u>	3.02	<u>324,875,610.04</u>	2.47
Total U.S. Government	<u>772,205,115.68</u>	7.01	<u>670,395,743.68</u>	5.86
Corporate Obligations:				
Domestic	500,715,282.82	6.25	845,350,219.72	5.46
Foreign	353,194,901.76	5.27	450,488,536.19	4.75
Total Corporate Obligations	<u>853,910,184.58</u>	5.84	<u>1,295,838,755.91</u>	5.22
Foreign Government and Provincial Obligations	1,164,132,523.37	6.73	784,180,288.56	6.15
Other Debt Securities	43,583,820.15	12.36	24,679,545.33	11.77
Total Debt Securities	<u>2,833,831,643.78</u>	6.63	<u>2,775,094,333.48</u>	5.69
Other Investment Funds - Debt	139,491,151.19	5.82	324,527,145.78	6.07
Fixed Income Money Market and Mutual Funds	2,271,336,959.33	0.05	2,383,051,765.23	0.10
Total	<u>\$ 5,244,659,754.30</u>	3.76	<u>5,482,673,244.49</u>	3.29
Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	\$ 4,801,085.59	0.36	37,610,142.39	1.04
Total U.S. Government Guaranteed	<u>4,801,085.59</u>	0.36	<u>37,610,142.39</u>	1.04
Foreign Government and Provincial Obligations	57,063,589.75	6.91	-	-
Fixed Income Money Market and Mutual Funds	50,111,780.02	0.00	-	-
Cash	-	-	105,473,448.23	-
Total Deposit with Brokers for Derivative Contracts	<u>\$ 111,976,455.36</u>	3.53	<u>143,083,590.62</u>	0.27

The System has purchased options on ten year constant maturity swaps, with expiries ranging from five to seven years, as insurance against possible future increases in inflation. As of August 31, 2011 these options had a notional value of \$9,500,000,000 and a fair value of \$42,571,684. As of August 31, 2010, these options had a notional value of \$4,000,000,000 and a fair value of \$13,834,020. The risk of loss on these options is limited to the premiums paid by the System upon the purchase of the options, which totaled \$52,013,751 and \$21,406,251 as of August 31, 2011 and 2010, respectively. The System also purchased both puts and swaptions on the Japanese Yen, with expiries ranging from one to two years, as insurance against the possibility of a downturn in the Japanese economy. As of August 31, 2011, these puts and swaptions had a notional value of \$11,469,533,043 with a fair value of \$21,528,426 and a loss limited to \$61,870,383 which represents the premiums paid. It is estimated that these options would adjust the 2011 duration of total debt securities of 6.63 downward by approximately 0.59, and the total duration of 3.76 downward by approximately 0.63. It is estimated that these options would adjust the 2010 duration of total debt securities of 5.69 downward by approximately 0.16, and the total duration of 3.29 downward by approximately 0.16. One of the System's external managers also uses options and interest rate and credit default swaps to modify the duration of their portfolio in a cost efficient manner. It is estimated by management that these positions held by the external manager would not significantly adjust the duration as presented above.

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes* – The System may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The System also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2011 and 2010, the System's investments included the following investments that are highly sensitive to interest rate changes:

- Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2011 and 2010, these securities amounted to \$251,934,741 and \$587,381,754, respectively.
- Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2011 and 2010, these securities amounted to \$141,968,285 and \$130,131,246, respectively.
- Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2011 and 2010 these securities amounted to \$26,058,959 and \$63,526,921, respectively.

(F) *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the System's non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the System's total fixed income and developed country equity exposures in the System's investment policy statements.

During the year ended 2010, one of the System's external managers employed an investment strategy in which they hedged their investments against the Euro dollar. In the following table the negative amounts shown for the British Pound, Canadian Dollar, Czech Koruna, Danish Krone, Hong Kong Dollar, Norwegian Kroner, and the Swiss Franc in the cash and cash equivalents section reflect these strategies. The negative amounts offset long positions presented in the domestic and foreign common stock section.

Classification between domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following tables summarize the System's exposure to non-U.S. dollar investments by asset type as of August 31, 2011 and 2010.

Investment Type	2011 Fair Value	Investment Type	2011 Fair Value
Foreign Common Stock:		Foreign Government & Provincial Obligations (cont.):	
Australian Dollar	\$ 79,798,104	Indonesian Rupian	\$ 25,141,022
Brazilian Real	110,140,655	Japanese Yen	56,992,039
British Pound	233,577,375	Malaysian Ringgit	34,664,032
Canadian Dollar	83,595,228	Mexican Peso	55,925,267
Chilean Peso	5,012,909	New Zealand Dollar	58,465,923
Czech Koruna	3,261,077	Norwegian Kroner	32,140,678
Danish Krone	5,786,383	Polish Zloty	42,610,768
Egyptian Pound	2,248,633	Singapore Dollar	22,033,674
Euro	148,391,603	South African Rand	31,759,386
Hong Kong Dollar	250,711,465	South Korean Won	33,440,710
Hungarian Forint	2,555,878	Total Foreign Government & Provincial Obligations	1,207,697,018
Indian Rupee	47,402,902	Corporate Obligations:	
Indonesian Rupian	24,753,515	Australian Dollar	45,616,168
Israeli Shekel	144,431	British Pound	34,220,883
Japanese Yen	90,103,270	Canadian Dollar	7,437,239
Malaysian Ringgit	35,272,422	Euro	164,898,846
Mexican Peso	31,365,406	Japanese Yen	8,483,132
Moroccan Dirham	1,081,895	Total Corporate Obligations	260,656,268
Norwegian Kroner	5,742,679	Convertible Securities:	
Pakistan Rupee	1,083,526	Brazilian Real	6,731,911
Peruvian Nuevo Sol	60,554	Investment Funds - Emerging Markets:	
Philippines Peso	7,180,457	Brazilian Real	11,919,694
Polish Zloty	17,786,568	Private Investments:	
Russian Ruble	3,183,808	British Pound	15,875,438
Singapore Dollar	28,824,725	Canadian Dollar	20,355,572
South African Rand	58,502,643	Euro	314,976,802
South Korean Won	162,101,964	Total Private Investments	351,207,812
Swedish Krona	30,669,745	Cash and Cash Equivalents:	
Swiss Franc	29,909,814	Australian Dollar	3,778,785
Taiwan Dollar	63,501,969	Brazilian Real	3,247,786
Thai Baht	34,233,294	British Pound	10,689,917
Turkish Lira	24,012,362	Canadian Dollar	650,749
United Arab Emirates Dirham	2,587,742	Chilean Peso	4,141
Total Foreign Common Stock	1,624,585,001	Czech Koruna	1,081
Other Equity Securities:		Danish Krone	1,318
Canadian Dollar	248	Egyptian Pound	16,032
Malaysian Ringgit	4,716	Euro	5,995,635
Total Other Equity Securities	4,964	Hong Kong Dollar	800,686
Foreign Preferred Stock:		Hungarian Forint	840
Brazilian Real	73,630,604	Indian Rupee	1,310,757
South African Rand	38,267	Indonesian Rupian	37,528
South Korean Won	451,461	Israeli Shekel	11,166
Total Foreign Preferred Stock	74,120,332	Japanese Yen	30,952
Foreign Government & Provincial Obligations:		Malaysian Ringgit	728,950
Australian Dollar	65,674,259	Mexican Peso	88,843
Brazilian Real	333,978,142	Moroccan Dirham	44,751
British Pounds	113,388,784	New Zealand Dollar	1,268
Canadian Dollar	38,440,490	Norwegian Kroner	502,296
Euro	243,314,550	Pakistan Rupee	100
Hong Kong Dollar	1,875,615	Peruvian Nuevo Sol	20,148
Hungarian Forint	17,851,679	Philippine Peso	66,255

Investment Type (cont.)	2011 Fair Value	Investment Type	2011 Fair Value
Cash and Cash Equivalents (cont.):		Futures:	
Polish Zloty	\$ 43,421	Australian Dollar	\$ 164,700
Singapore Dollar	7,665	British Pound	(595,373)
South African Rand	51,707	Canadian Dollar	(138,344)
South Korean Won	429,606	Euro	295,282
Swedish Krona	3,253	Total Futures	<u>(273,735)</u>
Swiss Franc	39,700	Foreign Exchange Contracts:	
Taiwan Dollar	1,902,648	Australian Dollar	665,565
Thailand Baht	33,842	Brazilian Real	461,338
Turkish Lira	750	British Pound	149,067
Total Cash and Cash Equivalents	<u>30,542,576</u>	Canadian Dollar	402,474
Purchased Options:		Chilean Peso	415
Australian Dollar	125,835,514	Chinese Yuan Renminbi	601,820
Euro	7,616,935	Czech Koruna	7,514
Japanese Yen	21,528,417	Danish Krone	117,815
South Korean Won	100,681,145	Euro	(2,330,992)
Total Purchased Options	<u>255,662,011</u>	Hong Kong Dollar	(4,228)
Written Options:		Hungarian Forint	(7,871)
Australian Dollar	(77,045,392)	Indian Rupee	579,644
Euro	(100,498)	Indonesian Rupian	664,291
South Korean Won	(65,350,572)	Japanese Yen	(18,309,402)
Total Written Options	<u>(142,496,462)</u>	Malaysian Ringgit	40,969
Swaps:		Mexican Peso	543,460
Australian Dollar	(508,050)	New Zealand Dollar	674,721
British Pound	(583,524)	Norwegian Kroner	(757,393)
Brazilian Real	137,087	Philippines Peso	79,811
Canadian Dollar	104,444	Polish Zloty	(52,283)
Euro	(80,242)	Singapore Dollar	102,025
Japanese Yen	86,198	South African Rand	485,752
Mexican Peso	2,552,800	South Korean Won	1,553,684
Total Swaps	<u>1,708,713</u>	Swedish Krona	102,716
		Swiss Franc	3,090,170
		Taiwan Dollar	(245,055)
		Thailand Baht	51,438
		Turkish Lira	639,359
		Total Foreign Exchange Contracts	<u>(10,693,176)</u>
		Total	<u>\$ 3,671,372,927</u>

Investment Type	2010 Fair Value	Investment Type	2010 Fair Value
Foreign Common Stock:		Foreign Government & Provincial Obligations (cont.):	
Australian Dollar	\$ 55,442,512	South Korean Won	\$ 30,222,558
Brazilian Real	85,979,748	Swedish Krona	28,273,040
British Pound	170,202,797	Total Foreign Government & Provincial Obligations	771,805,967
Canadian Dollar	63,801,561	Corporate Obligations:	
Chilean Peso	5,049,483	Australian Dollar	58,921,662
Czech Koruna	4,945,019	British Pound	21,984,702
Danish Krone	1,942,788	Canadian Dollar	4,260,390
Egyptian Pound	6,196,019	Danish Krone	5,763,835
Euro	213,106,798	Euro	2,104,738
Hong Kong Dollar	283,561,527	Hong Kong Dollar	220,755,645
Hungarian Forint	3,915,997	Iceland Krona	1,547,686
Indian Rupee	18,405,904	Japanese Yen	8,348,338
Indonesian Rupian	23,811,607	Total Corporate Obligations	323,686,996
Israeli Shekel	165,961	Convertible Securities:	
Japanese Yen	90,142,925	Swiss Franc	89,238
Malaysian Ringgit	39,550,679	Investment Funds - Emerging Markets:	
Mexican Peso	25,854,192	Brazilian Real	2,264,401
Moroccan Dirham	840,361	Private Investments:	
Norwegian Kroner	4,218,719	Canadian Dollar	7,556,618
Pakistan Rupee	2,060,424	Euro	251,430,073
Peruvian Nuevo Sol	37,996	Total Private Investments	258,986,691
Philippines Peso	3,893,800	Cash and Cash Equivalents:	
Polish Zloty	15,151,552	Australian Dollar	1,217,770
Singapore Dollar	26,980,574	Brazilian Real	1,800,961
South African Rand	58,766,238	British Pound	(1,065,270)
South Korean Won	133,316,306	Canadian Dollar	(298,760)
Swedish Krona	16,322,456	Chilean Peso	2,946
Swiss Franc	43,657,774	Czech Koruna	(527,114)
Taiwan Dollar	47,004,251	Danish Krone	62,149
Thai Baht	33,505,580	Egyptian Pound	93,732
Turkish Lira	24,494,256	Euro	80,775,673
Total Foreign Common Stock	1,502,325,804	Hong Kong Dollar	(17,455,902)
Foreign Preferred Stock:		Hungarian Forint	2,870
Brazilian Real	60,612,661	Indian Rupee	92,183
Euro	1,607,097	Indonesian Rupian	82,162
Total Foreign Preferred Stock	62,219,758	Israeli Shekel	39,983
Foreign Government & Provincial Obligations:		Japanese Yen	647,592
Australian Dollar	53,554,754	Malaysian Ringgit	86,299
Brazilian Real	24,197,004	Mexican Peso	346,873
British Pounds	108,122,956	Moroccan Dirham	31,420
Canadian Dollar	76,680,886	New Zealand Dollar	1,009
Euro	169,063,438	Norwegian Kroner	(1,774,328)
Hong Kong Dollar	1,073,351	Peruvian Nuevo Sol	38
Hungarian Forint	12,327,612	Philippines Peso	37,989
Indonesian Rupian	22,606,245	Polish Zloty	231,338
Japanese Yen	97,800,205	Singapore Dollar	944
Malaysian Ringgit	33,519,492	South African Rand	147,041
Mexican Peso	21,125,752	South Korean Won	149,651
New Zealand Dollar	23,488,825	Swedish Krona	146,320
Norwegian Kroner	6,637,426	Swiss Franc	(27,216,374)
Polish Zloty	40,345,383	Taiwan Dollar	1,299,158
Singapore Dollar	3,784,599	Thailand Baht	72,731
South African Rand	18,982,441	Turkish Lira	4
		Total Cash and Cash Equivalents	39,031,088

Investment Type (cont.)	2010 Fair Value	Investment Type	2010 Fair Value
Written Options:		Euro	\$ 77,841
British Pound	\$ (1,196)	Japanese Yen	718,497
Euro	(104,316)	Total Swaps	1,535,274
Total Written Options	(105,512)	Futures:	
Swaps:		British Pound	81,245
Australian Dollar	299,197	Canadian Dollar	81,561
British Pound	184,492	Euro	3,321,721
Brazilian Real	88,005	Total Futures	3,484,527
Canadian Dollar	167,242		
		Total	\$ 2,965,324,232

(G) *Counterparty (Credit) Risk* – The derivative instruments utilized by the System contain varying degrees of off-balance sheet risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the consolidated statement of revenues, expenses and changes in net assets. The System manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The System had gross counterparty exposure as follows as of August 31, 2011 and 2010 for options, swaps, and foreign currency exchange contracts:

Options

Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2011	Fair Value as of August 31, 2011	
\$ 15,062,315,441	\$ 4,367,926,490	\$ 216,191,487	\$ 123,923,914	A
10,307,489,217	808,700,712	82,302,617	35,465,255	AA
\$ 25,369,804,658	\$ 5,176,627,202	\$ 298,494,104	\$ 159,389,169	

Swaps

Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2011	Fair Value as of August 31, 2011	
\$ 250,061,809	\$ 974,959,919	\$ 5,182,248	\$ 70,004,104	A
83,093,849	12,000,000	3,431,966	207,641	AA
\$ 333,155,658	\$ 986,959,919	\$ 8,614,214	\$ 70,211,745	

Foreign Currency Exchange Contracts

Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Notional	Notional	Fair Value as of August 31, 2011	Fair Value as of August 31, 2011	
\$ 1,577,233,428	\$ 1,347,748,541	\$ 16,926,044	\$ 10,775,269	A
534,799,803	445,560,860	5,886,435	22,730,387	AA
\$ 2,112,033,231	\$ 1,793,309,401	\$ 22,812,479	\$ 33,505,656	

Options

<u>Assets</u>		<u>Liabilities</u>		<u>Assets</u>		<u>Liabilities</u>		<u>Counterparty Rating</u>
<u>Notional</u>		<u>Notional</u>		<u>Fair Value as of August 31, 2010</u>		<u>Fair Value as of August 31, 2010</u>		
\$	4,004,964,642	\$	157,414,231	\$	18,849,537	\$	2,477,400	
	212,282		22,450,280		212,283		294,523	AA
\$	<u>4,005,176,924</u>	\$	<u>179,864,511</u>	\$	<u>19,061,820</u>	\$	<u>2,771,923</u>	

Swaps

<u>Assets</u>		<u>Liabilities</u>		<u>Assets</u>		<u>Liabilities</u>		<u>Counterparty Rating</u>
<u>Notional</u>		<u>Notional</u>		<u>Fair Value as of August 31, 2010</u>		<u>Fair Value as of August 31, 2010</u>		
\$	102,598,272	\$	145,925,222	\$	4,030,989	\$	3,794,889	
	96,080,793		76,629,391		1,307,007		863,041	AA
\$	<u>198,679,065</u>	\$	<u>222,554,613</u>	\$	<u>5,337,996</u>	\$	<u>4,657,930</u>	

Foreign Currency Exchange Contracts

<u>Assets</u>		<u>Liabilities</u>		<u>Assets</u>		<u>Liabilities</u>		<u>Counterparty Rating</u>
<u>Notional</u>		<u>Notional</u>		<u>Fair Value as of August 31, 2010</u>		<u>Fair Value as of August 31, 2010</u>		
\$	357,284,138	\$	249,578,860	\$	8,019,409	\$	4,649,691	
	184,090,887		185,978,648		4,202,193		4,150,696	AA
\$	<u>541,375,025</u>	\$	<u>435,557,508</u>	\$	<u>12,221,602</u>	\$	<u>8,800,387</u>	

As of August 31, 2011 and 2010, the System also had investments in futures contracts and options on futures contracts. Futures contracts and options on futures contracts expose the System to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, and therefore, they are not presented in the previous tables.

Counterparty risk for swaps, options and foreign currency exchange contracts is mitigated by having master netting arrangements between the System and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the System to cover the System's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties for net assets is held by the System in one of its accounts at the System's custodian bank. As of August 31, 2011 and 2010, the System held \$162,500,000 and \$23,140,000, respectively, as collateral related to derivative instruments other than futures, and had on deposit with brokers \$162,933,590 and \$68,905,010, respectively, as collateral related to derivative instruments other than futures.

SECURITIES LENDING

In accordance with the prudent investor investment standards, the System participates in a securities lending program. The System began the program, under a contract with the System's lending agent, on September 1, 1995. The lending agent is authorized to lend any securities held by the System's custodian except those securities, which the policy guidelines prohibit lending. At August 31, 2011 and 2010, there were a total of \$376,521,697.57 and \$455,366,884.46, respectively, of securities out on loan to brokers/dealers. This consisted of \$261,315,720.15 domestic and \$115,205,977.42 international loans at August 31, 2011 and \$368,544,959.90 domestic and \$86,821,924.56 international loans at August 31, 2010. A combination of cash and qualified non-cash securities are held as collateral against the outstanding securities on loan. The value of cash collateral held for these securities consisted of \$384,553,434.02 at August 31, 2011 and \$468,365,170.60 at August 31, 2010. These amounts are recorded as assets, with an offsetting liability to return the collateral on the consolidated balance sheet. The qualified non-cash securities received as collateral for securities lending activities are not recorded as assets because these securities remain under the control of the transferor, except in the event of default.

In security lending transactions, the System transfers its securities to brokers/dealers for collateral, which may be cash, securities issued or guaranteed by the United States government or its agencies, and irrevocable bank letters of credit, and simultaneously agrees to return the collateral for the same securities in the future.

Cash received as collateral for securities lending activities is invested and reinvested in a non-commingled pool exclusively for the benefit of the System. The pool is managed in accordance with investment guidelines established in the securities lending contract between the System and its securities lending agent. Pool investments are valued at cost which is indicative of fair value. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. The System was collateralized 104 percent on August 31, 2011 and 104 percent on August 31, 2010 for securities on loan collateralized by cash. The System's collateral pool investments, rating by NRSRO and weighted average maturity in days as of August 31, 2011 and 2010, are shown in the following table:

<u>Description</u>	<u>August 31, 2011</u>			<u>August 31, 2010</u>		
	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Weighted Average</u>
Repurchase Agreements	\$ 136,439,215	No Rating	1	336,644,917	No Rating	1
Commercial Paper	134,213,750	P	28	77,223,823	P	35
Corporate Obligations	<u>6,217,133</u>	AA	51	<u>5,860,350</u>	AA	56
International Obligations	28,615,088	AA		11,300,898	AA	
International Obligations	<u>39,688,248</u>	A		<u>17,027,440</u>	A	
Total International Obligations	<u>68,303,336</u>		32	<u>28,328,338</u>		20
Negotiable Certificates of Deposit	39,333,891	P	33	23,196,730	P	63
Other Receivables/Payables	46,109	Not Rated	-	(2,888,987)	Not Rated	-
Total Collateral Pool Investment	\$ <u><u>384,553,434</u></u>		20	<u><u>468,365,171</u></u>		12

Collateral pool investments are uninsured and are held by the securities lending agent, in its name, on behalf of the System, except for the investments in repurchase agreements, which are held in the securities lending agent's name by a third party custodian not affiliated with the System or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk, because the pool investments are not held by counterparties to the lending transactions or a counterparties' trust department or agent.

Lending income is earned if the returns on those investments exceed the "rebate" paid to borrowers of the securities. The income is then shared with the lending agent based on a contractually negotiated rate split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from the System's resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium or fee for the securities loan. This income is split with the same ratio as the earnings for cash collateral. The collateral pledged to the System by the borrower is custodied by the lending agent or through a third party arrangement. These securities held as collateral are not available to the System for selling or pledging unless the borrower is in default of the loan. On August 31, 2011 and 2010, the System was collateralized 104 percent and 104 percent, respectively, for securities on loan which were collateralized by securities.

The collateral received must have a fair value of 102 percent of the loaned securities of United States issuers. If the fair value of the collateral held in connection with loans of securities of United States issuers is less than 100 percent at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102 percent of the fair value.

For non-U. S. issuers, the collateral should remain at 105 percent of the fair value of the loaned securities at the close of any business day. If it falls below 105 percent, the borrower must deliver additional collateral by the close of the following business day. The System was collateralized 106 percent for international loans on August 31, 2011 and 110 percent for international loans on August 31, 2010.

In the event of default, where the borrower is unable to return the securities loaned, the System has authorized the lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the lending agent has indemnified the System from any loss due to borrower default.

At August 31, 2011 and 2010, the System had no credit risk exposure to borrowers because the securities lending collateral, which are the amounts the System owed to borrowers, of \$384,553,434 and \$468,365,171, respectively, exceeded the securities out on loan to brokers/dealers, which are the amounts the borrowers owed the System, of \$371,014,838 and \$451,075,933, respectively.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the years ended August 31, 2011 and 2010.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative securities are financial instruments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivatives cover a broad range of financial instruments, such as forwards, futures, options and swaps.

(A) *Futures Contracts* – Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated balance sheet. Futures contracts are marked to market daily; that is, they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the carrying and fair value of the futures contracts.

During the years ended August 31, 2011 and 2010, the asset classes that used futures include domestic and foreign equities, domestic and foreign debt, and commodities. The change in fair value of open futures contracts for the year ending August 31, 2011 was an increase of \$9,953,850. The change in fair value of open futures contracts for the year ending August 31, 2010 was an increase of \$20,495,541 which is included in the net increase in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets. The System had \$111,542,866 and \$97,318,581 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2011 and 2010, respectively. Short futures may be used by internal managers and a limited number of external managers of the System to hedge the System's interest rate or currency risk associated with security positions. The amount of the net realized gain on the futures contracts was \$180,023,777 for the year ended August 31, 2011. The amount of the net realized gain on the futures contracts was \$146,447,214 for the year ended August 31, 2010. The System executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

During the years ended August 31, 2011 and 2010, two of the System's investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the carrying and fair value as of August 31, 2011 and 2010.

The following discloses the notional, carrying and fair values of futures contracts at August 31, 2011:

	Notional Value at August 31, 2011		Carrying and Fair Value at August 31, 2011	
	Long	Short	Assets	Liabilities
Domestic Equity Futures	\$ 1,217,700	-	12,900	-
Foreign Equity Futures	6,690,009	-	173,899	-
Commodity Futures	626,203,709	15,109,386	10,240,826	1,867,864
International Fixed Income Futures	77,831,002	26,778,358	1,397,446	3,357
Totals	\$ 711,942,420	41,887,744	11,825,071	1,871,221

The following discloses the notional, carrying and fair values of futures contracts at August 31, 2010:

	Notional Value at August 31, 2010		Carrying and Fair Value at August 31, 2010	
	Long	Short	Assets	Liabilities
Domestic Equity Futures	\$ 89,367,575	-	272,800	-
Commodity Futures	1,004,825,117	48,250,541	16,646,764	162,294
Domestic Fixed Income Futures	92,711,250	-	253,744	-
International Fixed Income Futures	53,569,544	641,438,625	3,606,457	121,930
Totals	\$ 1,240,473,486	689,689,166	20,779,765	284,224

(B) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in investments for the asset positions and investment derivatives-liability positions for the liability positions. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated balance sheet. Risks arise from the possible inability of counter-parties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The following tables summarize, by currency, the contractual amounts of the System's foreign exchange contracts at August 31, 2011 and 2010. Foreign currency amounts are translated at exchange rates as of August 31, 2011 and 2010. The "Net Buy" amounts represent the U. S. dollar equivalent of net commitments to purchase foreign currencies and the "Net Sell" amounts represent the U. S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy	Net Sell	Unrealized Gains	Unrealized Losses
	August 31, 2011	August 31, 2011	on Foreign Exchange Contracts August 31, 2011	on Foreign Exchange Contracts August 31, 2011
Australian Dollar	\$ -	203,312,646	2,218,617	1,553,052
Brazilian Real	-	24,533,958	468,066	6,728
British Pound	12,377,740	1,609,761	701,691	552,624
Canadian Dollar	18,668,867	943,037	569,223	166,749
Czech Koruna	358,535	-	7,514	-
Chilean Peso	21,355	-	415	-
Chinese Yuan Renminbi	41,103,620	-	859,160	257,340
Danish Krone	8,594,129	-	134,014	16,199
Euro	-	181,817,082	969,383	3,300,375
Hong Kong Dollar	-	8,261,673	74	4,302
Hungarian Forint	296,733	-	-	7,871
Indian Rupee	19,876,368	-	603,693	24,049
Indonesian Rupian	9,257,699	-	664,510	219
Japanese Yen	177,236,110	-	5,992,711	24,302,113
Malaysian Ringgit	1,033,850	-	41,643	674
Mexican Peso	9,053,201	5,530,587	1,551,465	1,008,005
New Zealand Dollar	-	86,893,752	988,382	313,661
Norwegian Kroner	-	28,821,840	2,742	760,135
Philippines Peso	665,915	-	283,082	203,271
Polish Zloty	764,597	72,382	581	52,864
Singapore Dollar	1,395,656	-	116,875	14,850
South African Rand	14,942,180	465,045	769,087	283,335
South Korean Won	20,782,839	-	1,602,745	49,061
Swedish Krona	7,754,372	-	122,910	20,194
Swiss Franc	-	45,160,101	3,420,483	330,313
Taiwan Dollar	38,743,194	-	32,609	277,664
Thailand Baht	936,418	-	51,445	7
Turkish Lira	27,191,186	-	639,359	-
TOTAL	\$ 411,054,564	587,421,864	22,812,479	33,505,655

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2011 was a decrease in the amount of \$10,693,176, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets.

Currency	Net Buy		Net Sell		Unrealized Gains	Unrealized Losses
	August 31, 2010	August 31, 2010	August 31, 2010	August 31, 2010	on Foreign Exchange Contracts August 31, 2010	on Foreign Exchange Contracts August 31, 2010
Australian Dollar	\$ -	38,606,666	-	704,247	498,528	
Brazilian Real	485,814	-	-	4,303	968	
British Pound	51,818,807	-	-	1,221,371	695,003	
Canadian Dollar	661,927	6,776,763	-	308,745	77,386	
Chilean Peso	19,756	-	-	-	528	
Chinese Yuan Renminbi	24,656,050	-	-	106,115	963,061	
Danish Krone	2,859,588	-	-	86,000	-	
Egyptian Pound	9,164	19,813	-	2,832	94	
Euro	-	95,982,483	-	1,171,540	1,812,269	
Hong Kong Dollar	227,527	119,665	-	465	118	
Hungarian Forint	-	-	-	408,943	199,019	
Indian Rupee	474,844	-	-	301	2,955	
Indonesian Rupiah	2,837,711	-	-	340,937	75	
Japanese Yen	49,043,204	-	-	4,683,098	2,473,916	
Malaysian Ringgit	2,948,835	-	-	107,066	4,236	
Mexican Peso	449,145	393,790	-	169,607	273,593	
New Zealand Dollar	9,824,947	-	-	345,771	24,852	
Norwegian Kroner	32,271,318	-	-	392,166	120,239	
Philippines Peso	-	-	-	116	142	
Polish Zloty	50,147	111,749	-	650	164	
Singapore Dollar	1,163,319	-	-	42,350	6,265	
South African Rand	2,105,086	-	-	99,028	2,610	
South Korean Won	7,915,537	-	-	35,417	222,825	
Swedish Krona	11,142,730	-	-	198,728	1,279,338	
Swiss Franc	10,934,434	-	-	360,000	81,890	
Taiwan Dollar	3,161,484	-	-	-	48,892	
Thailand Baht	1,613,013	-	-	64,427	11,193	
Turkish Lira	24,139,844	-	-	1,367,378	228	
TOTAL	\$ 240,814,231	142,010,929	-	12,221,601	8,800,387	

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2010 was an increase in the amount of \$3,421,214, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets.

(C) *Written Options* – Written options are used to alter the market (systematic) exposure without trading the underlying cash market securities, and to hedge and control risks, so that the actual risk/return profile is more closely aligned with the target risk/return profile. The fair value is included on the consolidated balance sheet in investment derivatives-liability positions. During the year, the System wrote call options on commodities and volatility. The following discloses the contracts outstanding, the expiration date and the fair values of the outstanding written call options contracts as of August 31, 2011 and 2010:

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value at August 31, 2011</u>	
				<u>Assets</u>	<u>Liabilities</u>
Commodity					
	Copper Futures	4	12/7/11	\$ -	16,049
	Corn Futures	7	11/23/12	-	4,419
				-	20,468
Other					
	Forward Volatility Agreement	6,300,000	10/11/11	-	19,636
	Forward Volatility Agreement	11,700,000	11/14/11	-	118,689
				-	138,325
				\$ -	158,793

The change in fair value of open call options for the year ending August 31, 2011, was an increase in the amount of \$32,226, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets. The System recognized gains in the amount of \$368,122 on call options written, which are included in investment income on the consolidated statement of revenues, expenses and changes in net assets for the year ended August 31, 2011.

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value at August 31, 2010</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate Swap					
	U.S. 3 month LIBOR	33,100,000	10/29/10	\$ -	2,186,321
Credit Default Swap					
	British Petroleum	6,100,000	12/15/10	-	9,165
Currency					
	U.S. Dollar vs. Euro	17,000	09/09/10	-	945
	U.S. Dollar vs. Euro	49,000	09/22/10	-	39,680
	U.S. Dollar vs. Mexican Peso	15,000	09/22/10	-	-
	U.S. Dollar vs. South Korean Won	14,000	09/07/10	-	-
	U.S. Dollar vs. British Pound	17,000	09/15/10	-	1,196
				-	41,821
Equity					
	MetroPCS Communications	270	11/20/10	-	20,250
				\$ -	2,257,557

The change in fair value of open call options for the year ending August 31, 2010, was a decrease in the amount of \$1,877,961, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets. The System recognized gains in the amount of \$1,957,839 on call options written, which are included in investment income on the consolidated statement of revenues, expenses and changes in net assets for the year ended August 31, 2010.

The System also wrote put options on Treasury note and Euro Bund futures, domestic and international equities and indices, interest rate swaps, currencies, various commodities and other options for the years ended August 31, 2011 and 2010. The following discloses the contracts outstanding, the expiration date and the fair values of the outstanding written put options contracts as of August 31, 2011 and 2010:

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value at August 31, 2011</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate Swap					
	U.S. 3 month LIBOR	55,500,000	6/18/12	\$ -	35,026
	U.S. 3 month LIBOR	8,400,000	7/10/12	-	26
	U.S. 3 month LIBOR	70,100,000	9/25/12	-	73,193
				-	108,245
Commodity					
	Brent Crude Futures	18	11/10/11	-	6,334
	Corn Futures	14	11/23/12	-	27,126
	Crude Oil Futures	4	11/15/11	-	4,170
	Crude Oil Futures	7	11/17/15	-	54,601
				-	92,231
Currency					
	U.S. Dollar vs. Euro	9,200,000	9/27/11	-	100,499
Equity					
	Australia S&P/ASX 200 Index	203,774	6/21/12	-	37,513,207
	Australia S&P/ASX 200 Index	85,725	6/20/13	-	23,059,281
	Australia S&P/ASX 200 Index	106,750	8/15/13	-	16,472,905
	Dow Jones U.S. Real Estate Index	4,628,773	2/21/12	-	6,127,271
	MSCI Emerging Markets Index	4,594,561	2/21/12	-	4,944,232
	Korean KOSPI 200 Index	1,568,360,000	6/13/13	-	24,930,686
	Korean KOSPI 200 Index	3,621,169,129	8/8/13	-	40,419,886
	S&P Metals and Mining ETF	2,984,791	2/21/12	-	5,557,719
				-	159,025,187
Fixed Income					
	Euro-BOBL Futures	57	9/30/11	-	-
	U.S. 10 yr Treasury Note Futures	123	9/23/11	-	52,265
				-	52,265
Other					
	CPI Urban Consumer Not Seasonally Adjusted	1,300,000	9/29/10	-	6,113
	CPI Urban Consumer Not Seasonally Adjusted	1,400,000	10/13/20	-	10,799
				-	16,912
				\$ -	159,395,339

The change in fair value of open put options for the year ending August 31, 2011, was a decrease in the amount of \$10,173,869, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets. The System recognized gains in the amount of \$5,523,444 on put options written which are included in investment income on the consolidated statement of revenues, expenses and changes in net assets for the year ended August 31, 2011.

<u>Type</u>	<u>Underlying</u>	<u>Contracts</u>	<u>Expiration Date</u>	<u>Fair Value at August 31, 2010</u>	
				<u>Assets</u>	<u>Liabilities</u>
Interest Rate Swap					
	U.S 3 month LIBOR	33,100,000	10/29/10	\$ -	354
	U.S. 3 month LIBOR	10,900,000	12/01/10	-	291
	U.S. 3 month LIBOR	59,400,000	06/18/12	-	392,386
	U.S. 3 month LIBOR	8,400,000	07/10/12	-	1,475
				<u>-</u>	<u>394,506</u>
Credit Default Swap					
	British Petroleum	6,100,000	12/15/10	-	24,684
Currency					
	U.S. Dollar vs. Euro	57,000	09/09/10	-	63,690
Equity					
	Devon Energy	47	10/16/10	-	7,144
	Papa John's International	110	10/16/10	-	4,950
	Walmart	48	09/18/10	-	19,392
				<u>-</u>	<u>31,486</u>
				\$ <u>-</u>	\$ <u>514,366</u>

The change in fair value of open put options for the year ending August 31, 2010, was an increase in the amount of \$600,659, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets. The System recognized gains in the amount of \$3,887,596 on put options written which are included in investment income on the consolidated statement of revenues, expenses and changes in net assets for the year ended August 31, 2010.

(D) *Swaps* – Swaps are used to adjust interest rate and yield curve exposures. During the year, the System entered into interest rate, equity, credit default, and commodity swap contracts. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated balance sheet. The following discloses the notional amount (presented in local currency), the coupon rate and the fair values of the outstanding swap contracts as of August 31, 2011:

Currency	Notional Value	Maturity Date	Fair Value at August 31, 2011		
			Assets	Liabilities	
Interest Rate:					
Australian Dollar	Pay 4.750% Receive 3 month Australian Bank Bill Rate	100,000	12/15/2013	\$ -	1,126
Brazilian Real	Receive 11.245% Pay Brazil Interbank Deposit Rate	5,300,000	01/02/2012	-	10,547
	Receive 11.250% Pay Brazil Interbank Deposit Rate	8,600,000	01/02/2012	-	16,808
	Receive 11.360% Pay Brazil Interbank Deposit Rate	15,900,000	01/02/2012	164,442	-
British Pound	Receive 6 month British LIBOR Pay 2.500%	27,800,000	9/21/2013	-	1,084,037
Canadian Dollar	Receive 5.750% Pay 3 month Canada Bankers Acceptance Rate	1,000,000	12/19/2028	104,444	-
Euro	Receive 2.000% Pay 6 month EURIBOR	35,800,000	9/21/2016	-	415,725
	Receive 3.000% Pay 6 month EURIBOR	4,600,000	9/21/2016	259,347	-
	Receive 3.000% Pay 6 month EURIBOR	10,200,000	9/21/2021	180,722	-
Japanese Yen	Receive 6 month Yen LIBOR Pay 0.250%	3,890,000,000	12/21/2013	86,198	-
Mexican Peso	Receive 6.590% Pay Mexican Interbank Rate	30,800,000	12/08/2015	128,781	-
	Receive 6.750% Pay Mexican Interbank Rate	342,600,000	06/08/2016	1,637,769	-
	Receive 6.960% Pay Mexican Interbank Rate	72,400,000	07/27/2020	289,785	-
	Receive 7.500% Pay Mexican Interbank Rate	71,600,000	06/02/2021	496,465	-
U.S. Dollar	Receive 3 month US Dollar LIBOR Pay 2.500%	1,100,000	06/15/2016	-	73,017
	Receive 3 month US Dollar LIBOR Pay 3.250%	12,200,000	12/21/2021	-	819,941
	Receive 3 month US Dollar LIBOR Pay 3.500%	16,100,000	06/15/2021	-	1,754,926
				<u>3,347,953</u>	<u>4,176,127</u>

(Continued)		Fair Value at August 31, 2011			
Currency		Notional Value	Maturity Date	Assets	Liabilities
Credit Default					
British Pound	0.670%	780,000	09/20/2014	-	6,411
Euro	0.250%	1,700,000	03/20/2016	-	23,689
	0.250%	5,200,000	06/20/2016	-	80,897
U.S. Dollar	0.210%	200,000	09/20/2011	-	78
	0.230%	200,000	03/20/2012	-	143
	0.250%	14,900,000	12/20/2015	-	728,942
	0.250%	2,500,000	03/20/2016	-	132,214
	0.250%	8,500,000	09/20/2016	-	516,056
	0.450%	1,000,000	09/20/2014	-	4,418
	0.460%	200,000	09/20/2011	-	160
	0.460%	1,000,000	12/20/2013	-	5,032
	0.510%	800,000	03/20/2018	-	3,539
	0.550%	600,000	09/20/2011	-	618
	0.590%	1,000,000	09/20/2014	822	-
	0.590%	1,000,000	09/20/2016	8,780	-
	0.700%	800,000	12/20/2018	26,436	-
	0.750%	1,000,000	12/20/2013	-	10,165
	0.750%	1,000,000	09/20/2017	-	16,099
	0.770%	800,000	03/20/2012	-	3,315
	0.820%	1,000,000	03/20/2018	6,464	-
	0.862%	1,800,000	11/20/2016	121,242	-
	0.900%	1,000,000	06/20/2019	14,328	-
	0.990%	1,000,000	09/20/2015	-	8,840
	1.000%	21,100,000	12/20/2011	68,117	-
	1.000%	1,700,000	09/20/2012	5,525	-
	1.000%	11,900,000	12/20/2012	-	132,965
	1.000%	15,100,000	06/20/2015	251,351	-
	1.000%	22,000,000	12/20/2015	6,995	78,763
	1.000%	8,700,000	03/20/2016	100,870	-
	1.000%	14,700,000	06/20/2016	112,923	-
	1.000%	8,900,000	09/20/2016	-	126,427
	1.000%	2,400,000	12/20/2016	349,436	-
	1.000%	200,000	06/20/2019	1,005	-
	1.000%	4,000,000	12/20/2020	-	213,502
	1.060%	780,000	03/20/2018	81,761	-
	1.160%	2,000,000	03/20/2013	-	20,696
	1.170%	1,000,000	06/20/2013	-	7,146
	1.350%	500,000	09/20/2013	5,754	-
	1.350%	200,000	06/20/2016	-	3,100
	1.350%	2,000,000	03/20/2017	-	69,226
	1.350%	400,000	03/20/2018	-	16,464
	1.400%	700,000	03/20/2021	2,795	-
	1.450%	3,000,000	06/20/2013	-	51,198
	1.530%	500,000	09/20/2016	10,704	-
	1.540%	800,000	12/20/2013	73,365	-
	1.540%	400,000	06/20/2018	-	944
	1.600%	900,000	03/20/2021	4,891	-
	1.620%	1,000,000	06/20/2012	22,194	-
	1.630%	1,500,000	03/20/2021	11,336	-
	1.743%	900,000	06/20/2013	-	16,754
	1.780%	800,000	06/20/2013	-	15,493
	1.820%	700,000	06/20/2013	-	14,118
	1.920%	1,000,000	03/20/2017	116,247	-
	1.970%	700,000	03/20/2021	12,467	-
	2.150%	1,600,000	03/20/2021	48,229	-
	2.700%	1,000,000	03/20/2019	-	46,203
	2.800%	400,000	03/20/2021	21,524	-
	2.870%	800,000	03/20/2021	22,979	-
	2.880%	600,000	12/20/2020	35,531	-
	2.900%	1,100,000	03/20/2021	33,717	-
	2.920%	400,000	03/20/2021	24,903	-
	2.930%	300,000	06/20/2015	-	13,349
	2.950%	3,800,000	12/20/2020	243,490	-
	5.000%	700,000	09/20/2015	114,439	-
				<u>1,960,620</u>	<u>2,366,964</u>

(Continued)				Fair Value at August 31, 2011	
Currency		Notional Value	Maturity Date	Assets	Liabilities
Commodity:					
U.S. Dollar	Uranium	1,135,000	04/30/2012	-	188,490
Equity:					
U.S. Dollar	Global Real Estate Index	69,985,055	02/09/2012	-	7,969,731
	MSCI Canada Index	6,185,979	05/16/2012	136,597	-
	MSCI Europe Index	118,999,257	02/22/2012	-	6,724,384
	MSCI Japan Index	29,999,983	02/08/2012	210,399	-
	MSCI Japan Index	38,000,825	02/22/2012	-	1,521,819
	Oil & Gas	74,952,399	09/26/2011	2,958,645	-
	S&P 400 Index	107,999,486	02/21/2012	-	11,993,997
	S&P 500 Index	275,001,286	08/20/2012	-	23,564,638
	U.S. Real Estate Index	145,000,023	08/20/2012	-	11,705,595
				<u>3,305,641</u>	<u>63,480,164</u>
Total				\$ <u>8,614,214</u>	<u>70,211,745</u>

The change in fair value of open swap positions for the year ending August 31, 2011, was a decrease in the amount of \$62,843,692, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets.

The following discloses the notional amount (presented in local currency), the coupon rate, and the fair values of the outstanding swap contracts as of August 31, 2010:

Currency	Notional Value	Maturity Date	Fair Value at August 31, 2010		
			Assets	Liabilities	
Interest Rate:					
Australian Dollar	Receive 6.000% Pay 6 month Australian Bank Bill Rate	5,800,000	12/15/2020	\$ 299,197	-
Brazilian Real	Receive 11.290% Pay Brazil Interbank Deposit Rate	7,500,000	01/02/2012	-	-
	Receive 11.330% Pay Brazil Interbank Deposit Rate	32,100,000	01/02/2012	-	-
Canadian Dollar	Receive 2.500% Pay 3 month Canada Bankers Acceptance Rate	21,500,000	06/18/2013	118,767	-
	Receive 5.750% Pay 3 month Canada Bankers Acceptance Rate	1,000,000	12/19/2028	48,475	-
Japanese Yen	Receive 1.500% Pay 6 month Yen LIBOR	1,550,000,000	12/15/2020	718,497	-
U.S. Dollar	Receive 3.250% Pay 3 month US Dollar LIBOR	2,500,000	09/02/2020	173,150	-
	Receive 3 month US Dollar LIBOR Pay 3.500%	24,600,000	09/02/2020	-	2,266,117
				<u>1,358,086</u>	<u>2,266,117</u>
Credit Default					
British Pound	0.530%	1,000,000	09/20/2010	-	1,554
	0.670%	780,000	09/20/2014	-	8,939
Euro	1.400%	2,100,000	06/20/2011	-	4,540
U.S. Dollar	0.165%	300,000	03/20/2011	-	34
	0.210%	200,000	06/20/2011	-	56
	0.210%	600,000	09/20/2011	1,030	-
	0.220%	200,000	09/20/2011	642	-
	0.230%	200,000	03/20/2012	227	-
	0.290%	800,000	03/20/2011	-	1,048
	0.450%	1,000,000	09/20/2014	-	2,533
	0.460%	600,000	09/20/2011	5,574	-
	0.460%	600,000	03/20/2012	15,102	-
	0.460%	1,000,000	12/20/2013	-	8,715
	0.510%	500,000	06/20/2011	1,020	-
	0.510%	800,000	03/20/2018	3,383	-
	0.550%	600,000	09/20/2011	4,896	-
	0.590%	1,000,000	09/20/2014	26,547	-
	0.590%	1,000,000	09/20/2016	9,493	-
	0.700%	800,000	12/20/2018	22,129	-
	0.740%	700,000	03/20/2018	507	-
	0.750%	1,000,000	12/20/2013	-	7,449
	0.750%	1,000,000	09/20/2017	7,887	-
	0.770%	800,000	03/20/2012	1,474	-
	0.820%	1,000,000	03/20/2018	274	-
	0.862%	1,800,000	11/20/2016	312,951	-
	0.900%	1,000,000	06/20/2019	44,546	-
	0.940%	400,000	06/20/2018	26,756	-
	0.990%	1,000,000	09/20/2015	17,951	-
	1.000%	22,300,000	06/20/2015	401,760	-
	1.000%	2,400,000	12/20/2016	274,250	-
	1.000%	200,000	06/20/2019	6,927	-
	1.030%	2,000,000	03/20/2013	128,920	-
	1.060%	900,000	03/20/2018	17,986	-

(Continued)		Fair Value at August 31, 2010			
Currency		Notional Value	Maturity Date	Assets	Liabilities
Credit Default (cont.)					
U.S. Dollar (cont.)					
	1.090%	1,000,000	06/20/2018	56,121	-
	1.100%	1,700,000	09/20/2012	-	9,555
	1.135%	500,000	09/20/2013	318	-
	1.160%	2,000,000	03/20/2013	-	570
	1.170%	1,000,000	06/20/2013	-	8,260
	1.280%	1,000,000	06/20/2013	-	11,520
	1.290%	700,000	06/20/2011	-	1,868
	1.300%	900,000	06/20/2013	-	10,901
	1.320%	1,000,000	03/20/2017	17,736	-
	1.350%	600,000	03/20/2018	-	28,959
	1.380%	2,000,000	03/20/2017	-	86,628
	1.400%	1,100,000	03/20/2018	-	27,198
	1.420%	1,500,000	03/20/2018	-	39,190
	1.450%	3,000,000	06/20/2013	-	39,474
	1.530%	1,000,000	09/20/2016	17,072	-
	1.540%	1,000,000	12/20/2013	124,713	-
	1.540%	400,000	06/20/2018	-	8,504
	1.600%	1,000,000	03/20/2013	49,834	-
	1.620%	1,000,000	06/20/2012	62,988	-
	1.720%	300,000	12/20/2013	-	865
	1.743%	900,000	06/20/2013	-	22,705
	1.780%	800,000	06/20/2013	-	21,072
	1.820%	700,000	06/20/2013	-	19,267
	1.920%	1,000,000	03/20/2017	70,223	-
	2.700%	1,000,000	03/20/2019	-	26,406
	2.930%	300,000	06/20/2015	-	18,867
	3.460%	1,700,000	06/20/2017	-	193,939
	4.230%	1,500,000	12/20/2013	-	177,633
	5.000%	700,000	09/20/2015	80,992	-
				<u>1,812,229</u>	<u>788,249</u>
Commodity:					
U.S. Dollar					
	Sugar #11	1,880,199	09/14/2010	<u>351,287</u>	<u>-</u>
Equity:					
British Pound					
	Rio Tinto PLC	1,194,171	09/10/2012	194,984	-
Brazilian Real					
	Eletrobras	680,720	09/10/2012	88,005	-
Euro					
	Ryanair Holdings	1,683,775	09/10/2012	102,914	-
	Ryanair Holdings	49,775	08/04/2020	-	1,138
	Telefonica	1,039,938	09/10/2012	-	19,395
U.S. Dollar					
	Alerian MLP Basket	64,608,900	11/26/2010	-	698,818
	Bank of Baroda	1,356,218	09/10/2012	158,494	-
	Bank of Baroda	1,449,942	12/11/2019	24,958	-
	MSCI Australia Index	74,229,391	05/16/2011	-	799,998
	MSCI Canada Index	90,880,793	05/16/2011	1,138,648	-
	State Bank of India	1,801,274	12/01/2010	-	49,794
	Union Bank of India	591,778	09/10/2012	24,921	-
	Union Bank of India	843,049	11/11/2019	-	34,422
	United Spirits Ltd	1,140,192	09/10/2012	83,471	-
				<u>1,816,395</u>	<u>1,603,565</u>
Total				\$ <u>5,337,997</u>	<u>4,657,931</u>

The change in fair value of open swap positions for the year ending August 31, 2010, was an increase in the amount of \$427,192, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets.

(E) *Investment Funds* – The System’s investment funds include exchange traded funds, index funds, Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships and corporate structures, which are generally unrated and may be unregulated. These investments are recorded on System’s balance sheet at fair value.

The System invests in hedge fund pools which are invested in private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private placements, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$42,371,530 and \$27,579,189 of future funding to various hedge fund investments as of August 31, 2011 and 2010, respectively.

The System invests in private investments through private investment pools which are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain of these investments are held through LLCs, of which UTIMCO is the sole managing member. The System had committed \$3,086,712,650.63 and \$2,453,783,015.00 of future funding to various private investments as of August 31, 2011 and 2010, respectively.

Public market funds are invested in exchange traded funds, index funds and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the funds. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. There are certain risks associated with these investments, some of which are investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios.

Hedge funds, private investments and public market funds include investments in private placement vehicles that are subject to risk, which could result in the loss of invested capital. The risks include the following:

- *Non-regulation risk* – Some of the general partners and investment managers are not registered with the Securities and Exchange Commission or other domestic or international regulators, and therefore are not subject to regulatory controls.
- *Key personnel risk* – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* – Many of the System's investment funds may impose lock-up periods, which would cause the System to incur penalties to redeem its units or prevent the System from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* – As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* – These funds often employ sophisticated investment strategies and may use leverage, which could result in the loss of invested capital.

Investments in hedge funds, private investments and public market funds are also subject to the investment risks previously discussed under the heading of Investment Risks, including custodial credit risk and foreign currency risk. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

The fair values of these various investment funds as of August 31, 2011 and 2010 were \$15,382,351,127 and \$12,533,465,389, respectively.

(F) *Securities Sold Short* – The System may sell securities it does not own in anticipation of a decline in the fair value of that security or as a means to adjust the duration of certain fixed income portfolios. When the System sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale and provide collateral for its obligation to deliver the security upon conclusion of the sale. The System must pay dividends or interest on the securities sold short. Until the System covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices, which may be significantly higher than the market value reflected in the consolidated balance sheet. As of August 31, 2011 and 2010, the System had no securities sold short.

4. Endowments

Restricted investments include \$21,825,601,578.60 and \$18,604,997,089.19 of endowment funds, including annuity and life income funds, as of August 31, 2011 and 2010, respectively. The net asset classifications on the balance sheet related to endowment funds, including annuity and life income funds, as of August 31, 2011 and 2010 are as follows:

<u>Net Asset Classification of Endowments</u>	<u>2011</u>	<u>2010</u>
Restricted, nonexpendable	\$ 12,233,569,682.48	10,987,365,364.02
Restricted, expendable:		
Net Appreciation on True Endowments	7,685,012,678.67	6,170,677,444.54
Funds Functioning as Endowments	266,853,805.92	243,435,473.09
Term Endowments	31,010,510.04	28,474,910.03
Unrestricted:		
Funds Functioning as Endowments	<u>689,882,637.65</u>	<u>640,594,879.45</u>
Total	<u>\$ 20,906,329,314.76</u>	<u>18,070,548,071.13</u>

In the table above, amounts reported as “Net Appreciation” represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the UT System Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the UT System Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System’s policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The System’s endowment distribution policy is further discussed below.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of: the PUF and the PHF. The PUF was established for the benefit of the System and the Texas A&M University System. A portion of the PHF was established for the benefit of the System’s health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine.

The PUF was established by Chapter 7, Section 11 of the Texas Constitution of 1876 through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the AUF. The Constitution, as amended, is summarized as follows: (i) The UT System Board of Regents is held to a “prudent investor” rather than a “prudent person” standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the UT System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the UT System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of managing PUF land and investments are paid by the PUF.

The UT System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the Texas Education Code. Certain funds created by this statute were transferred to the UT System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the UT System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as Endowment and Similar Funds – State. These endowments provide support for programs that benefit medical research, health education or treatment at health-related institutions. The UT System Board of Regents determines the amount of distributions to support the programs based on the PHF’s investment policy.

The PHF investment policy provides that the annual payout will be adjusted by the average consumer price index of the previous twelve quarters. However, if this inflationary increase results in a distribution rate below 3.5%, the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%. If the distribution rate exceeds 5.5%, the board may recommend a reduction in the per unit distribution amount. Notwithstanding any of the forgoing provisions, the UT System Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the UT System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. As provided in the LTF investment policy, distributions from the LTF are determined in the same manner as the PHF described above.

ENDOWMENT AND SIMILAR FUNDS - OTHER THAN STATE

Funds subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include Endowments, Term Endowments and Funds Functioning as Endowments. Funds Functioning as Endowments consist of amounts that have been internally dedicated by the System for long-term investment purposes. Funds with external donor restrictions are classified as Funds Functioning as Endowments – Restricted. If no external restriction exists, the funds are classified as Funds Functioning as Endowments – Unrestricted. Endowment and Term Endowment holdings may be invested in the LTF, or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document; (ii) the inability to sell the gifted investment asset; or (iii) they are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

ANNUITY AND LIFE INCOME FUNDS

The Annuity Funds consist of funds donated to an institution on the condition that the institution pay a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The Life Income Funds consist of funds contributed to an institution subject to the requirement that the institution periodically pay the income earned on the assets, less management expenses, to designated beneficiaries.

AVAILABLE UNIVERSITY FUND

The AUF consists of distributions made to it from the total return on the PUF investment assets and surface income from PUF lands. All surface income from the PUF lands (i.e., grazing leases and land easements) is deposited to the AUF. The AUF must be used first to pay debt service on the PUF bonds and notes. After debt service requirements are met, under present Legislative authority, the AUF may be appropriated for the support and maintenance of UT Austin and UT System Administration.

5. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2011, is presented below.

	Balance 09/01/10	Adjustments	Reclassifications Completed CIP
<u>Nondepreciable Assets:</u>			
Land and Land Improvements	\$ 443,917,278.79	-	8,008.86
Construction in Progress (CIP)	1,898,249,307.36	(731,935.15)	(1,754,621,062.27)
Nondepreciable Collections	238,770,129.92	(405,811.00)	-
Land Use Rights Nonamortizable	3,220,340.10	-	-
Total Nondepreciable/Nonamortizable Assets	<u>2,584,157,056.17</u>	<u>(1,137,746.15)</u>	<u>(1,754,613,053.41)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	10,791,419,545.66	-	1,670,703,651.38
Infrastructure	254,908,376.93	-	16,667,647.39
Facilities and Other Improvements	721,399,408.45	-	13,345,162.86
Furniture and Equipment	2,493,057,154.56	(79,840.77)	7,038,563.36
Vehicles, Boats and Aircraft	63,715,244.71	-	-
Other Depreciable Assets (including Library Books)	620,752,626.84	-	7,643,628.20
Total Depreciable Assets at Historical Cost	<u>14,945,252,357.15</u>	<u>(79,840.77)</u>	<u>1,715,398,653.19</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(4,202,889,723.46)	-	-
Infrastructure	(120,613,369.01)	-	-
Facilities and Other Improvements	(230,752,615.13)	-	-
Furniture and Equipment	(1,649,295,276.15)	-	-
Vehicles, Boats and Aircraft	(43,107,673.13)	-	-
Other Depreciable Assets (including Library Books)	(435,244,794.51)	-	-
Total Accumulated Depreciation	<u>(6,681,903,451.39)</u>	<u>-</u>	<u>-</u>
Depreciable Assets, net	<u>8,263,348,905.76</u>	<u>(79,840.77)</u>	<u>1,715,398,653.19</u>
<u>Amortizable Intangible Assets:</u>			
Computer Software	567,041,421.17	(56,308.12)	39,214,400.22
Total Amortizable Intangible Assets	<u>567,041,421.17</u>	<u>(56,308.12)</u>	<u>39,214,400.22</u>
Less Accumulated Amortization for:			
Computer Software	(406,578,273.59)	-	-
Total Accumulated Amortization	<u>(406,578,273.59)</u>	<u>-</u>	<u>-</u>
Intangible Capital Assets, net	<u>160,463,147.58</u>	<u>(56,308.12)</u>	<u>39,214,400.22</u>
Capital Assets, net	<u>\$ 11,007,969,109.51</u>	<u>(1,273,895.04)</u>	<u>-</u>

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 08/31/11
102,557.00	(102,557.00)	15,721,142.49	(4,925.05)	459,641,505.09
-	-	1,126,893,684.89	(507,954.85)	1,269,282,039.98
-	-	9,416,754.62	(691,223.84)	247,089,849.70
-	-	19,807.50	-	3,240,147.60
<u>102,557.00</u>	<u>(102,557.00)</u>	<u>1,152,051,389.50</u>	<u>(1,204,103.74)</u>	<u>1,979,253,542.37</u>
9,023,979.67	(2,889,204.00)	503,538,446.73	(316,409,327.54)	12,655,387,091.90
5,648,272.59	-	232,073.39	-	277,456,370.30
1,769,400.47	-	(154,298,539.16)	(30,000.00)	582,185,432.62
2,164,108.50	(1,891,752.21)	325,602,413.72	(118,807,110.35)	2,707,083,536.81
48,069.41	(79,416.41)	4,083,761.23	(3,385,692.21)	64,381,966.73
<u>2,763,702.10</u>	<u>(2,763,702.10)</u>	<u>24,718,459.37</u>	<u>(8,113,123.52)</u>	<u>645,001,590.89</u>
<u>21,417,532.74</u>	<u>(7,624,074.72)</u>	<u>703,876,615.28</u>	<u>(446,745,253.62)</u>	<u>16,931,495,989.25</u>
(8,227,346.95)	-	(534,258,614.13)	36,317,560.96	(4,709,058,123.58)
(2,479,759.24)	-	(8,314,561.05)	-	(131,407,689.30)
(1,269,480.92)	-	(17,379,192.85)	5,000.00	(249,396,288.90)
(2,093,282.78)	1,618,021.39	(229,090,657.00)	104,341,490.76	(1,774,519,703.78)
(38,115.00)	65,543.63	(5,563,955.67)	2,999,460.75	(45,644,739.42)
-	-	(29,618,195.67)	7,257,546.42	(457,605,443.76)
<u>(14,107,984.89)</u>	<u>1,683,565.02</u>	<u>(824,225,176.37)</u>	<u>150,921,058.89</u>	<u>(7,367,631,988.74)</u>
<u>7,309,547.85</u>	<u>(5,940,509.70)</u>	<u>(120,348,561.09)</u>	<u>(295,824,194.73)</u>	<u>9,563,864,000.51</u>
<u>2,121,000.00</u>	<u>(2,121,000.00)</u>	<u>126,741,476.49</u>	<u>(13,727,320.71)</u>	<u>719,213,669.05</u>
<u>2,121,000.00</u>	<u>(2,121,000.00)</u>	<u>126,741,476.49</u>	<u>(13,727,320.71)</u>	<u>719,213,669.05</u>
<u>(2,107,222.23)</u>	<u>2,107,222.23</u>	<u>(78,166,979.88)</u>	<u>7,849,760.11</u>	<u>(476,895,493.36)</u>
<u>(2,107,222.23)</u>	<u>2,107,222.23</u>	<u>(78,166,979.88)</u>	<u>7,849,760.11</u>	<u>(476,895,493.36)</u>
<u>13,777.77</u>	<u>(13,777.77)</u>	<u>48,574,496.61</u>	<u>(5,877,560.60)</u>	<u>242,318,175.69</u>
<u>7,425,882.62</u>	<u>(6,056,844.47)</u>	<u>1,080,277,325.02</u>	<u>(302,905,859.07)</u>	<u>11,785,435,718.57</u>

A summary of changes in the capital assets for the year ended August 31, 2010, is presented below.

	Balance 09/01/09	Adjustments	Reclassifications Completed CIP
<u>Nondepreciable Assets:</u>			
Land and Land Improvements	\$ 432,652,167.33	(3,189,647.48)	561,820.27
Construction in Progress (CIP)	1,496,127,148.69	(442,515.36)	(868,264,214.44)
Nondepreciable Collections	225,856,547.91	(10,678.26)	-
Land Use Rights Nonamortizable	-	3,189,647.50	-
Total Nondepreciable/Nonamortizable Assets	<u>2,154,635,863.93</u>	<u>(453,193.60)</u>	<u>(867,702,394.17)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	9,999,101,230.03	(2,089,607.92)	752,037,791.11
Infrastructure	238,172,902.48	-	16,577,531.19
Facilities and Other Improvements	670,438,513.07	2,089,607.92	44,716,198.46
Furniture and Equipment	2,840,669,315.68	(499,189,011.95)	6,681,969.16
Vehicles, Boats and Aircraft	61,388,125.00	-	-
Other Depreciable Assets (including Library Books)	590,863,148.71	1,968,152.92	12,412,868.85
Total Depreciable Assets at Historical Cost	<u>14,400,633,234.97</u>	<u>(497,220,859.03)</u>	<u>832,426,358.77</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(3,777,273,123.09)	462,967.15	-
Infrastructure	(112,779,997.60)	-	-
Facilities and Other Improvements	(205,370,229.63)	(462,967.15)	-
Furniture and Equipment	(1,869,384,785.14)	347,640,825.51	-
Vehicles, Boats and Aircraft	(39,891,485.74)	-	-
Other Depreciable Assets (including Library Books)	(419,847,313.03)	(988,080.11)	-
Total Accumulated Depreciation	<u>(6,424,546,934.23)</u>	<u>346,652,745.40</u>	<u>-</u>
Depreciable Assets, net	<u>7,976,086,300.74</u>	<u>(150,568,113.63)</u>	<u>832,426,358.77</u>
<u>Amortizable Intangible Assets:</u>			
Computer Software	-	495,557,815.16	35,276,035.40
Total Amortizable Intangible Assets	<u>-</u>	<u>495,557,815.16</u>	<u>35,276,035.40</u>
Less Accumulated Amortization for:			
Computer Software	-	(346,652,745.40)	-
Total Accumulated Amortization	<u>-</u>	<u>(346,652,745.40)</u>	<u>-</u>
Intangible Capital Assets, net	<u>-</u>	<u>148,905,069.76</u>	<u>35,276,035.40</u>
Capital Assets, net	<u>\$ 10,130,722,164.67</u>	<u>(2,116,237.47)</u>	<u>-</u>

Reclassifications Interagency Transfers - In	Reclassifications Interagency Transfers - Out	Additions	Deletions	Balance 08/31/10
-	(711.80)	26,090,333.32	(12,196,682.85)	443,917,278.79
-	-	1,270,828,888.47	-	1,898,249,307.36
-	-	16,344,790.16	(3,420,529.89)	238,770,129.92
-	-	30,692.60	-	3,220,340.10
-	(711.80)	1,313,294,704.55	(15,617,212.74)	2,584,157,056.17
6,337,806.64	(6,337,806.64)	60,956,111.26	(18,585,978.82)	10,791,419,545.66
-	-	157,943.26	-	254,908,376.93
-	-	4,155,089.00	-	721,399,408.45
2,769,190.89	(2,205,403.58)	243,532,872.56	(99,201,778.20)	2,493,057,154.56
-	(73,151.40)	4,845,568.76	(2,445,297.65)	63,715,244.71
1,954,305.14	(1,954,305.14)	27,333,298.60	(11,824,842.24)	620,752,626.84
11,061,302.67	(10,570,666.76)	340,980,883.44	(132,057,896.91)	14,945,252,357.15
(2,281,177.59)	2,281,177.59	(435,795,535.13)	9,715,967.61	(4,202,889,723.46)
-	-	(7,833,371.41)	-	(120,613,369.01)
-	-	(24,919,418.35)	-	(230,752,615.13)
(2,134,654.51)	1,870,162.70	(217,715,212.95)	90,428,388.24	(1,649,295,276.15)
-	70,763.73	(5,585,373.90)	2,298,422.78	(43,107,673.13)
-	-	(26,232,694.90)	11,823,293.53	(435,244,794.51)
(4,415,832.10)	4,222,104.02	(718,081,606.64)	114,266,072.16	(6,681,903,451.39)
6,645,470.57	(6,348,562.74)	(377,100,723.20)	(17,791,824.75)	8,263,348,905.76
16,725.00	(10,700.00)	46,875,137.01	(10,673,591.40)	567,041,421.17
16,725.00	(10,700.00)	46,875,137.01	(10,673,591.40)	567,041,421.17
(2,309.43)	10,700.00	(67,312,981.62)	7,379,062.86	(406,578,273.59)
(2,309.43)	10,700.00	(67,312,981.62)	7,379,062.86	(406,578,273.59)
14,415.57	-	(20,437,844.61)	(3,294,528.54)	160,463,147.58
6,659,886.14	(6,349,274.54)	915,756,136.74	(36,703,566.03)	11,007,969,109.51

The System does not have any impairment losses to report for the years ended August 31, 2011 and 2010. There were no capital assets that were idle as of August 31, 2011 or 2010.

6. Risk Management and Related Insurance

The System has seven funded self-insurance plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, professional medical liability, property protection, directors and officers/employment practices liability, and construction contractor insurance.

EMPLOYEE AND RETIREE INSURANCE BENEFITS

The UT System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment (AD&D), long-term disability, short-term disability, long-term care and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its fifteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the System's cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The System's Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. OEB was established by Chapter 1601 of the *Texas Insurance Code* and complies with State laws and statutes pertinent to employee benefits for the System.

Effective January 1, 2006, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries under Medicare Part D. Medicare Part D provides sponsors of postemployment healthcare plans with a subsidy of up to 28 percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The System recognized \$10,046,781.72 and \$7,456,450.26 of Medicare Part D payments from the federal government in 2011 and 2010, respectively.

UNEMPLOYMENT COMPENSATION INSURANCE

The General Appropriations Act requires the System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to former employees that were paid from general revenue funds. The System reimburses the TWC 100% of the unemployment benefits paid to former employees that were paid from local funds.

WORKERS' COMPENSATION INSURANCE

The University of Texas System Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its fifteen institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the program. The WCI staff is responsible for administering all aspects of the system-wide program, which provides income and medical benefits to all employees who have sustained job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code*.

PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

The coverage provided under the Professional Medical Liability Benefit Plan (Plan) is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System's employment or training. The Plan covers all of the System staff physicians, dentists, residents, fellows, and medical students who have been enrolled. The limits of liability of the Plan include an annual policy aggregate of \$30 million, an annual aggregate of \$1.5 million for each staff physician (\$500,000.00 per claim), an annual aggregate of \$300,000.00 for each resident or fellow (\$100,000.00 per claim) and a \$75,000.00 annual aggregate for each medical student (\$25,000.00 per claim). Other coverage is available for medical student externships outside of Texas and for approved international activities.

Liability is limited to \$2 million per incident, regardless of the number of claimants or physicians involved in an incident. As of September 1, 2003, the limits of liability are prescribed by law as \$100,000.00 per claim per physician. Also effective September 1, 2003, UT institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a UT institution is limited by law to \$250,000.00 per claimant and \$500,000.00 per occurrence for bodily injury or death.

COMPREHENSIVE PROPERTY PROTECTION PROGRAM

The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) coverage, as well as coverage for Named Windstorm and Flood (Wind and Flood). All coverage is subject to the terms, exclusions, limits and conditions of the Insurance Policies. The Fire and AOP program provides a \$1 billion per occurrence limit for most perils, with sub-limits that do apply. The first \$150 million is covered by insurance on a quota share basis with the System retaining twenty-five percent (25%) of the layer. Deductibles for Fire and AOP are \$5 million per occurrence with a \$15 million annual aggregate limit. Coverage for Named Windstorm and resulting perils provides a \$150 million per occurrence limit also on a quota share basis as mentioned for Fire and AOP; a deductible of \$50 million per occurrence applies for UT Medical Branch at Galveston (locations in Galveston only), UT Health Science Center at Houston (locations in Texas Medical Center only), and UT M. D. Anderson Cancer Center (locations in Texas Medical Center Only). Named Windstorm coverage is provided for other locations with a lower deductible.

In addition, primary policies are purchased on certain flood and wind exposed properties. These policies provide underlying limits (up to \$4.4 million per building/contents for wind and \$1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) and the National Flood Insurance Program (NFIP) for facilities in Tier 1 seacoast territories and for properties located in various flood zones. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution's deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to paying insurance premiums.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY SELF-INSURANCE PLAN

The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Self-insurance Plan (the "Plan") provides coverage for claims arising from actual or alleged wrongful acts performed by the plan beneficiaries. The plan also provides coverage for EPL claims, such as wrongful termination, failure to promote and wrongful discipline. In 2003, the UT System Board of Regents allocated \$3.7 million from the Available University Fund to establish the D&O/EPL loss reserve fund. Institutions make annual premium contributions to this fund.

Coverage applies to individual board members, employees, faculty, etc., as well as to the System itself. The limit of liability is a \$10 million annual aggregate (Coverages A, B and C combined), except for \$5 million annual aggregate sublimit for Coverage C. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a UT institution that is required to indemnify a covered individual with deductibles of \$100,000 per individual and \$300,000 per occurrence. Coverage C applies to a UT institution and related entities with a \$300,000 deductible. An excess coverage commercial insurance policy provides \$10 million limit of liability in excess of a \$5 million aggregate retention which is satisfied by payment of losses under the Plan.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM

The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital projects. This program provides workers' compensation and general liability insurance for all contractors enrolled on projects participating in the program. The insurance carries a \$250,000.00 per claim and a \$375,000.00 per occurrence cash deductible, which is paid through the program's self-insurance fund.

INCURRED BUT NOT REPORTED SELF-INSURANCE CLAIMS

Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee's health and dental, workers' compensation, professional medical liability, directors and officers/employment practices liability, and rolling owner controlled self-insurance plans. IBNR figures for the workers' compensation, professional medical liability, directors and officers/employment practices liability, and rolling owner controlled self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but rather estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. In the past three fiscal years only losses from Hurricane *Ike* in fiscal year 2009 exceeded insurance coverage.

Since the responsibility for processing all claims for employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers' compensation, professional medical liability, directors and officers/employment practices liability, and rolling owner controlled self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the administrative expenses associated with the ultimate settlement of those claims. They do not include a provision for ULAE.

Changes in the System's claims liabilities for the various self-insurance plans during fiscal years 2011 and 2010 were as follows:

<u>Fiscal Year 2011</u> Plan	IBNR Liability 09/01/10	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/11
Employee Health and Dental	\$ 78,100,000.00	724,940,158.87	(724,440,158.87)	78,600,000.00
Workers' Compensation	8,388,000.00	3,865,871.79	(4,268,871.79)	7,985,000.00
Professional Medical Liability	19,409,054.00	178,505.68	(3,132,598.68)	16,454,961.00
Property Protection – Fire & AOP	82,000.00	327,529.81	(8,986.81)	400,543.00
Property Protection – Wind & Flood	-	-	-	-
Directors and Officers/EPL	4,294,292.00	(986,310.00)	-	3,307,982.00
ROCIP I, II, III, IV and V	7,382,929.00	1,230,228.29	(2,873,444.29)	5,739,713.00
TOTAL	\$ 117,656,275.00	729,555,984.44	(734,724,060.44)	112,488,199.00

<u>Fiscal Year 2010</u> Plan	IBNR Liability 09/01/09	Current Year Claims and Changes in Estimates	Claims Payments	IBNR Liability 08/31/10
Employee Health and Dental	\$ 71,800,000.00	699,784,135.66	(693,484,135.66)	78,100,000.00
Workers' Compensation	8,718,000.00	4,470,991.58	(4,800,991.58)	8,388,000.00
Professional Medical Liability	23,941,448.00	(1,869,244.45)	(2,663,149.55)	19,409,054.00
Property Protection – Fire & AOP	90,531.00	78,641.32	(87,172.32)	82,000.00
Property Protection – Wind & Flood	-	1,221,123.90	(1,221,123.90)	-
Directors and Officers/EPL	3,312,502.00	981,790.00	-	4,294,292.00
ROCIP I, II, III, IV and V	7,722,212.00	2,469,096.07	(2,808,379.07)	7,382,929.00
TOTAL	\$ 115,584,693.00	707,136,534.08	(705,064,952.08)	117,656,275.00

7. Postemployment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. For the years ended August 31, 2011 and 2010, the contributions for the self-funded plan by the State per full-time retired employee are shown in the following table. The retiree contributes any premium over and above the State contributions.

<u>Level of Coverage</u>	<u>2011</u>	<u>2010</u>
Retiree Only	\$ 440.25	\$ 393.08
Retiree/Spouse	671.03	599.14
Retiree/Children	587.90	524.91
Retiree/Family	820.06	732.19

The number of systemwide retired employees who were eligible for these benefits, as well as the cost of providing the benefits for the years ended August 31, 2011 and 2010 are provided in the following table.

	<u>2011</u>	<u>2010</u>
Number of Retirees	19,687	18,779
Cost to the State	\$ 54,867,673.03	52,385,345.75
Cost to the System	58,052,246.64	43,503,299.27

PLAN DESCRIPTION AND FUNDING POLICY

OPEB are provided to the System’s retirees under the UT System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis.

The OPEB plan described herein is not administered through a trust.

2011 ANNUAL OPEB COST, EMPLOYER CONTRIBUTIONS AND NET OPEB OBLIGATION							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ARC	Interest on Net OPEB Obligation	Adjustment to the ARC	Annual OPEB Cost {(1) + (2) - (3)}	Employer Contributions	Increase (Decrease) in Net OPEB Obligation {(4) - (5)}	Net OPEB Obligation at Beginning of Year	Net OPEB Obligation at End of Year {(6) + (7)}
\$571,607,003.00	90,703,418.00	67,141,049.00	595,169,372.00	124,280,440.00	470,888,932.00	1,295,763,104.00	1,766,652,036.00

THREE-YEAR HISTORY OF ANNUAL OPEB COST AND NET OPEB OBLIGATION

(1)	(2)	(3)	(4)	(5)
Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed {(3)/(2)}	Net OPEB Obligation at End of Year
August 31, 2009	\$523,703,457.00	105,356,191.00	20.1%	841,025,290.00
August 31, 2010	571,760,895.00	117,023,081.00	20.5%	1,295,763,104.00
August 31, 2011	595,169,372.00	124,280,440.00	20.9%	1,766,652,036.00

The OPEB expense (cost) reflected on the Statement of Revenues, Expenses and Changes in Net Assets is net of the employer contributions as these costs are reflected as a portion of payroll related costs.

SCHEDULE OF FUNDING PROGRESS OF THE PLAN AS OF DECEMBER 31, 2010

The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {(3) - (2)}	Funded Ratio {(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {(4)/(6)}
December 31, 2008	\$-	5,102,764,529.00	5,102,764,529.00	0.0%	4,820,567,837.00	105.9%
December 31, 2009	-	5,676,867,734.00	5,676,867,734.00	0.0%	5,026,491,379.00	112.9%
December 31, 2010	-	5,956,797,788.00	5,956,797,788.00	0.0%	5,309,413,147.00	112.2%

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress shown above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes *does not* explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the figures include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

The information presented herein was determined as part of the actuarial valuation using the actuarial methods and assumptions summarized below.

Summary of Actuarial Methods and Assumptions	
Actuarial cost method	Entry Age Normal (Level percent of pay)
Asset valuation method	Market
Actuarial assumptions:	
Annual investment return assumption (discount rate) ¹	7.00%
Projected annual salary increases ¹	4.75% to 7.75%
Weighted-average at valuation date ¹	6.42%
Annual Healthcare Trend Rates ¹	8.00% in FYE 2012 Declining to 5.50% in FYE 2018
Amortization method	Level percent
Amortization period	30 year open period

¹Includes inflation assumption of 3.50%

SIGNIFICANT FACTORS AFFECTING THE COMPARABILITY OF AMOUNTS REPORTED

The following assumptions have been changed since the previous valuation:

- the Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect claims and expense experience in the twelve months following the date as of which the prior valuation’s assumptions were determined;
- the Health Benefit Cost Trend has been updated to reflect changes in short-term expectations of the annual rate of increase of the Assumed Per Capita Health Benefit Costs;
- the assumption for General Price Inflation has been updated to reflect the actuary’s best expectation of increases in the general price levels over the long-term;

- General Price Inflation is a component of the Salary Increase and the Health Benefit Cost Trend assumptions, and these assumptions were correspondingly adjusted to reflect the change in the General Price Inflation assumption; and
- Demographic assumptions for Retirement Rates, Salary Increases and Inactive Member Mortality were updated since the prior valuation to be consistent with the assumptions used in the actuarial valuation of the TRS retirement plan as of August 31, 2011; these demographic assumptions were based on an experience study and were previously approved by the TRS Board for use in the retirement plan valuation.

The benefit and eligibility provisions have been changed since the prior valuation in order to meet the requirements of the Affordable Care Act. These changes will become effective September 1, 2011 and are incorporated into this valuation in accordance with GAAP. Through elimination of deductibles, copayments and coinsurance related to certain preventive care services and extension of coverage to age 26 for children, these benefit and eligibility changes will increase plan cost for retirees. The increased plan cost will increase the employer's Annual OPEB Cost and Actuarial Accrued Liability above the levels they would have otherwise been in the absence of these changes to the benefit and eligibility provisions.

Furthermore, the effects of the Affordable Care Act's addition of the new Cadillac Tax under Internal Revenue Code Section 4980I have been included in this valuation. The present value of the estimated Cadillac Taxes in future years will increase the employer's Annual OPEB Cost and Actuarial Accrued Liability above the levels they would have otherwise been in the absence of this change to the law.

8. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2011, is summarized as follows:

	Balance 09/01/10	Additions	Reductions	Balance 08/31/11	Amounts due within one year
Bonds Payable:					
Permanent University Fund	\$ 1,476,380,000.00	-	22,150,000.00	1,454,230,000.00	414,580,000.00
Revenue Financing System	4,735,495,000.00	644,095,000.00	171,910,000.00	5,207,680,000.00	1,148,850,000.00
Subtotal Bonds Payable – Par	6,211,875,000.00	644,095,000.00	194,060,000.00	6,661,910,000.00	1,563,430,000.00
Unamortized Net Premiums	264,041,759.78	4,815,465.40	21,217,405.86	247,639,819.32	21,217,405.77
Unamortized Net (Losses)	(64,173,104.40)	10,880,444.58	-	(53,292,659.82)	(10,200,966.35)
Total Bonds Payable	6,411,743,655.38	659,790,909.98	215,277,405.86	6,856,257,159.50	1,574,446,439.42
Notes & Loans Payable:					
Permanent University Fund CP Notes	260,000,000.00	-	-	260,000,000.00	260,000,000.00
Revenue Financing System CP Notes	294,574,000.00	184,168,000.00	108,590,000.00	370,152,000.00	370,152,000.00
Other Notes and Loans	30,016,781.14	-	1,589,110.68	28,427,670.46	4,594,736.18
Subtotal Notes & Loans Payable – Par	584,590,781.14	184,168,000.00	110,179,110.68	658,579,670.46	634,746,736.18
Unamortized Net Premiums	-	-	-	-	-
Total Notes and Loans Payable	584,590,781.14	184,168,000.00	110,179,110.68	658,579,670.46	634,746,736.18
Leases Payable:					
Lease Obligations	3,681,786.98	868,774.69	1,371,244.96	3,179,316.71	957,921.30
Total Notes, Loans and Leases Payable	588,272,568.12	185,036,774.69	111,550,355.64	661,758,987.17	635,704,657.48
Pollution Remediation Obligation	-	20,000.00	-	20,000.00	20,000.00
Net Other Post Employment Benefits Obligation	1,295,763,104.00	595,169,372.00	124,280,440.00	1,766,652,036.00	-
Hedging Derivative Liability	205,166,048.45	-	2,918,741.71	202,247,306.74	-
Employee Compensable Leave Incurred But Not Reported Self-Insurance Claims	441,023,342.31	175,951,350.77	163,761,591.50	453,213,101.58	300,782,958.22
	117,656,275.00	729,555,984.44	734,724,060.44	112,488,199.00	90,148,468.27
Total Bonds, Notes, Loans, Leases, and Compensable Leave Payable	\$ 9,059,624,993.26	2,345,524,391.88	1,352,512,595.15	10,052,636,789.99	2,601,102,523.39

Long-term liability activity for the year ended August 31, 2010, is summarized as follows:

	Balance 09/01/09	Additions	Reductions	Balance 08/31/10	Amounts due within one year
<u>Bonds Payable:</u>					
Permanent University Fund	\$ 1,274,235,000.00	250,000,000.00	47,855,000.00	1,476,380,000.00	418,375,000.00
Revenue Financing System	4,058,590,000.00	1,233,040,000.00	556,135,000.00	4,735,495,000.00	1,153,715,000.00
Subtotal Bonds Payable – Par	5,332,825,000.00	1,483,040,000.00	603,990,000.00	6,211,875,000.00	1,572,090,000.00
Unamortized Net Premiums	201,109,257.94	100,742,510.55	37,810,008.71	264,041,759.78	20,615,472.59
Unamortized Net (Losses)	(46,865,818.06)	9,827,272.36	27,134,558.70	(64,173,104.40)	(10,880,444.51)
Total Bonds Payable	5,487,068,439.88	1,593,609,782.91	668,934,567.41	6,411,743,655.38	1,581,825,028.08
<u>Notes & Loans Payable:</u>					
Permanent University Fund CP Notes	250,000,000.00	260,000,000.00	250,000,000.00	260,000,000.00	260,000,000.00
Revenue Financing System CP Notes	697,608,000.00	290,639,000.00	693,673,000.00	294,574,000.00	294,574,000.00
Other Notes and Loans	32,054,260.32	-	2,037,479.18	30,016,781.14	3,715,687.57
Subtotal Notes & Loans Payable – Par	979,662,260.32	550,639,000.00	945,710,479.18	584,590,781.14	558,289,687.57
Unamortized Net Premiums	-	-	-	-	-
Total Notes and Loans Payable	979,662,260.32	550,639,000.00	945,710,479.18	584,590,781.14	558,289,687.57
<u>Leases Payable:</u>					
Lease Obligations	4,104,080.73	1,087,502.86	1,509,796.61	3,681,786.98	1,233,102.01
Total Notes, Loans and Leases Payable	983,766,341.05	551,726,502.86	947,220,275.79	588,272,568.12	559,522,789.58
Pollution Remediation Obligation	5,697.00	-	5,697.00	-	-
Net Other Post Employment Benefits Obligation	841,025,290.00	571,760,895.00	117,023,081.00	1,295,763,104.00	-
Hedging Derivative Liability	93,494,152.83	111,671,895.62	-	205,166,048.45	-
Employee Compensable Leave Incurred But Not Reported Self-Insurance Claims	435,056,097.02	204,940,681.45	198,973,436.16	441,023,342.31	283,402,408.81
Total Bonds, Notes, Loans, Leases, and Compensable Leave Payable	\$ 7,956,000,710.78	3,740,846,291.92	2,637,222,009.44	9,059,624,993.26	2,515,011,774.88

PROJECTED BOND DEBT SERVICE REQUIREMENTS

The principal and interest expense for the next five years and beyond are projected below for bonds issued and outstanding:

Fiscal Year	Principal	Interest	Total
2012	\$ 1,563,430,000.00	259,498,477.61	1,822,928,477.61
2013	205,950,000.00	250,502,458.36	456,452,458.36
2014	211,470,000.00	240,776,086.96	452,246,086.96
2015	221,350,000.00	230,604,602.96	451,954,602.96
2016	231,220,000.00	220,081,239.46	451,301,239.46
2017 – 2021	1,240,195,000.00	927,217,032.35	2,167,412,032.35
2022 – 2026	947,290,000.00	649,391,901.64	1,596,681,901.64
2027 – 2031	635,790,000.00	458,785,531.90	1,094,575,531.90
2032 – 2036	727,669,000.00	288,591,486.24	1,016,260,486.24
2037 – 2041	544,166,000.00	110,185,172.38	654,351,172.38
2042 – 2046	133,380,000.00	16,648,589.60	150,028,589.60
Total Requirements	\$ 6,661,910,000.00	3,652,282,579.46	10,314,192,579.46

The System's variable rate demand bonds mature at various dates through 2039. Outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the System's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the System does not have "take-out" agreements in place. Accordingly, the System has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$1,378,030,000.00 and \$1,405,700,000.00 at August 31, 2011 and 2010, respectively.

Total interest expense for the years ended August 31, 2011 and 2010 was \$322,144,238.95 and \$267,322,982.83, respectively. Interest expense of \$50,505,286.99 and \$52,757,711.07 associated with financing projects during the construction phase was capitalized during the years ended August 31, 2011 and 2010, respectively. Interest expense was also adjusted \$8,941,209.69 and \$7,113,192.87 for the amortization of premiums, issuance costs, and deferred losses on refundings for the years ended August 31, 2011 and 2010, respectively. The remaining amounts of \$262,697,742.27 in 2011 and \$207,452,078.89 in 2010 were reported as interest expense.

Notes and loans payable obligations are due in annual installments through 2017. General information related to notes and loans payable at August 31, 2011, which in substance are not bonds, is summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 634,746,736.18	1,637,592.12	636,384,328.30
2013	2,049,870.81	1,146,683.59	3,196,554.40
2014	1,738,392.43	1,050,816.97	2,789,209.40
2015	1,304,625.82	1,001,792.58	2,306,418.40
2016	16,834,201.13	946,351.27	17,780,552.40
2017 – 2021	1,905,844.09	57,041.16	1,962,885.25
Total Requirements	\$ <u>658,579,670.46</u>	<u>5,840,277.69</u>	<u>664,419,948.15</u>

POLLUTION REMEDIATION OBLIGATION

GASB establishes criteria to ascertain whether certain events result in a requirement to estimate the components of an expected pollution remediation and determine whether those costs should be accrued as a liability or, if appropriate, capitalized. The costs must be estimated using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts.

In September 2008, the United States Environmental Protection Agency (EPA) notified UT System Administration, on behalf of UT Austin, UT Health Science Center at Houston, and UT M. D. Anderson Cancer Center, that they were a potentially responsible party for the Malone Service Company Superfund Site, an inactive waste disposal facility located in Texas City, Texas. In accordance with GASB Statement No. 49, the cumulative effect of the accounting change was recorded as a restatement to net assets as of August 31, 2008. The System received the signed acceptance from the United States Environmental Protection Agency (EPA) during the year ended August 31, 2010 and the pollution remediation obligation was settled for the amount of the liability of \$5,697.00. There were no estimated recoveries reducing the liability or amounts paid.

In May, 2011, UT Austin received a request from the Texas Commission for Environmental Quality (TCEQ) for testing under a Voluntary Cleanup Program at the magnesium pits at the Pickle Research Center. The estimated cost of the testing is \$20,000 based on the expected cash flow technique. There are no estimated recoveries reducing the liability.

UT M. D. Anderson Cancer Center purchased contaminated land in June 2007 with plans to provide a ground lease to the American Cancer Society for a lodging facility for visiting cancer patients with the remaining land to be used for a warehouse with offices and work areas. The land, known as the Almeda property, was previously used by the seller as a solvent storage site and contains solvent contamination. The estimated outlays for the pollution remediation are \$299,488.36 using the expected cash flow technique. The potential for a change in the estimate is unlikely but dependent upon the TCEQ acceptance. These pollution remediation outlays qualify for capitalization and \$305,845.99 and \$248,346.23 were capitalized through August 31, 2011 and 2010 respectively. The purchase price of \$4,287,882.00 and total expected outlays of \$299,488.36 do not exceed the fair market value of the uncontaminated property of \$4,737,882.00, and as such, no pollution remediation liability was established. There are no estimated recoveries reducing the liability.

EMPLOYEES' COMPENSABLE LEAVE

Substantially all full-time System employees earn annual leave from eight to twenty-one hours per month depending upon the respective employee's years of State employment. State law permits employees to carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated annual leave. Both an expense and a liability are recorded as the benefits accrue to employees. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336 hours, whichever is less. The System's policy is to recognize the cost of sick leave when paid, and the liability is not shown in the consolidated financial statements since experience indicates the expense for sick leave to be minimal. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours appointed to work. This obligation is usually paid from the same funding source(s) as the employee's salary or wage compensation.

9. Bonded Indebtedness

At August 31, 2011 and 2010, the System had outstanding bonds payable of \$6,661,910,000.00 and \$6,211,875,000.00, respectively. Permanent University Fund bonds are secured by and payable from the System's interest in the Available University Fund, which consists of distributions from the investment income of the Permanent University Fund. Revenue Financing System debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution.

<u>Bonded Indebtedness</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Principal</u>
Permanent University Fund	0.110%-5.262%	2012-2039	\$ 1,454,230,000.00
Revenue Financing System	0.090%-6.276%	2012-2046	5,207,680,000.00

As of August 31, 2011, the following amounts were authorized, but unissued: Permanent University Fund bonds up to a maximum aggregate amount of \$500 million and Revenue Financing System bonds up to a maximum aggregate amount of \$500 million, each authorized to be issued on or before August 31, 2012. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding as of August 31, 2011, is summarized in the following table.

Bond Series	Purpose	Issue Date	Amount Issued
Permanent University Fund:			
Refunding Bonds Series 2004A	To refund \$61,495,000.00 principal amount of Permanent University Fund Bonds, Series 1997, maturing on July 1 in the years 2009 through 2016, both inclusive	April 6, 2004	60,665,000
Bonds Series 2004B	To refund \$400,000,000.00 principal amount of Permanent University Fund Flexible Rate Notes, Series A	April 6, 2004	396,520,000
Refunding Bonds Series 2005A	To refund \$102,670,000.00 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2012 through 2019, both inclusive	April 5, 2005	100,345,000
Bonds Series 2005B	To refund \$125,000,000.00 principal amount of Permanent University Fund Flexible Rate Notes, Series A	July 7, 2005	124,625,000
Refunding Bonds Series 2006B	To refund \$85,545,000.00 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2020 through 2022, both inclusive; to refund \$172,985,000.00 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2023, 2026 and 2028 through 2030, both inclusive; to refund \$51,905,000.00 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the year 2035	January 24, 2007	284,065,000
Bonds Series 2006C	To refund \$100,000,000.00 principal amount of Permanent University Fund Flexible Rate Notes, Series A	January 24, 2007	97,755,000
Taxable Bonds Series 2009A	To refund \$250,000,000.00 principal amount of Permanent University Taxable Commercial Paper Notes, Series B	September 17, 2009	250,000,000
Revenue Financing System:			
Bonds Series 2001B	To refund \$110,070,000.00 principal of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$76,000,000.00 and pay the cost of issuance	October 2, 2001	179,610,000
Bonds Series 2001C	To refund \$503,000.00 principal of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$87,800,000.00 and pay the cost of issuance	October 2, 2001	84,590,000
Refunding Bonds Series 2002A	To advance refund \$54,575,000.00 principal amount of Revenue Financing System Bonds, Series 1999A maturing from 2010-2016 and 2020 to achieve debt service savings and pay the cost of issuance	September 27, 2002	54,430,000

(Continued)

Bond Series	Purpose	Issue Date	Amount Issued
Revenue Financing System: (continued)			
Refunding Bonds Series 2002B	To advance refund \$109,240,000.00 principal amount of Revenue Financing System Bonds, Series 1999B maturing from 2010-2017 and 2020 to achieve debt service savings and pay the cost of issuance	September 27, 2002	108,855,000
Bonds Series 2003A	To refund \$39,050,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$80,798,250 and pay the cost of issuance	January 23, 2003	112,040,000
Bonds Series 2003B	To refund \$201,039,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$296,078,000 and pay the cost of issuance	January 23, 2003	481,060,000
Refunding Bonds Series 2004A	To refund \$143,155,000.00 principal amount of portions of Revenue Financing System Bonds, Series 1995A, 1996A, 1998A, 1998C, 1999A and 2001C, and pay the cost of issuance	March 9, 2004	137,915,000
Refunding Bonds Series 2004B	To refund \$310,460,000.00 principal amount of portions of Revenue Financing System Bonds, Series 1996B, 1998B, 1998D, 1999B and 2001B, and pay the cost of issuance	March 9, 2004	300,330,000
Bonds Series 2004C	To refund \$147,012,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$88,800,000.00 and pay the cost of issuance	November 4, 2004	218,610,000
Bonds Series 2004D	To refund \$201,512,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$172,544,000.00 and pay the cost of issuance	November 4, 2004	352,170,000
Bonds Series 2006A	To refund \$24,485,000.00 principal amount of Revenue Financing System Bonds, Series 1996A, and pay the cost of issuance	May 17, 2006	20,315,000
Bonds Series 2006B	To refund \$413,161,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$147,764,140.00 and pay the cost of issuance	May 10, 2006	540,570,000
Refunding Bonds Series 2006C	To refund \$177,835,000.00 principal amount of portions of Revenue Financing System Bonds, 2001C, 2003A and 2004C and pay the cost of issuance	January 4, 2007	175,115,000
Refunding Bonds Series 2006D	To refund \$340,735,000.00 principal amount of portions of Revenue Financing System Bonds, 2001B, 2003B and 2004D and pay the cost of issuance	January 4, 2007	346,840,000
Bonds Series 2006E	To refund \$58,300,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	January 4, 2007	55,985,000

(Continued)

<u>Bond Series</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>
Revenue Financing System: (continued)			
Bonds Series 2006F	To refund \$330,187,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	January 4, 2007	318,525,000
Bonds Series 2008A	To refund \$265,386,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance	January 6, 2009	256,735,000
Taxable Bonds Series 2009B	To refund \$96,639,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$230,860,000.00 and pay the cost of issuance	June 17, 2009	330,545,000
Bonds Series 2009D	To refund \$258,995,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$16,115,000 principal amount of Revenue Financing System Bonds, 1998B and pay the cost of issuance	July 15, 2009	260,005,000
Bonds Series 2010A	To refund \$258,392,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$134,369,000.00 and pay the cost of issuance	March 25, 2010	331,415,000
Refunding Bonds Series 2010B	To refund \$393,690,000.00 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F and pay the cost of issuance	April 14, 2010	385,380,000
Taxable Bonds Series 2010D	To refund \$349,415,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$163,441,000.00 and pay the cost of issuance	June 30, 2010	516,245,000
Taxable Bonds Series 2010C	To provide new money of \$600,741,595.93 and pay the cost of issuance	September 23, 2010	604,310,000
Bonds Series 2010E	To refund \$21,328,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$23,080,404.07 and pay the cost of issuance	September 23, 2010	39,785,000

DEMAND BONDS

Revenue Financing System Refunding Bonds, Series 2001A, Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, and Permanent University Fund Bonds, Series 2008A are variable rate demand bonds with an option to tender on seven days' notice. The System has entered into corresponding interest rate swap agreements to convert the System's interest rate exposure to a fixed rate. The Revenue Financing System Refunding Bonds, Series 2001A and the corresponding swap agreement extend to August 15, 2013. The Revenue Financing System Refunding Bonds, Series 2007B and the corresponding swap agreements extend to August 15, 2034. The Revenue Financing System Bonds, Series 2008B and the corresponding swap agreements extend to August 15, 2039. The Permanent University Fund Bonds, Series 2008A and the corresponding swap agreements extend to July 1, 2038. The Board of Regents is obligated to pay the purchase price of demand bonds tendered for purchase and not remarketed by using lawfully available funds. General information related to these demand bonds is summarized in the following table:

<u>Bond Series</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Amount Issued</u>
Permanent University Fund:			
Bonds Series 2008A	To refund \$400,000,000.00 of Permanent University Fund Flexible Notes, Series A and pay costs of issuance	October 30, 2008	400,905,000
Revenue Financing System:			
Bonds Series 2001A	To refund \$38,500,000.00 of Revenue Financing System Refunding Bonds, Series 1991A and \$42,030,000 of Revenue Financing System Refunding Bonds, Series 1991B, and pay costs of issuance	May 17, 2001	81,665,000
Bonds Series 2007B	To refund \$169,015,000.00 of Revenue Financing System Bonds, Series 2003B and \$149,860,000 of Revenue Financing System Bonds, Series 2004D, and pay costs of issuance	December 20, 2007	345,460,000
Bonds Series 2008B	To refund \$461,922,000.00 of Revenue Financing System Commercial Paper Notes, Series A and \$34,715,000.00 of Revenue Financing System Bonds, Series 1998B, provide \$182,590,000.00 of new money to finance the costs of campus improvements, and pay costs of issuance	March 18, 2008	685,485,000

PLEDGED FUTURE REVENUES

GASB guidance makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for the System's bonds:

	<u>2011</u>	<u>2010</u>
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 10,314,192,579.46	9,000,162,810.52
Term of Commitment Year Ending 8/31	2046	2042
Percentage of Revenue Pledged	71.5%	74.7%
Current Year Pledged Revenue	\$ 7,371,201,321.11	6,722,751,561.65
Current Year Principal and Interest Paid	\$ 508,357,618.97	467,053,441.91

BUILD AMERICA BONDS

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive from the federal government a subsidy equal to 35% of the interest payments on Direct Payment BABs. During 2011 and 2010, the System issued \$604,310,000.00 and \$766,245,000.00, respectively, and had \$1,699,030,000.00 and \$1,096,790,000.00 outstanding at August 31, 2011 and 2010, respectively.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2011

Revenue Financing System Bonds, Series 2010E were issued September 23, 2010 to current refund \$21,328,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to provide \$23,080,404.07 of new money to finance the costs of campus improvements, and to pay the costs of issuance related thereof.

- Net proceeds from the refunding series (including a premium of \$4,815,465.40) were \$44,442,204.82 – after the payment of \$158,260.58 in underwriting fees. The net proceeds were used to pay cost of issuance of \$30,586.94, and deposit \$21,331,213.81 with the escrow agent. These funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded notes.
- An accounting loss of \$3,213.81 resulted from the transaction as the reacquisition price of \$21,331,213.81 exceeded the net carrying amount of \$21,328,000.00 par value.

On August 1, 2011, \$4,600,000.00 of outstanding Revenue Financing System Bonds, Series 2001A were optionally redeemed. The liability for these obligations has been removed from the consolidated balance sheet. No accounting gain or loss resulted from the transaction.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2010

Revenue Financing System Bonds, Series 2010A were issued March 25, 2010, to current refund \$258,392,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to provide \$134,369,000.00 of new money to finance the costs of campus improvements, and to pay the costs of issuance related thereof.

- Net proceeds from the refunding series (including a premium of \$45,527,166.00 and an issuer equity contribution of \$17,555,821.86) were \$393,197,087.88 – after the payment of \$1,300,899.98 in underwriting fees. The net proceeds were used to pay cost of issuance of \$271,390.54, and deposit \$258,556,697.34 with the escrow agent. These funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded notes.
- An accounting loss of \$164,697.34 resulted from the transaction as the reacquisition price of \$258,556,697.34 exceeded the net carrying amount of \$258,392,000.00 par value.

Revenue Financing System Refunding Bonds, Series 2010B were issued April 14, 2010, to advance refund \$192,185,000.00 principal amount of Revenue Financing System Bonds, Series 2006B, maturing on August 15 in the years 2017 through 2024, to advance refund \$178,375,000.00 principal amount of Revenue Financing System Refunding Bonds, Series 2006D, maturing on August 15 in the years 2017 through 2022, to advance refund \$23,130,000.00 principal amount of Revenue Financing System Bonds, Series 2006F, maturing on August 15 in the years 2023 and 2024, and to pay the costs of issuance related thereof.

- Net proceeds from the refunding series (including a premium of \$55,215,344.55) were \$439,057,705.10 – after the payment of \$1,537,639.45 in underwriting fees. The net proceeds were used to pay cost of issuance of \$307,893.30, purchase \$438,749,811.29 of eligible defeasance securities, and deposit \$0.51 with the escrow agent. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded notes.
- The advance refunding resulted in gross debt service savings through 2024 of \$25,766,535.39.
- An accounting loss of \$22,685,598.77 resulted from the transaction as the reacquisition price of \$438,749,811.80 exceeded the net carrying amount of \$393,690,000.00 par value, \$19,188,266.41 of unamortized premiums, \$(1,263,013.31) of unamortized bond issuance costs, and \$4,448,959.93 of unamortized gain from Revenue Financing System Refunding Bonds, Series 2006D.
- An economic gain from the transaction resulted in a net present value savings of \$19,878,988.34 between the old and new debt service payments.

Revenue Financing System Taxable Bonds, Series 2010D were issued June 30, 2010 to current refund \$349,415,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to provide \$163,441,000.00 of new money to finance the costs of campus improvements, and to pay the costs of issuance related thereof.

- Net proceeds from the refunding series were \$513,533,343.98 – after the payment of \$2,711,656.02 in underwriting fees. The net proceeds were used to pay cost of issuance of \$317,507.93, and deposit \$349,774,836.05 with the escrow agent. These funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded notes.
- An accounting loss of \$359,836.05 resulted from the transaction as the reacquisition price of \$349,774,836.05 exceeded the net carrying amount of \$349,415,000.00 par value.

Permanent University Fund Taxable Bonds, Series 2009A were issued September 17, 2009 to current refund \$250,000,000.00 principal amount of Permanent University Fund Taxable Commercial Paper, Series B and to pay the costs of issuance related thereof.

- Net proceeds related to the refunding were \$248,359,813.70 – after the payment of \$1,640,186.30 in underwriting fees. The net proceeds along with \$1,947,623.62 of other funds were used to pay cost of issuance of \$254,813.71 and deposit \$250,052,623.61 with the escrow agent for the refunded commercial paper notes. These funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded notes.

On August 2, 2010, \$4,300,000.00 of outstanding Revenue Financing System Bonds, Series 2001A were optionally redeemed. The liability for these obligations has been removed from the consolidated balance sheet. No accounting gain or loss resulted from the transaction.

CASH FLOW HEDGES – INTEREST RATE SWAPS

The following table outlines the terms of the System’s interest rate swap agreements in effect at August 31, 2011:

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 8/31/11	
Pay Fixed; receive variable	PUF Bonds 2008A	\$198,112,500.00	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	A2/A	20.23 yrs	
	PUF Bonds 2008A	198,112,500.00	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aa1/AA-	20.23 yrs	
	RFS Bonds 2001A	6,955,000.00	8/15/2001	8/15/2013	Pay 4.633%; receive 67% of 1M LIBOR	No	No	Aa1/AA	0.36 yrs	
	RFS Bonds 2007B	167,387,500.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa1/AA	16.61 yrs	
	RFS Bonds 2007B	167,387,500.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa3/A+	16.61 yrs	
	RFS Bonds 2008B	145,530,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa1/AA-	14.58 yrs	
	RFS Bonds 2008B	145,530,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A2/A	14.58 yrs	
	RFS Bonds 2008B	348,905,000.00	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa1/AA-	12.21 yrs	
	Pay variable; receive variable	PUF Bonds 2006B	284,065,000.00	1/1/2009	7/1/2035	Pay SIFMA; receive 82.04% of 1M LIBOR	No	No	Aa3/A+	15.72 yrs
		RFS Bonds 2008B	90,270,000.00	8/1/2009	8/1/2039	Pay SIFMA; receive 102.5% of 3M LIBOR	No	No	Aa1/AA-	26.16 yrs
RFS Bonds 2008B		92,045,000.00	8/1/2009	8/1/2030	Pay SIFMA; receive 96% of 3M LIBOR	No	No	Aa1/AA-	17.35 yrs	
RFS Bonds 2008B		117,190,000.00	8/1/2009	8/1/2035	Pay SIFMA; receive 103% of 3M LIBOR	No	No	Aa1/AA-	22.00 yrs	
TOTAL		\$1,961,490,000.00								

*London Interbank Offer Rate (LIBOR)

*Securities Industry and Financial Markets Association (SIFMA)

The following table outlines the terms of the System's interest rate swap agreements in effect at August 31, 2010:

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Effective Date	Maturity Date	Terms*	Embedded Options?	Cash Paid or Received	Counterparty Credit Rating (Moody's/S&P)	Weighted Average Maturity As of 8/31/10	
Pay Fixed; receive variable	PUF Bonds 2008A	\$200,452,500.00	11/3/2008	7/1/2038	Pay 3.696%; receive SIFMA	No	No	A2/A	21.23 yrs	
	PUF Bonds 2008A	200,452,500.00	11/3/2008	7/1/2038	Pay 3.6575%; receive SIFMA	No	No	Aaa/AA	21.23 yrs	
	RFS Bonds 2001A	11,490,000.00	8/15/2001	8/15/2013	Pay 4.633%; receive 67% of 1M LIBOR	No	No	Aa1/AA	0.87 yrs	
	RFS Bonds 2007B	167,905,000.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa1/AA	17.61 yrs	
	RFS Bonds 2007B	167,905,000.00	12/20/2007	8/1/2034	Pay 3.805%; receive SIFMA	No	No	Aa3/A+	17.61 yrs	
	RFS Bonds 2008B	149,170,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	Aa1/AA-	15.58 yrs	
	RFS Bonds 2008B	149,170,000.00	3/18/2008	8/1/2036	Pay 3.900%; receive SIFMA	No	No	A2/A	15.58 yrs	
	RFS Bonds 2008B	358,980,000.00	3/18/2008	8/1/2039	Pay 3.614%; receive SIFMA	No	No	Aa1/AA-	13.21 yrs	
	Pay variable; receive variable	PUF Bonds 2006B	284,065,000.00	1/1/2009	7/1/2035	Pay SIFMA; receive 82.04% of 1M LIBOR	No	No	Aa3/A+	16.72 yrs
		RFS Bonds 2008B	90,270,000.00	8/1/2009	8/1/2039	Pay SIFMA; receive 102.5% of 3M LIBOR	No	No	Aaa/AA-	27.16 yrs
		RFS Bonds 2008B	92,045,000.00	8/1/2009	8/1/2030	Pay SIFMA; receive 96% of 3M LIBOR	No	No	Aaa/AA-	18.35 yrs
		RFS Bonds 2008B	117,190,000.00	8/1/2009	8/1/2035	Pay SIFMA; receive 103% of 3M LIBOR	No	No	Aaa/AA-	23.00 yrs
		TOTAL		\$1,989,095,000.00						

*London Interbank Offer Rate (LIBOR)

*Securities Industry and Financial Markets Association (SIFMA)

The following is the fair market value of the swap agreements in effect at August 31, 2011 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Interest Rate Swaps by type	Hedgeable Item	Current Notional	Accrued Interest (through 8/31/11)	Swap MTM (8/31/11)	Swap MTM net of Accrued Interest	Fair Value as of 8/31/10	Change in Fair Value 8/31/10 - 8/31/11	Change in Fair Value Recorded as
Hedging Derivative Liabilities	PUF Bonds 2008A	\$198,112,500.00	1,189,814.83	(28,983,421.13)	(27,793,606.30)	(29,737,018.00)	753,596.87	Def Outflow
	PUF Bonds 2008A	198,112,500.00	1,177,102.61	(27,372,115.00)	(26,195,012.39)	(28,485,992.00)	1,113,877.00	Def Outflow
	RFS Bonds 2007B	167,387,500.00	504,939.33	(27,236,195.75)	(26,731,256.42)	(27,158,629.41)	(77,566.34)	Def Outflow
	RFS Bonds 2007B	167,387,500.00	504,939.33	(27,105,814.11)	(26,600,874.78)	(26,985,993.53)	(119,820.58)	Def Outflow
	RFS Bonds 2008B	145,530,000.00	450,525.35	(23,949,461.70)	(23,498,936.35)	(24,433,429.33)	483,967.63	Def Outflow
	RFS Bonds 2008B	145,530,000.00	450,525.00	(24,254,480.34)	(23,803,955.34)	(24,336,763.00)	82,282.66	Def Outflow
	RFS Bonds 2008B	348,905,000.00	996,969.02	(43,345,818.71)	(42,348,849.69)	(44,028,223.18)	682,404.47	Def Outflow
		<u>\$1,370,965,000.00</u>	<u>\$5,274,815.47</u>	<u>(\$202,247,306.74)</u>	<u>(\$196,972,491.27)</u>	<u>(\$205,166,048.45)</u>	<u>\$2,918,741.71</u>	
Investment Derivatives-Asset Positions	RFS Bonds 2008B	90,270,000.00	(8,566.42)	6,242,386.00	6,233,819.58	5,727,236.00	515,150.00	Incr. in Fair Value of Inv
	RFS Bonds 2008B	92,045,000.00	(7,280.61)	3,074,296.00	3,067,015.39	2,520,338.00	553,958.00	Incr. in Fair Value of Inv
	RFS Bonds 2008B	117,190,000.00	(11,263.50)	8,206,203.00	8,194,939.50	7,453,378.00	752,825.00	Incr. in Fair Value of Inv
		<u>\$299,505,000.00</u>	<u>(\$27,110.53)</u>	<u>\$17,522,885.00</u>	<u>\$17,495,774.47</u>	<u>\$15,700,952.00</u>	<u>\$1,821,933.00</u>	
Investment Derivatives-Liability Positions	RFS Bonds 2001A	6,955,000.00	14,551.77	(459,965.39)	(445,413.62)	(915,707.65)	455,742.26	Incr. in Fair Value of Inv
	PUF Bonds 2006B	284,065,000.00	2,504.28	(8,636,823.07)	(8,634,318.79)	(10,988,695.79)	2,351,872.72	Incr. in Fair Value of Inv
		<u>\$291,020,000.00</u>	<u>\$17,056.05</u>	<u>(\$9,096,788.46)</u>	<u>(\$9,079,732.41)</u>	<u>(\$11,904,403.44)</u>	<u>\$2,807,614.98</u>	
TOTAL		<u>\$1,961,490,000.00</u>	<u>\$5,264,760.99</u>	<u>(\$193,821,210.20)</u>	<u>(\$188,556,449.21)</u>	<u>(\$201,369,499.89)</u>	<u>\$7,548,289.69</u>	

The following is the fair market value of the swap agreements in effect at August 31, 2010 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

Interest Rate Swaps by type	Hedgeable Item	Current Notional	Accrued Interest (through 8/31/10)	Swap MTM (8/31/10)	Swap MTM net of Accrued Interest	Fair Value as of 8/31/09	Change in Fair Value 8/31/09 - 8/31/10	Change in Fair Value Recorded as
Hedging Derivative Liabilities	PUF Bonds 2008A	\$200,452,500.00	1,188,765.70	(29,737,018.00)	(28,548,252.30)	(11,871,845.46)	(17,865,172.54)	Def Outflow
	PUF Bonds 2008A	200,452,500.00	1,188,765.70	(28,485,992.00)	(27,297,226.30)	(10,876,691.00)	(17,609,301.00)	Def Outflow
	RFS Bonds 2007B	167,905,000.00	476,103.46	(27,158,629.41)	(26,682,525.95)	(12,562,355.39)	(14,596,274.02)	Def Outflow
	RFS Bonds 2007B	167,905,000.00	476,103.46	(26,985,993.53)	(26,509,890.07)	(12,699,569.09)	(14,286,424.44)	Def Outflow
	RFS Bonds 2008B	149,170,000.00	434,395.03	(24,433,429.33)	(23,999,034.30)	(12,935,227.28)	(11,498,202.05)	Def Outflow
	RFS Bonds 2008B	149,170,000.00	434,394.62	(24,336,763.00)	(23,902,368.38)	(12,824,408.51)	(11,512,354.49)	Def Outflow
	RFS Bonds 2008B	358,980,000.00	962,673.61	(44,028,223.18)	(43,065,549.57)	(19,724,056.10)	(24,304,167.08)	Def Outflow
		<u>\$1,394,035,000.00</u>	<u>\$5,161,201.58</u>	<u>(\$205,166,048.45)</u>	<u>(\$200,004,846.87)</u>	<u>(\$93,494,152.83)</u>	<u>(\$111,671,895.62)</u>	
Investment Derivatives-Asset Positions	RFS Bonds 2008B	90,270,000.00	(7,530.03)	5,727,236.00	5,719,705.97	11,820,637.00	(6,093,401.00)	Decr. In Fair Value of Inv
	RFS Bonds 2008B	92,045,000.00	(5,806.30)	2,520,338.00	2,514,531.70	7,141,053.00	(4,620,715.00)	Decr. In Fair Value of Inv
	RFS Bonds 2008B	117,190,000.00	(9,958.92)	7,453,378.00	7,443,419.08	14,946,875.00	(7,493,497.00)	Decr. In Fair Value of Inv
			<u>\$299,505,000.00</u>	<u>(\$23,295.25)</u>	<u>\$15,700,952.00</u>	<u>\$15,677,656.75</u>	<u>\$33,908,565.00</u>	<u>(\$18,207,613.00)</u>
Investment Derivatives-Liability Positions	RFS Bonds 2001A	11,490,000.00	22,391.52	(915,707.65)	(893,316.13)	(1,292,533.26)	376,825.61	Incr. in Fair Value of Inv
	PUF Bonds 2006B	284,065,000.00	11,730.09	(10,988,695.79)	(10,976,965.70)	(2,189,804.12)	(8,798,891.67)	Decr. In Fair Value of Inv
			<u>\$295,555,000.00</u>	<u>\$34,121.61</u>	<u>(\$11,904,403.44)</u>	<u>(\$11,870,281.83)</u>	<u>(\$3,482,337.38)</u>	<u>(\$8,422,066.06)</u>
TOTAL		<u>\$1,989,095,000.00</u>	<u>\$5,172,027.94</u>	<u>(\$201,369,499.89)</u>	<u>(\$196,197,471.95)</u>	<u>(\$63,067,925.21)</u>	<u>(\$138,301,574.68)</u>	

Derivative Instrument Objectives

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Objective	Effective at 8/31/11?	Evaluation for Effectiveness
Hedging Derivative Liabilities	PUF Bonds 2008A	\$198,112,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	198,112,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	167,387,500.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	167,387,500.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	145,530,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	145,530,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	348,905,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
Investment Derivatives	RFS Bonds 2001A	6,955,000.00	Hedge changes in cash flows on Series 2001A bonds	No	N/A
	PUF Bonds 2006B	284,065,000.00	Hedge changes in cash flows on Series 2006B bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000.00	Hedge changes in cash flows on Series 2008B bonds	No	N/A
	RFS Bonds 2008B	92,045,000.00	Hedge changes in cash flows on Series 2008B bonds	No	N/A
	RFS Bonds 2008B	<u>117,190,000.00</u>	Hedge changes in cash flows on Series 2008B bonds	No	N/A
TOTAL		<u>\$1,961,490,000.00</u>			

Derivative Instrument Objectives

Interest Rate Swaps - by type	Hedgeable Item	Current Notional	Objective	Effective at 8/31/10?	Evaluation for Effectiveness
Hedging Derivative Liabilities	PUF Bonds 2008A	\$200,452,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	PUF Bonds 2008A	200,452,500.00	Hedge changes in cash flows on Series 2008A bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	167,905,000.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2007B	167,905,000.00	Hedge changes in cash flows on Series 2007B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	149,170,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	149,170,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
	RFS Bonds 2008B	358,980,000.00	Hedge changes in cash flows on Series 2008B bonds	Yes	Consistent Critical Terms
Investment Derivatives	RFS Bonds 2001A	11,490,000.00	Hedge changes in cash flows on Series 2001A bonds	No	N/A
	PUF Bonds 2006B	284,065,000.00	Hedge changes in cash flows on Series 2006B bonds	N/A	N/A
	RFS Bonds 2008B	90,270,000.00	Hedge changes in cash flows on Series 2008B bonds	No	N/A
	RFS Bonds 2008B	92,045,000.00	Hedge changes in cash flows on Series 2008B bonds	No	N/A
	RFS Bonds 2008B	<u>117,190,000.00</u>	Hedge changes in cash flows on Series 2008B bonds	No	N/A
TOTAL		<u>\$1,989,095,000.00</u>			

No derivative instruments were reclassified from a hedging derivative instrument to an investment derivative instrument in 2011. The fair value of interest rate swaps reported as investment derivatives-asset positions of \$17,522,885.00 and \$15,700,952.00 as of August 31, 2011 and 2010, respectively, is included on the consolidated balance sheet as noncurrent unrestricted investments and in the summary of investments in Note 3. The fair value of interest rate swaps reported as investment derivatives-liability positions of \$9,096,788.46 and \$11,904,403.44 as of August 31, 2011 and 2010, respectively, is included on the consolidated balance sheet as investment derivatives-liability positions. The change in fair value of interest rate swaps reported as investment derivatives for the year ending August 31, 2011 and 2010, respectively, was an increase in the amount of \$4,629,547.98 and a decrease in the amount of \$26,629,679.06, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net assets.

Hedging Derivative Instrument and Investment Derivative Risks

Credit Risk: The System is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. Contracts with a positive fair value expose the System to credit risk. The System faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the System provided by the counterparty. Contracts with a negative fair value do not expose the System to credit risk. All of the counterparties associated with swap contracts with the System are creditworthy financial institutions. Additionally, each of the System's swap counterparties has agreed to provide collateral to the System to the extent the positive fair value exceeds certain threshold amounts. Should a counterparty fail to meet its contractual agreements, or if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), the System could be required to pay or receive a substantial termination payment. As of August 31, 2011, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System does not have to post collateral due to changes in fair value of its swap agreements. As of August 31, 2011, the maximum loss due to credit risk is \$15,000,000.00. It is the System's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require collateralization of the aggregate fair value of derivative instruments in asset positions, net of the effect of applicable threshold amounts based on each counterparty's credit rating. Collateral posted is in the form of cash, U.S. Treasury or U.S. agency securities held directly by the System or by a third-party custodian approved by the System. The System has not entered into master netting arrangements.

Interest Rate Risk: Interest rate risk involves the risk that the value of the System's interest rate swaps will fluctuate because of changes in interest rates. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

Basis Risk: The System is exposed to basis risk when the variable rate received under an interest rate swap does not match the variable rate paid on hedged bonds. The interest rate on the System's variable rate bonds is a tax-exempt interest rate based on the System's credit ratings. The variable receipt on the System's interest rate swaps is based on either a tax-exempt index (SIFMA) or a taxable index (LIBOR). Tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

Termination Risk: Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. None of the System's interest rate swaps are subject to automatic early termination. The System is subject to termination risk if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), or if the System commits a specified event of default or other specified event of termination. As of August 31, 2011, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System has the right to optionally terminate any of its swaps at any time. At termination, if the fair value of the swap is negative, the System would be liable to pay a termination payment to the appropriate counterparty in the amount of the swap's fair value. If the fair value of the swap is positive at termination, the counterparty would owe a termination payment to the System in the amount of the swap's fair value.

Rollover Risk: Rollover risk is the risk caused by a mismatch between the amortization of a derivative contract and the underlying hedged bonds. The System is not exposed to rollover risk by exactly matching the notional amounts and amortization schedules of its swap contracts with the principal amounts and amortization schedules of the associated hedged bonds.

Market Access Risk: Each swap associated with underlying variable rate debt that is subject to tender at the option of the bondholder is subject to market access risk. In the event the System is unable to remarket its variable rate bonds, the System may choose to refund the variable rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. Should an early termination event occur, the System could be required to pay or to receive a substantial termination payment. As of August 31, 2011, the System had market risk associated with \$1,377,920,000.00 aggregate notional amount of pay-fixed, receive-variable interest rate swaps used to hedge interest rate risk on variable rate bonds subject to tender. As of August 31, 2011, the System's variable rate bonds carried the highest short term ratings from Moody's and S&P of VMIG1 and A-1+, respectively.

Swap Scheduled Payments

The following tables reflect the scheduled payments on the swap agreements which differ from the presentation in the projected bond debt service requirements table for the related demand bonds. The debt service requirements reflect the entire outstanding balance of the demand bonds in 2012 because the bonds are supported by internal liquidity.

As of August 31, 2011

Fiscal Year	Associated Variable Rate Bonds		Pay-Fixed Receive-Variable Interest Rate Swaps ³	Total
	Principal ¹	Interest ²		
2012	\$ 33,715,000.00	1,688,772.25	48,703,441.34	84,107,213.59
2013	35,105,000.00	1,648,698.25	47,492,106.06	84,245,804.31
2014	32,610,000.00	1,606,998.25	46,231,227.91	80,448,226.16
2015	33,830,000.00	1,567,548.00	45,090,826.19	80,488,374.19
2016	35,095,000.00	1,526,622.25	43,907,206.43	80,528,828.68
2017-2021	136,590,000.00	7,093,759.75	203,918,864.32	347,602,624.07
2022-2026	252,080,000.00	5,993,496.75	172,130,362.85	430,203,859.60
2027-2031	302,680,000.00	4,304,202.75	123,357,939.81	430,342,142.56
2032-2036	305,815,000.00	2,464,558.00	70,135,576.80	378,415,134.80
2037-2041	210,510,000.00	408,730.75	11,419,960.16	222,338,690.91

¹Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2001A, Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2011 on its Series 2008A Bonds, Series 2001A Bonds, Series 2007B Bonds, and Series 2008B Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2011 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2011

Fiscal Year	Associated Variable Rate Bonds		Pay-Variable Receive-Variable Interest Rate Swaps ³	Total
	Principal ¹	Interest ²		
2012	\$ -	359,404.50	(357,920.78)	1,483.72
2013	-	359,404.50	(357,920.78)	1,483.72
2014	-	359,404.50	(357,920.78)	1,483.72
2015	-	359,404.50	(357,920.78)	1,483.72
2016	-	359,404.50	(357,920.78)	1,483.72
2017-2021	-	1,797,022.50	(1,789,603.90)	7,418.60
2022-2026	-	1,797,022.50	(1,789,603.90)	7,418.60
2027-2031	113,905,000.00	1,511,686.50	(1,542,000.74)	113,874,685.76
2032-2036	121,285,000.00	832,060.50	(873,474.53)	121,243,585.97
2037-2041	64,315,000.00	132,985.50	(138,975.11)	64,309,010.39

¹Principal and interest requirements on a portion of the outstanding Revenue Financing System Bonds, Series 2008B are reflected in both tables above as a portion of the Series 2008B bonds have associated pay-fixed, receive-variable and pay-variable, receive-variable interest rate swaps that modify the System's interest rate exposure on the related Series 2008B bonds.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2011 on its Series 2008B Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2011 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2011

Fiscal Year	Associated Fixed Rate Bonds		Pay-Variable Receive-Variable Interest Rate Swaps ²	Total
	Principal ¹	Interest ¹		
2012	\$ -	14,851,562.50	80,337.56	14,931,900.06
2013	-	14,851,562.50	80,337.56	14,931,900.06
2014	-	14,851,562.50	80,337.56	14,931,900.06
2015	-	14,851,562.50	80,337.56	14,931,900.06
2016	-	14,851,562.50	80,337.56	14,931,900.06
2017-2021	50,720,000.00	73,020,812.50	394,690.98	124,135,503.48
2022-2026	82,740,000.00	51,471,262.50	277,272.24	134,488,534.74
2027-2031	104,045,000.00	28,795,200.00	155,117.82	132,995,317.82
2032-2036	46,560,000.00	8,586,637.50	46,255.64	55,192,893.14

¹Reflects scheduled principal and interest payments of Permanent University Fund Bonds, Series 2006B.

²Reflects net payments on pay-variable, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2011 and applied on the respective notional amounts of the swaps through its respective termination dates.

As of August 31, 2010

Fiscal Year	Associated Variable Rate Bonds		Pay-Fixed Receive-Variable Interest Rate Swaps ³	Total
	Principal ¹	Interest ²		
2011	\$ 22,990,000.00	3,094,178.75	48,463,571.51	74,547,750.26
2012	33,550,000.00	3,045,336.75	47,626,471.11	84,221,807.86
2013	34,925,000.00	2,973,138.75	46,448,539.45	84,346,678.20
2014	32,425,000.00	2,898,003.75	45,222,620.60	80,545,624.35
2015	33,645,000.00	2,827,672.00	44,117,814.86	80,590,486.86
2016-2020	142,575,000.00	13,123,062.75	204,620,541.11	360,318,603.86
2021-2025	228,520,000.00	11,354,279.75	176,848,969.84	416,723,249.59
2026-2030	289,055,000.00	8,470,431.75	131,676,569.11	429,202,000.86
2031-2035	271,260,000.00	5,143,395.75	79,484,683.74	355,888,079.49
2036-2040	316,755,000.00	1,923,111.00	29,175,423.86	347,853,534.86

¹Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2001A, Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2010 on its Series 2008A Bonds, Series 2001A Bonds, Series 2007B Bonds, and Series 2008B Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2010 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2010

Fiscal Year	Associated Variable Rate Bonds		Pay-Variable Receive-Variable Interest Rate Swaps³	Total
	Principal¹	Interest²		
2011	\$ -	643,936.50	6,907.78	650,844.28
2012	-	643,936.50	6,907.78	650,844.28
2013	-	643,936.50	6,907.78	650,844.28
2014	-	643,936.50	6,907.78	650,844.28
2015	-	643,936.50	6,907.78	650,844.28
2016-2020	-	3,219,682.50	34,538.90	3,254,221.40
2021-2025	-	3,219,682.50	34,538.90	3,254,221.40
2026-2030	92,045,000.00	2,906,352.25	10,936.83	94,962,289.08
2031-2035	117,190,000.00	1,742,750.75	(29,795.55)	118,902,955.20
2036-2040	90,270,000.00	432,357.25	(6,074.58)	90,696,282.67

¹Principal and interest requirements on a portion of the outstanding Revenue Financing System Bonds, Series 2008B are reflected in both tables above as a portion of the Series 2008B bonds have associated pay-fixed, receive-variable and pay-variable, receive-variable interest rate swaps that modify the System's interest rate exposure on the related Series 2008B bonds.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2010 on its Series 2008B Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2010 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2010

Fiscal Year	Associated Fixed Rate Bonds		Pay-Variable Receive-Variable Interest Rate Swaps²	Total
	Principal¹	Interest¹		
2011	\$ -	14,851,562.50	251,376.72	15,102,939.22
2012	-	14,851,562.50	251,376.72	15,102,939.22
2013	-	14,851,562.50	251,376.72	15,102,939.22
2014	-	14,851,562.50	251,376.72	15,102,939.22
2015	-	14,851,562.50	251,376.72	15,102,939.22
2016-2020	24,740,000.00	74,257,812.50	1,256,883.60	100,254,696.10
2021-2025	78,975,000.00	55,617,450.00	937,473.70	135,529,923.70
2026-2030	133,790,000.00	35,819,175.00	603,758.97	170,212,933.97
2031-2035	46,560,000.00	11,031,037.50	185,936.39	57,776,973.89

¹Reflects scheduled principal and interest payments of Permanent University Fund Bonds, Series 2006B.

²Reflects net payments on pay-variable, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2010 and applied on the respective notional amounts of the swaps through its respective termination dates.

10. Note Indebtedness

General information related to notes and loans payable at August 31, 2011, which in substance are not bonds, is summarized as follows:

- Note or loan payable issue name: Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
Purpose: To provide new money
Issue Date: September 1, 2010 through August 31, 2011
Authorized Amount: Aggregate principal amount not to exceed \$500 million
Source of revenue for debt service: Available University Fund
- Note or loan payable issue name: Revenue Financing System (RFS) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
Purpose: To provide new money
Issue Date: September 1, 2010 through August 31, 2011
Authorized Amount: Aggregate principal amount not to exceed \$1.25 billion
Source of revenue for debt service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.
Terms: Interest payable in periodic installments not to exceed 270 days at a variable rate

Other Notes Payable includes:

- Note or loan payable issue name: Charitable Remainder Trust
Purpose: Fine Arts Foundation (a blended component unit) purchase of the Suida Manning Art Collection
Component Unit: UT Austin's Blended Component Unit
Issue Date: January 4, 1999
Authorized Amount: \$12,000,000.00
Source of revenue for debt service: Gift
Terms: January 4, 1999 through April 17, 2016
- Note or loan payable issue name: Charitable Lead Trust
Purpose: Fine Arts Foundation (a blended component unit) purchase of the Suida Manning Art Collection
Component Unit: UT Austin's Blended Component Unit
Issue Date: January 4, 1999
Authorized Amount: \$10,713,200
Source of revenue for debt service: Gift
Terms: January 4, 1999 through April 17, 2016
- Note or loan payable issue name: Memorial Hermann Hospital System
Purpose: Reimburse Memorial Hermann Hospital System for equipment purchased and operating funds advanced in association with the transfer of clinics from Memorial Hermann Hospital System to UT Physicians
Component Unit: UT Health Science Center at Houston's Blended Component Unit
Issue Date: July 10, 2000
Authorized Amount: \$7,000,000
Source of revenue for debt service: Debt and interest to be forgiven upon attainment of specified performance goals.
Terms: July 2000 through June 2012
- Note or loan payable issue name: City of Shavano Park Health Facilities Development Corporation
Purpose: Purchase EPIC Patient and Sales Tracking Software Package
Institution: UT Health Science Center at San Antonio
Issue Date: December 1, 2006
Authorized Amount: \$9,000,000
Source of revenue for debt service: Patient service from MSRDP Designated Funds collected by UT Medicine San Antonio
Terms: February 1, 2007 through January 1, 2018. Interest is computed at 4.13% annually.

- Note or loan payable issue name: City of Shavano Park Health Facilities Development Corporation
 Purpose: Purchase EPIC Patient and Sales Tracking Software Package
 Institution: UT Health Science Center at San Antonio
 Issue Date: January 1, 2007
 Authorized Amount: \$3,000,000
 Source of revenue for debt service: Patient service from MSRDP Designated Funds collected by UT Medicine San Antonio
 Terms: February 1, 2007 through January 1, 2018. Interest is computed at 4.15% annually.

General information related to notes and loans payable retired in 2011 is summarized as follows:

- Note or loan payable issue name: Premier Purchasing Partners L.P.
 Purpose: To purchase an ownership stake in this limited partnership
 Institution: UT Southwestern Medical Center
 Issue Date: September 1, 2005
 Authorized Amount: \$369,190
 Source of revenue for debt service: Rebates earned
 Terms: September 1, 2005 through February 28, 2011.

11. Leases

OPERATING LEASES

The System has entered into various operating leases for buildings, equipment and land. Rental expenses for operating leases were \$90,230,541.86 in 2011 and \$80,870,192.29 in 2010. Future minimum lease rental payments under noncancelable operating leases having an initial term in excess of one year as of August 31, 2011, were as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2012	\$ 61,133,521.14
2013	46,789,305.49
2014	35,456,080.93
2015	23,255,121.64
2016	15,426,457.33
2017 – 2021	40,210,208.20
2022 – 2026	1,540,342.18
2027 – 2031	1,308,101.94
2032 – 2036	272,840.00
2037 – 2041	280,762.00
2042 and beyond	570.00
Total Minimum Future Payments	<u>\$ 225,673,310.85</u>

The System has also leased buildings and land to outside parties under various operating leases. The cost, carrying value and accumulated depreciation of these leased assets as of August 31, 2011 and 2010 were as follows:

<u>Assets Leased</u>	<u>2011</u>	<u>2010</u>
Buildings:		
Cost	\$ 100,201,399.59	94,721,121.84
Less: Accumulated Depreciation	(31,179,683.97)	(26,580,401.25)
Carrying Value of Buildings	<u>69,021,715.62</u>	<u>68,140,720.59</u>
Land	3,308,654.59	3,308,174.08
Total Carrying Value	<u>\$ 72,330,370.21</u>	<u>71,448,894.67</u>

There were no contingent rentals for the period ending August 31, 2011. Minimum future lease rental income under noncancelable operating leases as of August 31, 2011, was as follows:

Fiscal Year	Lease Income
2012	\$ 13,327,396.48
2013	11,287,015.99
2014	8,619,472.08
2015	6,655,934.73
2016	6,062,610.63
2017 and beyond	12,446,543.61
Total	\$ <u>58,398,973.52</u>

CAPITAL LEASES

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property under capital lease as of August 31, 2011 and 2010 is as follows:

Assets Under Capital Lease	2011	2010
Furniture and Equipment	\$ 3,261,907.26	3,001,908.15
Less: Accumulated Depreciation	(1,151,698.18)	(740,527.34)
Nondepreciable Collections	4,039,927.25	5,045,427.25
Total	\$ <u>6,150,136.33</u>	<u>7,306,808.06</u>

Capital lease obligations are due in annual installments through 2018. The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 2011.

Fiscal Year	Principal	Interest	Total
2012	\$ 957,921.30	77,114.00	1,035,035.30
2013	754,085.98	51,594.65	805,680.63
2014	451,226.30	32,229.18	483,455.48
2015	285,314.25	18,229.18	303,543.43
2016	249,999.88	12,291.68	262,291.56
2017 – 2021	480,769.00	9,583.38	490,352.38
Total Minimum Lease Payments	<u>3,179,316.71</u>	<u>201,042.07</u>	3,380,358.78
		Less: Interest	<u>(201,042.07)</u>
		Present Value of Net Minimum Lease Payments	<u>3,179,316.71</u>

12. Short-Term Debt

The System had RFS Commercial Paper Notes, Series A and PUF Taxable Commercial Paper Notes, Series B, outstanding at August 31, 2011 and 2010. The notes are issued to provide interim financing for capital improvements and to finance equipment purchases. While the interest is payable on these notes in periodic installments not to exceed 270 days, they are generally intended to be refinanced with long-term debt. Information pertaining to the balances and activity of these notes is reflected in Note 8.

13. Net Assets

The System's net assets at August 31, 2011 and 2010 were comprised of the following:

	2011	2010
Invested in capital assets, net of related debt	\$ 5,029,154,009.67	4,630,805,088.14
Restricted		
Nonexpendable	12,233,569,682.48	10,939,814,259.26
Expendable	9,782,538,749.21	8,179,195,200.35
Total restricted	22,016,108,431.69	19,119,009,459.61
Unrestricted net assets:		
Unrestricted		
Reserved		
Encumbrances	1,063,647,315.26	806,853,357.20
Accounts receivable (less deferred revenue portion)	884,549,347.38	799,130,138.44
Inventories	79,697,216.67	69,103,111.72
Self-insurance plans	333,229,453.58	267,438,671.79
Higher Education Assistance Fund (HEAF)	12,186,116.81	8,354,902.84
Other specific purposes:		
Advanced Research/Advanced Technology		
Programs	5,111,845.98	9,120,193.95
Notes Receivable	99,763.53	-
Deposits	4,893,506.10	5,302,890.97
Prepaid expenses	83,697,413.87	89,894,470.79
Deferred charges	13,260,750.43	11,860,098.24
Imprest funds	1,236,445.75	1,187,806.25
Travel advances	237,677.25	204,036.76
Unreserved		
Allocated		
Funds functioning as endowment-unrestricted	689,882,637.65	688,145,984.21
Provision for operating budgets	257,020.00	25,569,222.00
Capital projects	529,294,207.12	341,334,413.83
Debt service	176,940,040.18	142,928,986.58
Start-up/matching	54,391,647.08	36,277,612.47
Utilities reserve	37,131,834.40	28,621,416.45
Research enhancement and support	152,747,151.35	132,074,715.72
Market adjustments	47,489,012.24	25,764,014.69
Student fees	102,978,066.18	82,402,543.65
Texas Tomorrow Fund shortfall	10,686,510.83	10,699,617.13
Instructional program support	335,795,200.63	280,897,497.65
Dean, chair and faculty recruitment packages	14,454,923.38	14,746,682.35
Self-supporting enterprises	218,527,172.40	70,520,629.66
Patient care support	212,056,931.05	152,667,325.91
Practice plan minimum operating reserve of 90 days	243,600,447.85	256,510,893.37
Uncompensated Patient Care	1,798,500.00	-
Unallocated	(1,934,090,163.60)	(1,400,417,805.31)
Total unrestricted	3,375,787,991.35	2,957,193,429.31
Total net assets	\$ 30,421,050,432.71	26,707,007,977.06

As of August 31, 2011 and 2010, restricted nonexpendable net assets include \$8,214,528,602.13 and \$7,109,333,589.72, respectively, of the Permanent University Fund corpus, and \$820,000,000.00 for both years of the Permanent Health Fund corpus. As of August 31, 2011 and 2010, restricted expendable net assets include \$5,603,375,670.37 and \$4,568,541,653.59, respectively, of the Permanent University Fund appreciation, and \$172,932,130.60 and \$85,441,709.26, respectively, of the Permanent Health Fund appreciation.

Unrestricted net assets, detailed in the table above, are not subject to externally imposed stipulations. Unrestricted net assets may be designated for special purposes by actions of the Texas Legislature, internal management, and the UT System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic programs, patient care, research programs and initiatives, and capital programs.

14. Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2011, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses	Instruction	Research	Public Service	Hospitals and Clinics	Academic Support
Cost of Goods Sold	\$ 20,668,497.73	28,975.66	1,927,838.72	63,376,868.94	2,036.85
Salaries and Wages	2,043,000,972.05	1,085,412,425.22	125,399,675.37	1,568,053,037.66	310,012,675.70
Payroll Related Costs	468,035,198.61	264,369,963.93	29,054,287.33	435,612,505.08	73,899,714.86
Professional Fees and Services	32,945,903.84	93,231,060.32	17,837,444.08	108,457,343.50	11,834,066.15
Other Contracted Services	71,683,343.51	163,362,824.90	25,949,861.12	117,605,756.08	26,354,463.61
Scholarships and Fellowships	10,596,511.55	30,024,939.16	4,523,509.51	10,400.76	2,844,408.33
Travel	30,057,851.52	40,679,677.43	5,411,411.19	10,840,688.48	8,747,829.50
Materials and Supplies	89,035,008.42	200,986,402.11	26,718,343.84	726,656,694.74	36,314,753.06
Utilities	2,440,079.72	1,243,304.15	453,442.33	8,144,486.37	136,720.16
Communications	26,071,362.02	8,829,014.63	2,011,866.11	8,417,196.79	27,107,320.41
Repairs and Maintenance	8,087,929.96	15,157,216.39	1,808,682.55	65,855,220.51	5,926,748.22
Rentals and Leases	11,204,857.10	8,392,984.56	4,452,703.84	44,845,176.98	4,955,560.61
Printing and Reproduction	6,511,863.73	6,220,301.85	3,515,792.86	2,025,391.76	3,221,225.71
Depreciation and Amortization	-	-	-	-	-
Bad Debt Expense	190.00	-	-	-	-
Claims and Losses	-	-	-	-	-
Increase in Net OPEB Obligation	-	-	-	-	-
Other Operating Expenses	56,878,332.68	68,687,787.76	25,035,247.44	155,378,510.43	29,696,518.34
Federal Sponsored Pass-through to State Agencies	3,583,160.80	2,517,496.64	1,478,916.81	-	-
State Sponsored Pass-through to State Agencies	21,936.18	1,125,007.83	-	-	-
Total Operating Expenses	\$ 2,880,822,999.42	1,990,269,382.54	275,579,023.10	3,315,279,278.08	541,054,041.51

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operations and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation and Amortization</u>	<u>Total Expenses</u>
79,409.70	771,561.59	288,133.05	-	4,221,614.13	-	91,364,936.37
106,486,707.63	570,129,454.10	220,689,784.38	36,040,068.58	168,337,388.52	-	6,233,562,189.21
26,633,975.67	58,315,873.77	58,027,878.84	5,737,907.97	40,797,558.64	-	1,460,484,864.70
2,101,344.06	99,680,802.16	28,768,294.63	423,830.91	13,900,655.39	-	409,180,745.04
5,938,358.69	56,674,377.53	35,475,940.18	571,600.01	51,397,367.90	-	555,013,893.53
7,637,776.47	7,172,869.85	22,745.74	373,676,394.65	9,608,425.35	-	446,117,981.37
3,078,603.07	8,335,005.28	1,198,698.98	542,480.20	18,100,030.35	-	126,992,276.00
11,968,512.55	41,050,204.60	63,894,159.00	915,209.33	51,079,825.30	-	1,248,619,112.95
34,318.74	(21,811,725.05)	233,525,580.09	7,288.84	29,491,427.46	-	253,664,922.81
1,820,008.05	(6,336,917.14)	3,179,606.13	17,225.74	5,633,665.50	-	76,750,348.24
2,274,456.40	34,923,873.47	84,160,641.98	(176,461.70)	16,697,362.82	-	234,715,670.60
3,529,915.98	13,625,222.44	27,360,467.42	144,210.94	9,837,601.09	-	128,348,700.96
2,509,592.90	(3,857,334.73)	277,709.60	40,874.18	4,754,003.72	-	25,219,421.58
-	-	-	-	-	902,392,156.25	902,392,156.25
2,618,149.53	-	-	-	-	-	2,618,339.53
-	17,093,182.05	-	-	-	-	17,093,182.05
-	470,888,932.00	-	-	-	-	470,888,932.00
9,638,209.92	(125,804,722.45)	(26,406,822.72)	1,341,868.72	33,886,072.46	-	228,331,002.58
-	-	-	360,555.51	-	-	7,940,129.76
-	955,742.03	-	-	-	-	2,102,686.04
<u>186,349,339.36</u>	<u>1,221,806,401.50</u>	<u>730,462,817.30</u>	<u>419,643,053.88</u>	<u>457,742,998.63</u>	<u>902,392,156.25</u>	<u>12,921,401,491.57</u>

For the year ended August 31, 2010, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses	Instruction	Research	Public Service	Hospitals and Clinics	Academic Support
Cost of Goods Sold	\$ 18,544,582.85	2,221.36	1,222,466.99	66,207,590.04	162,262.39
Salaries and Wages	1,959,466,622.68	1,031,054,449.02	116,307,671.97	1,484,850,672.12	267,361,488.76
Payroll Related Costs	437,098,216.05	242,280,802.71	25,934,409.23	397,699,530.66	64,061,568.58
Professional Fees and Services	30,761,711.20	87,592,062.82	23,481,992.23	124,538,487.26	18,028,574.75
Scholarships and Fellowships	10,331,376.72	31,018,775.46	3,547,610.51	42,911.12	3,461,790.80
Travel	30,060,381.87	40,253,971.27	5,344,467.96	10,963,677.38	8,412,563.51
Materials and Supplies	86,066,605.82	192,185,101.26	23,833,870.03	698,006,001.14	35,541,369.15
Utilities	2,500,845.29	1,370,910.76	806,969.84	8,405,800.43	55,983.51
Communications	26,497,409.68	7,782,934.76	1,952,189.37	14,959,501.32	27,494,094.48
Repairs and Maintenance	8,005,385.64	14,832,287.41	1,125,920.60	58,249,568.31	6,981,273.23
Rentals and Leases	16,060,279.93	8,971,316.03	3,747,525.71	44,084,156.41	5,973,875.42
Printing and Reproduction	7,393,233.23	6,945,043.30	3,047,437.87	2,290,178.22	3,311,330.85
Depreciation and Amortization	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-
Claims and Losses	-	-	-	-	-
Increase in Net OPEB Obligation	-	-	-	-	-
Other Operating Expenses	110,038,942.55	189,282,371.56	42,073,672.64	237,812,245.30	45,174,460.67
Federal Sponsored Pass-through to State Agencies	12,373,933.61	5,048,065.45	2,276,849.13	-	-
State Sponsored Pass-through to State Agencies	-	198,979.35	-	-	-
Total Operating Expenses	\$ 2,755,199,527.12	1,858,819,292.52	254,703,054.08	3,148,110,319.71	486,020,636.10

Student Services	Institutional Support	Operations and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenses
50,314.28	520,973.62	330,849.19	-	4,403,041.83	-	91,444,302.55
101,600,701.18	561,143,950.05	215,992,683.84	35,882,292.40	159,628,305.07	-	5,933,288,837.09
24,003,294.45	132,890,903.39	54,835,018.28	5,284,880.75	35,913,615.32	-	1,420,002,239.42
2,532,617.33	54,368,448.90	32,197,982.57	805,125.13	8,944,462.93	-	383,251,465.12
6,572,195.24	1,692,003.91	-	326,453,612.36	9,362,842.48	-	392,483,118.60
3,144,728.36	8,808,513.43	1,297,817.79	714,880.93	18,385,629.55	-	127,386,632.05
10,676,548.72	41,762,256.07	60,323,560.45	(596,395.91)	53,727,808.85	-	1,201,526,725.58
89,186.46	(17,217,471.99)	231,908,216.20	1,130.69	28,563,048.58	-	256,484,619.77
1,969,378.13	(17,672,602.22)	3,297,644.83	27,559.02	4,482,587.37	-	70,790,696.74
2,630,172.29	26,390,724.55	81,191,243.73	352,801.57	17,152,536.83	-	216,911,914.16
3,276,793.30	12,291,248.22	29,054,590.17	147,243.09	9,827,530.33	-	133,434,558.61
2,617,480.30	(3,400,974.64)	404,625.09	79,563.83	5,237,693.44	-	27,925,611.49
-	-	-	-	-	785,394,588.26	785,394,588.26
5,193,914.73	10,254.63	-	-	25.29	-	5,204,194.65
-	29,823,040.50	-	-	-	-	29,823,040.50
-	454,737,814.00	-	-	-	-	454,737,814.00
16,147,755.15	(49,872,829.30)	17,441,744.01	12,808,284.30	87,536,481.26	-	708,443,128.14
-	-	-	(11,083,342.49)	-	-	8,615,505.70
-	690,464.16	-	210,428.48	-	-	1,099,871.99
<u>180,505,079.92</u>	<u>1,236,966,717.28</u>	<u>728,275,976.15</u>	<u>371,088,064.15</u>	<u>443,165,609.13</u>	<u>785,394,588.26</u>	<u>12,248,248,864.42</u>

15. Commitments and Contingent Liabilities

On August 31, 2011, various lawsuits and claims involving the System were pending. After conferring with legal counsel concerning pending litigation and claims, the System's management believes that the outcome of pending litigation should not have a material adverse effect on the financial statements of the System.

The System continues to implement its \$6.5 billion capital improvement program, planned for fiscal years 2012 through 2017, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

The System receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The System believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

The System has invested in certain hedge funds. These agreements commit the System to future funding amounting to \$42,371,530.00 as of August 31, 2011 and \$27,579,189.00 as of August 31, 2010.

The System has invested in certain private investment funds. These agreements commit the System to future capital contributions amounting to \$3,086,712,650.63 as of August 31, 2011 and \$2,453,783,015.00 as of August 31, 2010.

Based on the credit support annex agreements with all counterparties, the System does not have to post any collateral for any hedging derivative instruments.

Laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The System's intent is to be in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing other than the UT Southwestern settlement agreement below. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the System.

UT Health Science Center at San Antonio is awaiting a court decision on its appeal of a judgment against the university. Legal counsel has indicated that it is likely that the appeals court will reduce the judgment or order a new trial. Because the amount of the loss could not be considered probable or reasonably estimated, no liability was accrued for this loss contingency.

In August of 2011, UT Southwestern entered into a settlement agreement with the United States, through the U.S. Department of Justice acting on behalf of the Office of Inspector General of the Department of Health and Human Services, and the Texas Office of Attorney General acting on behalf of the State of Texas Health and Human Services Commission. The settlement concludes an investigation of allegations that UT Southwestern submitted inappropriate claims to Medicare and Medicaid for inadequately supervised surgical procedures performed by resident physicians. The aggregate amount of the settlement which was paid in August 2011 was \$1.4 million.

The Office of Inspector General is auditing physician supplemental payments for the period May 1, 2004 through September 30, 2007 to determine if the Texas Health and Human Services Commission calculated supplemental payments to the System health institutions in accordance with Federal regulations and the State plan. The audit is underway but it is too early to determine any potential repayment amounts. As such, no estimate can be made and there has been no accrual recorded.

16. Derivative Instruments

Derivatives are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include forwards, futures, options and swaps. Hedging derivative contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the System against the risk of rising interest rates. The hedging derivatives primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative contracts enable the System to issue bonds at a cost less than what the System would have paid to issue conventional fixed-rate debt. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivatives. The following disclosures summarize the System's derivative activity as reported in the consolidated financial statements.

	Change in Fair Value (FV) 8/31/10 to 8/31/11		Fair Value at 8/31/11		Notional Amount
	Classification	Amount	Classification	Amount	
Cash Flow Hedges-Interest Rate Swaps					
Hedging Derivative Liabilities Pay-Fixed Receive-Variable	Def Outflows	\$ 2,918,741.71	Hedging Derivative Liab	\$ (202,247,306.74)	\$ 1,370,965,000.00
Investment Derivative Assets Pay-Variable Receive-Variable	Net Incr. (Decr.) in FV of Invest	1,821,933.00	Investments	17,522,885.00	299,505,000.00
Investment Derivative Liabilities Pay-Fixed Receive-Variable	Net Incr. (Decr.) in FV of Invest	455,742.26	Invest Deriv - Liab Positions	(459,965.39)	6,955,000.00
Investment Derivative Liabilities Pay-Variable Receive-Variable	Net Incr. (Decr.) in FV of Invest	2,351,872.72	Invest Deriv - Liab Positions	(8,636,823.07)	284,065,000.00
Investment Derivatives					
Investment Derivative Assets:					
Futures	Net Incr. (Decr.) in FV of Invest	\$ 11,825,070.53	Investments	\$ 11,825,070.53	\$ 711,942,420.00
Swaps	Net Incr. (Decr.) in FV of Invest	7,102,126.00	Investments	8,614,213.43	333,155,658.00
Unrealized Gains on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	22,812,478.49	Investments	22,812,478.49	2,212,033,231.00
Purchased Options	Net Incr. (Decr.) in FV of Invest	(20,129,401.00)	Investments	298,617,047.88	25,440,169,658.00
Investment Derivative Liabilities:					
Futures	Net Incr. (Decr.) in FV of Invest	(1,871,221.00)	Invest Deriv - Liab Positions	(1,871,221.00)	41,887,744.00
Swaps	Net Incr. (Decr.) in FV of Invest	(69,945,818.00)	Invest Deriv - Liab Positions	(70,211,744.87)	986,959,919.00
Unrealized Losses on Foreign Forwards	Net Incr. (Decr.) in FV of Invest	(33,505,655.34)	Invest Deriv - Liab Positions	(33,505,655.34)	1,793,309,401.00
Options Written	Net Incr. (Decr.) in FV of Invest	(10,141,643.00)	Invest Deriv - Liab Positions	(159,554,130.60)	5,286,149,062.00

	Change in Fair Value (FV) 8/31/09 to 8/31/10		Fair Value at 8/31/10		Notional Amount
	Classification	Amount	Classification	Amount	
Cash Flow Hedges-Interest Rate Swaps					
Hedging Derivative Liabilities			Hedging		
Pay-Fixed Receive-Variable	Def Outflows	\$ (111,671,895.62)	Derivative Liab	\$ (205,166,048.45)	\$ 1,394,035,000.00
Investment Derivative Assets	Net Incr. (Decr.)				
Pay-Variable Receive-Variable	in FV of Invest	(18,207,613.00)	Investments	15,700,952.00	299,505,000.00
Investment Derivative Liabilities	Net Incr. (Decr.)		Invest Deriv -		
Pay-Fixed Receive-Variable	in FV of Invest	376,825.61	Liab Positions	(915,707.65)	11,490,000.00
Investment Derivative Liabilities	Net Incr. (Decr.)		Invest Deriv -		
Pay-Variable Receive-Variable	in FV of Invest	(8,798,891.67)	Liab Positions	(10,988,695.79)	284,065,000.00
Investment Derivatives					
Investment Derivative Assets:					
	Net Incr. (Decr.)				
Futures	in FV of Invest	\$ 20,779,765.48	Investments	\$ 20,779,765.48	\$ 1,240,473,486.00
	Net Incr. (Decr.)				
Swaps	in FV of Invest	4,366,918.00	Investments	5,337,996.02	198,679,065.00
	Net Incr. (Decr.)				
Unrealized Gains on Foreign Forwards	in FV of Invest	12,221,600.95	Investments	12,221,600.95	541,375,025.00
	Net Incr. (Decr.)				
Purchased Options	in FV of Invest	(20,346,143.71)	Investments	19,061,819.86	4,005,176,924.00
Investment Derivative Liabilities:					
	Net Incr. (Decr.)		Invest Deriv -		
Futures	in FV of Invest	(284,223.87)	Liab Positions	(284,223.87)	689,689,166.00
	Net Incr. (Decr.)		Invest Deriv -		
Swaps	in FV of Invest	(3,939,726.00)	Liab Positions	(4,657,929.90)	222,554,613.00
	Net Incr. (Decr.)		Invest Deriv -		
Unrealized Losses on Foreign Forwards	in FV of Invest	(8,800,385.80)	Liab Positions	(8,800,385.80)	435,557,508.00
	Net Incr. (Decr.)		Invest Deriv -		
Options Written	in FV of Invest	(1,277,302.00)	Liab Positions	(2,771,923.67)	179,864,511.00

See Note 9 for more information on Cash Flow Hedges – Interest Rate Swaps and Note 3 for more information on Investment Derivatives.

17. Pension Plans

TEACHER RETIREMENT SYSTEM (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the System participates is a cost-sharing multi-employer defined benefit pension plan administered by the Teacher Retirement System of Texas. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a position on a half time or greater basis for at least 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more (members who began TRS participation on or after September 1, 2007 must be age 60 to retire under the second option). Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 6.644 percent of annual compensation. The System's contributions to TRS for the years ended August 31, 2011, 2010, and 2009, were \$166,431,853.74, \$161,321,575.75, and \$158,498,895.20, respectively, which equaled the amounts of the required contributions for those years.

TRS does not separately account for each of its component government agencies since the Retirement System 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 are included in the Retirement System's annual financial report, which may be found on the TRS website at www.trs.state.tx.us.

OPTIONAL RETIREMENT PROGRAM (ORP)

The State has also established an optional retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65 percent of annual compensation) and the System (6.40 percent state base rate plus any local supplement for a maximum 8.50 percent of annual compensation) for the fiscal years ended August 31, 2011, 2010 and 2009, respectively, are provided in the following table.

		2011	2010	2009
Participant Contributions	\$	144,617,852.00	122,419,133.00	119,352,442.00
System Contributions		161,377,272.00	155,766,626.00	147,000,144.00
Total	\$	<u>305,995,124.00</u>	<u>278,185,759.00</u>	<u>266,352,586.00</u>

EMPLOYEES RETIREMENT SYSTEM (ERS)

Certain employees at UT Medical Branch at Galveston participate in the Employees Retirement System of Texas. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit pension plan. ERS covers the eligible System employees who are not covered by the TRS or the ORP. Benefits vest after five years of credited service. Employees may retire at age 60 with five years of service or any combination of age plus years of service that equals 80.

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by State law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through State statute.

The funding policy requires monthly contributions by both the State and employees. For the biennium beginning September 1, 2009, the required contribution for both the State and employees has been changed from 6 percent of pay to 6.45 percent.

Additional information can be obtained from the separately issued ERS *Comprehensive Annual Financial Report* at <http://www.ers.state.tx.us/home.aspx>.

THE UNIVERSITY OF TEXAS SYSTEM GOVERNMENTAL RETIREMENT ARRANGEMENT (UTGRA)

The University of Texas System Governmental Retirement Arrangement (UTGRA) is a defined contribution pension plan established by the System to provide certain participants in the ORP that portion of their benefits that would otherwise be payable under the ORP except for the \$49,000.00 limit on contributions imposed by Section 415 of the Internal Revenue Code (IRC). At August 31, 2011 and 2010, there were 709 and 654 plan members, respectively. Persons employed by the System prior to September 1, 1996, whose compensation exceeds the limit set by IRC Section 401(a)(17) and whose ORP contribution is limited by the \$49,000.00 cap under IRC Section 415(c), defer 6.65 percent of their excess compensation while the System contributes between 6.58 percent and 8.5 percent depending upon the institution and the date of employment. The System contributed \$3,275,712.75 for the year ended August 31, 2011 and \$2,280,112.86 for the year ended August 31, 2010. The participants contributed \$2,562,763.51 for the year ended August 31, 2011 and \$1,783,853.01 for the year ended August 31, 2010. Plan provisions are established and may be amended at any time by the UT System Board of Regents.

Plan assets are valued at fair value and are invested in contracts and accounts in a similar manner to the ORP. Participants are immediately vested in the plan, both for the employee deferrals and the employer contributions. However, deferrals, contributions, purchased investments and earnings attributable to the plan are the property of the System and subject only to the claims of the System's general creditors. Participant's rights under the plan are equal to those of the general creditors of the System in an amount equal to the fair value of the participant's account balance. The System has no liability under the UTGRA that would exceed the aggregate value of the investments, and it is unlikely that any of UTGRA's assets will be used to satisfy the claims of general creditors in the future.

PHYSICIANS REFERRAL SERVICE SUPPLEMENTAL RETIREMENT PLAN (SRP)/RETIREMENT BENEFIT PLAN (RBP)

UT M. D. Anderson Cancer Center (the Cancer Center) has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service Supplemental Retirement Plan (SRP)/Retirement Benefit Plan (RBP) of the Anderson Hospital (collectively "the SRP/RBP"). The SRP/RBP is a non-qualified plan described by Section 457(f) of the Internal Revenue Code of 1986, as amended. The SRP/RBP is reported on the accrual basis of accounting. Assets of the SRP/RBP remain subject to the claims of the general creditors of the Cancer Center.

In general, only physicians hired before July 1, 1986, participate in the SRP. The remainder of eligible employees participates in the RBP. Retirement benefits are available to persons who have reached the normal retirement age (55 for the RBP, 65 for the SRP) with five years of service. Early retirement benefits are available under the SRP. Additional information can be obtained from the separately issued financial statements of the SRP/RBP.

18. Deferred Compensation

DEFERRED COMPENSATION-457(b)

The System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec. 609.001. The System offers its own deferred compensation plan, created in accordance with Internal Revenue Code Section 457(b). All System employees are eligible to participate in the System's plan, and cannot participate in the plan offered by the state of Texas. All investments, amounts, property, and rights held under the Deferred Compensation Trust Fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant in the accounts established by the participants with the System's retirement providers. The System has no liability under the plan.

TAX-SHELTERED ANNUITY-403(b)

The System also administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the System or the State. Therefore, neither the System nor the State has a liability related to this plan.

19. Subsequent Events

On November 01, 2011, the UT System Board of Regents issued \$67,822,000.00 in RFS Commercial Paper Notes, Series A and \$1,000,000.00 in RFS Taxable Commercial Paper Notes, Series B to finance a variety of capital projects and equipment purchases at various UT System institutions. Additionally on this date, the System retired \$1,000,000.00 of Series A notes, resulting in a net issuance of \$67,822,000.00. Subsequent to this issuance, the System had \$436,974,000 of RFS Commercial Paper Notes, Series A and \$1,000,000.00 of RFS Taxable Commercial Paper Notes, Series B outstanding.

On October 25, 2011, the System entered into an interest rate swap agreement (the "2008A Basis Swap Agreement") with Deutsche Bank AG (the "2008A Basis Swap Provider") with an initial notional amount of \$198,112,500. The 2008A Basis Swap Agreement became effective on November 1, 2011. Pursuant to the terms of the 2008A Basis Swap Agreement, the Board is obligated to make payments to the 2008A Basis Swap Provider based upon the notional amount specified therein at a variable rate equal to the SIFMA Municipal Swap Index, and the 2008A Basis Swap Provider is obligated to make payments to the Board based upon such notional amount at a variable rate equal to 93.40% of the three-month London Interbank Offered Rate, in each case on the first calendar day of each quarter commencing January 1, 2012 until July 1, 2038.

20. Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2011, related to pass-through grants were \$431,845,228.14 and \$10,042,815.80, respectively. Funds received and provided during the year ended August 31, 2010, related to pass-through grants were \$389,581,461.92 and \$9,715,377.69, respectively.

In 1991, Texas Southmost College and the University of Texas at Brownsville (UT Brownsville) entered into a contractual arrangement to maximize resources and bring additional educational opportunities to the communities of the Lower Rio Grande Valley. The primary goal of the partnership, which is operationally managed by the System, was to offer students a seamless educational process by eliminating barriers between two institutions located on the same campus. In November, 2010 the UT System Board of Regents found that the current educational partnership between the Board of Regents on behalf of UT Brownsville and the Texas Southmost College Board of Trustees could no longer be sustained and a notice of termination of the Educational Partnership Agreement was provided. Under the terms of the Agreement, the termination is effective no later than August 31, 2015; however, the parties may work to achieve an earlier effective date.

Other related-party transactions identified in the financial statements include Due From/To Other State Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

21. Stewardship, Compliance and Accountability

The System had no significant violations of bond or note covenants. Per State law, the System cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net assets.

22. Disaggregation of Other Receivable Balances

Net other receivables at August 31, 2011 and 2010 are detailed by type as follows:

Net Other Receivables	2011	2010
Receivables related to investments	\$ 83,415,718.01	38,966,854.79
Receivables related to healthcare*	-	44,415,673.48
Receivables related to gifts, grants and sponsored programs	76,695,534.55	64,839,917.57
Receivables related to external parties/other companies	30,136,058.40	28,048,085.97
Receivables related to auxiliary enterprises	9,524,926.18	6,376,093.81
Receivables related to facilities/construction projects	-	854,255.08
Receivables related to payroll	2,811,269.75	4,391,533.35
Receivables related to patents	1,661,465.96	1,733,625.07
Receivables related to travel	1,346,501.64	1,138,964.50
Receivables related to loan funds and financial aid	1,817,320.63	3,633,675.12
Receivables related to agency funds	2,079,265.54	3,054,200.33
Receivables related to other various activities	23,357,440.69	28,133,403.05
Total	\$ <u>232,845,501.35</u>	<u>225,586,282.12</u>

*Moved to Patient and Other Healthcare Receivables in 2011.

23. Joint Ventures

On August 24, 2011, the UT System Board of Regents approved creation of the \$10 million fund, the UT Horizon Fund, which will support commercialization of intellectual property through the development of startups and maintaining equity in startups throughout the System. Investments will range up to \$1 million, depending on the startup. To be considered for funding, startups will have to have secured private-sector money as a co-investment match. That co-investment model gives the System insight into which products and technologies have the most potential in the marketplace. No investments occurred as of August 31, 2011, but investments are anticipated during fiscal year 2012.

UT Southwestern Health Systems (UTSHS), a blended component unit of UT Southwestern Medical Center, is a participating member of UT Southwestern DVA Healthcare, LLP (DVA). DVA is a joint venture between UTSHS and Davita Inc. to provide care for dialysis patients in the Dallas-Fort Worth area. UTSHS's equity interest in DVA at August 31, 2011 and 2010 was \$4,251,214.00 and \$4,360,057.10, respectively, or 49%. Separate financial statements for DaVita may be obtained at DaVita Inc., 601 Hawaii Street, El Segundo, California 90245 or www.davita.com.

UT Southwestern Medical Center entered into a limited partnership agreement on June 30, 2006, with Premier Purchasing Partners, L.P. (Premier). The principal business of Premier is to operate and manage healthcare-related programs and investments for the benefit of its partners including UT Southwestern Medical Center and to otherwise assist the partners in providing superior healthcare services in their communities. Premier negotiates and executes reduced cost purchase contracts between its partners and vendors of healthcare products and services by leveraging the aggregated demand of its partners and to operate group purchasing and other programs to increase both individual participant and aggregate purchasing volumes. As of August 31, 2011 and 2010, UT Southwestern Medical Center's investment in Premier was \$494,951.00 and \$391,484.00, respectively, or .31% and .26%, respectively. Separate financial statements for Premier may be obtained at Premier, Inc., 12225 El Camino Real, San Diego, California 92130 or www.premierinc.com.

UT Health Science Center at Houston's blended component unit, UT Physicians, is a participating member of Physician's Dialysis of Houston. Physician's Dialysis of Houston is a joint venture entered into by UT Physicians and DaVita, Inc. UT Physician's equity interest in Physician's Dialysis of Houston at August 31, 2011 and 2010 was \$642,144.83 and \$621,335.97, respectively, or 35.62%. Separate financial statements for Physician's Dialysis of Houston may be obtained at Physician's Dialysis of Houston, Attention: Marie Sinfield, 1423 Pacific Avenue, Tacoma, Washington 98402.

UT Health Science Center at Houston's blended component unit, UT Physicians, was a participating member of UT Imaging. UT Imaging was a Limited Liability Partnership entered into by UT Physicians, Outpatient Imaging Affiliates, LLC, and Memorial Hermann Hospital System. UT Physician's equity interest in UT Imaging at August 31, 2010 was \$(35,393.17), or 61.15%. UT Imaging was sold on May 31, 2011. Separate financial statements for UT Imaging may be obtained at Outpatient Imaging Affiliates, LLC, Attention: Laura Cottingham, 840 Crescent Center Drive, Suite 200, Franklin, Tennessee 37067.

UT Health Science Center at Houston's blended component unit, UT Physicians, is a participating member of TMC Holding Company, L.L.C. (TMC Holding). TMC Holding is a Limited Liability Corporation entered into by UT Physicians, Baylor College of Medicine and Memorial Hermann/USP Surgery Centers III, L.L.P. UT Physicians' equity interest in TMC Holding at August 31, 2011 and 2010 was \$248,959.00 and \$298,387.92 respectively, or 18.1%. Separate financial statements for TMC Holding may be obtained by contacting Vanessa Smith, 3050 Post Oak Blvd, Suite 620, Houston, TX 77056.

UT Health Science Center at Houston is a participating member of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operation to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. UT Health Science Center at Houston's equity interest in TECO at August 31, 2011 and 2010 was \$11,706,925.88 and \$9,407,795.88, or 14.9%. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030 or http://teco.tmc.edu/home/teco_home.php.

UTMDA is a participating member of the Texas Medical Center Hospital Laundry Cooperative Association (the Association). The Association was established on April 30, 1971, for the purpose of acquiring, owning, and operating a laundry system on a cooperative basis solely for the benefit of members of the Association. Net earnings of the Association may be refunded to the members on a patronage basis or retained by the Association as equity allocated to the members. UTMDA's equity interest in the Association at August 31, 2011 and 2010 was \$1,958,280.40 and \$1,536,038.00, respectively, or 40%. Separate financial statements for the Association may be obtained at 1601 Braeswood Boulevard, Houston, Texas 77030 or <http://www.texasmedicalcenter.org/root/en/GetToKnow/TMCInstitutions/OtherInstitutions/Laundry/Laundry>.

UTMDA is a participating member of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operations to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. UTMDA's equity interest in TECO at August 31, 2011 and 2010 was \$31,169,629.00 and \$25,705,046.00, respectively, or 39.7% and 40.1%, respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030 or http://teco.tmc.edu/home/teco_home.php.

UTMDA is a participating member of P.E.T. Net Houston, LLC (PETNet). PETNet is a joint venture entered into by UTMDA and P.E.T. Pharmaceuticals, Inc. to lease and operate a facility located on UTMDA's campus to produce positron radiopharmaceuticals and isotopes. Construction of the facility commenced in 2003. UTMDA's equity interest in PETNet at August 31, 2011 and 2010 was \$2,854,821.97 and \$3,325,620.14, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, Pennsylvania 19355.

UTMDA entered into a limited partnership agreement on December 19, 2002 with PTC-Houston Management, L.P. and PTC-Houston Investors, LLC to create The Proton Therapy Center-Houston LTD., L.L.P. (PTC Partnership). PTC Partnership was established to develop and operate a proton therapy facility, which will provide cancer treatment to patients utilizing proton therapy technology. Under the Staffing and Operations Agreement between UTMDA and PTC Partnership, UTMDA shall be the exclusive supplier of all technical and operational services to support PTC Partnership operations, and for which, UTMDA will be reimbursed on a monthly basis. Under a separate agreement, the Professional Services Agreement, UTMDA shall provide services of physicians, medical physicists and medical dosimetrists to PTC Partnership, for which, UTMDA shall bill patients and retain all professional fees associated with such services.

UTMDA entered into a limited liability company agreement on December 19, 2002 to form PTC-Houston Investors, L.L.C (Investors). Investors was established to invest in and be a limited partner in the PTC Partnership. Investors entered into a ground lease with UTMDA on December 19, 2002 to lease approximately four acres on UTMDA's property for an initial term of sixty years. UTMDA's initial capital contribution of \$2,500,000.00 to Investors was provided through the ground lease. UTMDA's equity interest in Investors at August 31, 2009 was \$2,500,000.00, or approximately 8.2%.

On March 30, 2010, UTMDA entered into an Agreement and Stipulation among Purchasers of LLC Membership Interests of PTC-Houston Investors, L.L.C. in which PTC Partnership assigned the right to purchase additional shares of Investors to its partners. As part of this agreement, UTMDA purchased 13.12195 units of interest in Investors for \$5,725,941.82 giving UTMDA a total ownership interest of approximately 51.22%. In addition, all members of Investors further consented to the redemption of UTMDA's total interest in Investors in exchange for the conveyance by Investors to UTMDA of 51.22% of Investors' right, title and interest under PTC Partnership agreement including without limitation, 51.22% of Investors' Capital Contributions and Investors' right to receive distributions and 51.22% of the percentage interests in PTC Partnership owned by Investors, which approximated \$15,621,950.00 as of March 30, 2010.

Following the execution of the foregoing, UTMDA entered into an Amended and Restated Limited Partnership Agreement (Agreement) dated March 30, 2010 between PTC Partnership, Investors, PTC-Houston Management, L.P., and UTMDA. The purposes of PTC Partnership are to assume the lease formerly held by Investors with UTMDA to lease approximately four acres on the UTMDA's property for an initial term of 60 years, develop and/or acquire other proton therapy related business opportunities in the area and engage in any other activities that are reasonably incidental to the foregoing or that are contemplated by the agreement or the related agreements. As part of the agreement, each partner has made or is deemed to have made the Initial Contribution which equaled \$15,621,950.00 for UTMDA or 15.22%. However, UTMDA's only capital contribution to PTC Partnership has been through the ground lease which equals \$2,500,000.00. UTMDA has recorded cash distributions and has adjusted its carrying value based on the operating results of PTC Partnership as required by the Agreement, which does not equal the Initial Contribution. Until the carrying value of the investment equals or exceeds the Initial Contribution value, UTMDA has elected to record the carrying value on the balance sheet. Accordingly, UTMDA's equity interest in PTC Partnership as of August 31, 2011 and 2010 was \$297,645.89 and \$5,998,136.00, respectively. Separate financial statements for PTC Partnership may be obtained at <http://www.mdanderson.org/patient-and-cancer-information/proton-therapy-center/index.html>.

UTMDA is a participating member in the National Center for Therapeutics Manufacturing (the "NCTM"). UTMDA entered into a Collaboration, Investment and Facility Use Agreement as of May 19, 2010 with Texas A&M University System to collaborate on the design of the NCTM and on grants and proposals relating to cancer therapeutics that could be developed at the NCTM. UTMDA's cost-based interest in NCTM at August 31, 2011 and 2010 was \$2,490,000.00 or approximately 5%. Separate financial statements for NCTM may be obtained at <http://www.tamus.edu/it/nctm/>.

UTMDA entered into a limited partnership agreement on January 10, 1990, with Premier Purchasing Partners, L.P. (Premier). The principal business of Premier is to operate and manage healthcare-related programs and investments for the benefit of its partners including UTMDA and to otherwise assist the partners in providing superior healthcare services in their communities. Premier negotiates and executes reduced cost purchase contracts between its partners and vendors of healthcare products and services by leveraging the aggregated demand of its partners and to operate group purchasing and other programs to increase both individual participant and aggregate purchasing volumes. As of August 31, 2011 and 2010, UTMDA's investment in Premier was \$4,015,224.00 and \$4,240,793.00, respectively, or 1.41%. Separate financial statements for Premier may be obtained at Premier, Inc., 12225 El Camino Real, San Diego, California 92130 or www.premierinc.com.

24. Termination Benefits

In 2011, UT System Administration contracted with NextJob to provide outplacement services to employees of the System who implemented a reduction in force as a result of the budgets cuts implemented by the State. UT System Administration incurred expenses of \$317,570.00 for 674 terminated employees of the System who were eligible for outplacement services. While UT System Administration contracted with NextJob, the UT institutions may incur travel expenses for NextJob if they request NextJob to come to their campus or if the institution requests services that fall outside of the standard service in the contract.

In 2010, UT System Administration implemented a reduction in force effective August 31, 2010. There were no special benefits or severance packages offered. UT System Administration incurred expenses of \$8,025.00 for services to assist the 45 terminated employees in obtaining subsequent employment in 2010. In 2011, UT System Administration implemented reductions in force effective May 31, 2011 and August 31, 2011. The benefits package provided to the 61 terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2011, The University of Texas at Arlington (UT Arlington) implemented a Voluntary Separation Incentive Program for tenured or tenure-track faculty members with an assignment of 100 percent as of May 31, 2011. The benefits package provided to the twenty-seven faculty members consisted of payment of 100% of their 2010-2011 annual salary. UT Arlington incurred expenses of \$2,232,076.00 in the Voluntary Separation Incentive Program in 2011. In 2010, UT Arlington implemented a reduction in force effective August 31, 2010. The benefits package provided to the 59 terminated employees consisted of payment of one-half of a year's salary or a minimum of \$20,000.00 for voluntarily separating. UT Arlington incurred expenses of \$1,615,636.50 in early exit incentives in 2010.

In 2011 and 2010, UT Austin offered early retirement incentives at several points throughout the year. In 2011, the benefits package provided to 39 of the terminated employees consisted of a one-time \$16,000.00 early exit incentive per employee. The remaining 44 terminated employees were provided packages consisting of one-time early incentives ranging from \$16,115 to \$312,400. In 2010, the benefits package provided to the 88 terminated employees consisted of a one-time \$16,000.00 early exit incentive per employee. UT Austin incurred expenses of \$6,184,762.50 and \$1,558,528.88 in early exit incentives in 2011 and 2010, respectively.

In 2011, UT Brownsville implemented an early retirement incentive program effective January 15, 2011 for 21 staff members and May 31, 2011 for 18 faculty members. UT Brownsville incurred expenses of \$993,000.00 in early exit incentives. On June 24, 2011, UT Brownsville implemented a reduction in force. The benefits package provided to the 44 involuntarily terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2011, the University of Texas – Pan American (UT Pan American) implemented a reduction in force effective August 31, 2011. The benefits package provided to the 69 terminated employees consisted of a one-time incentive payment that equates to one half of the employee's base salary for voluntarily separating and providing outplacement services to the remainder of the terminated employees. UT Pan American incurred expenses of \$1,278,903.28 in early exit incentives.

In 2011, the University of Texas at San Antonio implemented a reduction in force effective August 31, 2011. The benefits package provided to the 8 terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2011, UT Southwestern Medical Center implemented a reduction in force effective August 31, 2011. The benefits package provided to the 105 terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2011, UT Medical Branch at Galveston implemented a reduction in force effective August 31, 2011. The benefits package provided to the 11 terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered. In 2010, UT Medical Branch at Galveston implemented a reduction in force effective July 21, 2010. The benefits package provided to the 192 terminated employees also consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2011, UT Health Science Center at Houston implemented a reduction in force effective September 7, 2010. The benefits package provided to the 192 terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

In 2011, UT Health Science Center at San Antonio implemented a reduction in force effective August 31, 2011. The benefits package provided to the 67 terminated employees consisted of normal benefits and salaries with no special benefits or severance packages offered.

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group benefits for 18 to 36 months, depending upon the circumstances leading to loss of coverage. In addition, as part of the American Recovery and Reinvestment Act (ARRA), employees who were involuntarily terminated between September 1, 2008 and May 31, 2010 and their covered dependents may be eligible for reduced COBRA premiums of 35% for up to fifteen months. The final subsidized period, during which federal funds pay the remaining 65% of COBRA premiums for eligible individuals, ended on August 31, 2011. The 65% subsidy will be paid to the former employer by the federal government in the form of a reduction in a payroll tax deposit or a credit on the IRS Form 941. Federal funding received in 2011 totaled \$1,012,702.11 for all insured plans. COBRA benefits for the self-insured plans offered by System for the years ended August 31, 2011 and 2010 are provided below:

	2011	2010
Total Number of Participants ¹	3,344	4,263
Premium Revenue ²	\$ 4,014,054.67	4,598,854.23
2% Administrative Fee Revenue ³	(107,926.70)	(90,613.43)
Net Revenue for COBRA Premium	3,906,127.97	4,508,240.80
Federal COBRA Subsidy ⁴	1,012,702.11	1,596,715.49
Net COBRA Premium & Subsidy	4,918,830.08	6,104,956.29
Less Claims Paid	(10,146,384.79)	(12,409,482.19)
Cost to State	\$ (5,227,554.71)	(6,304,525.90)

¹The participants above are for the self-insured program, which includes 648 and 816 COBRA subsidy participants in 2011 and 2010, respectively.

²Premium revenue includes premiums received from COBRA participants not eligible for the Federal subsidy as well as the 35% of premiums paid by the participants that are eligible for the 65% subsidy.

³The 2 percent administrative fee is retained by the vendor administering the COBRA benefit and is paid by the participant. Approximately \$984 and \$2,111 of the administrative fee in 2011 and 2010, respectively, is related to the Delta Dental COBRA subsidy. NOTE: BCBSTX waives administrative fees on the 65% employer's portion of the COBRA premium.

⁴The Federal COBRA subsidy is funding that the System will receive from the federal government under ARRA for the self-insured plans offered. This subsidy does not include that which System will receive for the fully-insured dental and vision plans.

25. Upcoming Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective 2013, addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The System is evaluating the effect that Statement 60 will have on its financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, effective 2013, modifies certain requirements for inclusion of component units in the financial reporting entity. The System is evaluating the effect that Statement 61 will have on its financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective 2013, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The System is evaluating the effect that Statement 63 will have on its financial statements.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective 2012, establishes criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied after the replacement of a swap counterparty or a swap counterparty's credit support provider. The System is evaluating the effect that Statement 64 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYEMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
August 31, 2011**

The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {(3) - (2)}	Funded Ratio {(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {(4)/(6)}
December 31, 2008	\$-	5,102,764,529.00	5,102,764,529.00	0.0%	4,820,567,837.00	105.9%
December 31, 2009	-	5,676,867,734.00	5,676,867,734.00	0.0%	5,026,491,379.00	112.9%
December 31, 2010	-	5,956,797,788.00	5,956,797,788.00	0.0%	5,309,413,147.00	112.2%

The Schedule of Funding Progress shown above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The University of Texas System Administration
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 568,864,828.15	1,174,190,680.84
Restricted Cash & Cash Equivalents	39,150,475.37	311,859,804.83
Balance in State Appropriations	5.59	5.59
Securities Lending Collateral	384,553,434.02	468,365,170.60
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	4,914,588.62	3,565,528.58
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)		1,740,706.15
Interest and Dividend Receivables	38,654,787.20	44,419,876.96
Contributions (allow. \$5,780.43 in 2011 & \$7,325.35 in 2010)	24,899.66	47,614.74
Investment Trades Receivables	301,211,894.86	89,384,866.15
Other (allow. \$0.00 in 2011 & \$0.00 in 2010)	90,297,260.51	47,388,757.65
Due From Other Funds	136,227,678.16	77,877,834.91
Due From Other Institutions	72,925,628.42	64,753,303.84
Due From Other Agencies		3,088,342.44
Other Current Assets	<u>9,381,368.51</u>	<u>12,797,340.92</u>
Total Current Assets and Deferred Outflows	<u>1,646,206,849.07</u>	<u>2,299,479,834.20</u>
Noncurrent Assets and Deferred Outflows:		
Cash and Cash Equivalents (Noncurrent Restricted)	20,663.52	17,833.94
Restricted Investments	21,844,509,695.22	18,583,340,719.20
Deposit with Brokers for Derivative Contracts	274,476,455.36	166,223,590.62
Contributions Rec. (allow. \$6,955.16 in 2011 & \$9,972.32 in 2010)	29,959.85	64,820.11
Unrestricted Investments	5,490,254,143.92	4,217,156,637.70
Deferred Outflows-FMV of Derivatives (Noncurrent)	202,247,306.74	205,166,048.45
Other Noncurrent Assets	23,250,662.27	20,576,793.43
Gross Capital/Intangible Assets	7,659,420,808.36	7,094,349,538.57
Accumulated Depreciation/Amortization	<u>(80,967,378.82)</u>	<u>(59,504,016.48)</u>
Total Noncurrent Assets and Deferred Outflows	<u>35,413,242,316.42</u>	<u>30,227,391,965.54</u>
Total Assets and Deferred Outflows	<u>\$ 37,059,449,165.49</u>	<u>32,526,871,799.74</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	81,311,774.68	53,619,203.43
Salaries Payable	3,147,997.85	4,064,478.06
Investment Trades Payables	101,529,453.72	99,739,901.39
Incurred But Not Reported Self Insurance Claims	90,148,468.27	90,261,548.41
Securities Lending Obligations	384,553,434.02	468,365,170.60
Due To Other Funds	136,227,678.16	77,877,834.91
Due To Other Institutions	1,025,190,207.06	943,894,114.34
Due To Other State Agencies	14,293,116.35	13,977,718.14
Statewide Interfund Payable	115,215,000.00	20,245,000.00
Deferred Revenue	8,632,499.50	9,222,666.61
Employees' Compensable Leave - Current Portion	3,213,118.30	3,064,630.92
Notes, Loans, and Leases Payable	630,152,000.00	554,574,000.00
Payable From Restricted Assets	33,270,851.07	51,255,600.40
Revenue Bonds Payable	1,574,446,439.42	1,581,825,028.08
Other Current Liabilities	<u>4,000.00</u>	<u>8,000.00</u>
Total Current Liabilities and Deferred Inflows	<u>4,201,336,038.40</u>	<u>3,971,994,895.29</u>
Noncurrent Liabilities and Deferred Inflows:		
Incurred But Not Reported Self Insurance Claims	22,339,730.73	27,394,726.59
Employees' Compensable Leave	1,505,660.94	2,039,329.61
Assets Held for Others	5,254,905,105.23	4,655,166,802.32
Liability to Beneficiaries	14,547,274.13	11,878,505.23
Net Other Postemployment Benefits Obligation	1,766,652,036.00	1,295,763,104.00
Revenue Bonds Payable	5,281,810,720.08	4,829,918,627.30
Statewide Interfund Payable	529,210,000.00	591,650,000.00
Hedging Derivative Liability (Noncurrent)	202,247,306.74	205,166,048.45
Payable to Brokers for Collateral Held	162,500,000.00	23,140,000.00
Investment Derivatives - Liability Positions	274,239,540.27	28,418,866.68
Other Noncurrent Liabilities	<u>658,989.00</u>	<u>482,765.00</u>
Total Noncurrent Liabilities and Deferred Inflows	<u>13,510,616,363.12</u>	<u>11,671,018,775.18</u>
Total Liabilities and Deferred Inflows	<u>17,711,952,401.52</u>	<u>15,643,013,670.47</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	129,513,691.44	121,564,681.90
Restricted for:		
Nonexpendable		
Permanent University Fund Endowment	8,214,528,602.13	7,109,333,589.72
Permanent Health, True Endowments, and Annuities Held for Institutions	3,583,636,039.96	3,445,419,591.47
Permanent Health, True Endowments, and Annuities	384,763,750.23	384,432,759.31
Expendable		
Capital Projects	11,855,930.14	11,459,309.10
Debt Service	6,826,165.95	7,538,520.69
Funds Functioning as Endowment (Restricted)	6,451,662.20	5,797,698.33
Funds Functioning as Endowments (Restricted Held for Institutions)	260,402,143.72	237,637,774.76
Other Expendable	7,720,427,892.54	6,213,075,384.65
Unrestricted Net Assets	<u>(970,909,114.34)</u>	<u>(652,401,180.66)</u>
Total Net Assets	<u>19,347,496,763.97</u>	<u>16,883,858,129.27</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 37,059,449,165.49</u>	<u>32,526,871,799.74</u>

The University of Texas System Administration
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Federal Sponsored Programs	15,653,318.52	16,554,716.68
Federal Sponsored Programs Pass-Through from State Agencies	1,379,091.81	7,882,754.04
State Sponsored Programs Pass-Through from State Agencies	1,287,018.05	11,726,736.93
Local Sponsored Programs	625.11	39,640.40
Private Sponsored Programs	(58,277.36)	673,253.25
Sales and Services of Educational Activities	32,412,592.50	18,216,009.41
Other Operating Revenues	49,145,809.11	(4,979,973.97)
Total Operating Revenues	<u>99,820,177.74</u>	<u>50,113,136.74</u>
Operating Expenses:		
Instruction	2,569,754.06	21,359,981.73
Institutional Support	557,838,222.37	550,399,892.49
Scholarships and Fellowships	1,268,600.00	1,374,900.00
Depreciation and Amortization	12,082,439.36	11,780,644.22
Total Operating Expenses	<u>573,759,015.79</u>	<u>584,915,418.44</u>
Operating Income (Loss)	<u>(473,938,838.05)</u>	<u>(534,802,281.70)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	8,463,034.36	(9,413,085.41)
Federal Nonexchange Sponsored Programs	30,079,873.17	12,394,883.91
Gift Contributions for Operations	920,796.01	714,253.62
Investment Income	1,739,448,544.09	990,591,104.53
Net Increase (Decrease) in Fair Value of Investments	1,508,392,004.34	1,245,300,994.20
Interest Expense on Capital Asset Financings	(261,344,359.94)	(207,322,468.20)
Gain (Loss) on Sale of Capital Assets	17,510.26	499.82
Other Nonoperating Revenues	298,766.44	837,748.59
Other Nonoperating (Expenses)	(391,076.58)	(436,228.70)
Net Nonoperating Revenues (Expenses)	<u>3,025,885,092.15</u>	<u>2,032,667,702.36</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	2,551,946,254.10	1,497,865,420.66
Gifts and Sponsored Programs for Capital Acquisitions		(3,000,000.00)
Additions to Permanent Endowments / Annuities	101,328,393.88	118,100,151.75
Reclass from/(to) Other Institutions	306,649,646.44	(256,305,538.26)
Change in Proceeds of Bonds Payable	547,915,551.38	518,938,682.08
Transfers Between Institutions & System, Debt Service - Mandatory	482,315,436.06	464,401,612.12
Transfers Between Institutions & System Admin. - Non mandatory	(1,323,965,386.08)	(931,917,460.31)
Transfers From Other State Agencies	1,575,861.62	1,245,311.90
Transfers to Other State Agencies	(204,127,122.70)	(208,884,107.14)
Change in Net Assets	<u>2,463,638,634.70</u>	<u>1,200,444,072.80</u>
Beginning Net Assets	16,883,858,129.27	15,652,987,828.85
Restatements		30,426,227.62
Beginning Net Assets (As Restated)	<u>16,883,858,129.27</u>	<u>15,683,414,056.47</u>
Ending Net Assets	<u>\$ 19,347,496,763.97</u>	<u>16,883,858,129.27</u>

The University of Texas System Administration
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Sponsored Programs	22,054,462.24	40,740,574.07
Proceeds from Other Revenues	72,133,858.33	18,061,352.20
Payments to Suppliers	(26,681,263.62)	(97,659,996.60)
Payments to Employees	(41,665,179.37)	(36,620,626.70)
Net Cash Provided (Used) by Operating Activities	<u>25,841,877.58</u>	<u>(75,478,697.03)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	8,463,034.36	(9,413,091.00)
Proceeds from Operating Gifts	978,371.35	761,552.48
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	389,438,396.24	341,712,514.68
Proceeds from Other Nonoperating Revenues	-	837,748.59
Payments / Receipts for Transfers to / from System or Other Agencies	(1,349,397,423.92)	(26,178,763.44)
Proceeds from Nonexchange Sponsored Programs	29,767,175.61	10,892,993.15
Net Cash Provided by Noncapital Financing Activities	<u>(920,750,446.36)</u>	<u>318,612,954.46</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	833,078,465.40	2,134,421,510.55
Proceeds from Capital Debt Transferred from System (Nonmandatory)	(790,945,881.07)	(1,061,626,371.72)
Payments of Other Costs on Debt Issuance	(1,783,614.36)	(46,219,346.53)
Proceeds from Capital Appropriations, Grants, and Gifts	-	(3,000,000.00)
Proceeds from Sale of Capital Assets	26,697.95	13,228.00
Payments for Additions to Capital Assets	(8,890,302.20)	(10,067,902.55)
Payments of Principal on Capital Related Debt	(302,650,000.00)	(1,547,663,000.00)
Mandatory Transfers to System for Capital Related Debt	482,315,436.06	464,401,612.12
Payments of Interest on Capital Related Debt	(260,736,375.23)	(204,130,988.27)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(49,585,573.45)</u>	<u>(273,871,258.40)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	10,824,586,927.17	11,269,443,440.50
Proceeds from Interest and Investment Income	1,100,760,344.94	501,488,440.11
Payments to Acquire Investments	(11,858,885,482.45)	(11,622,750,731.54)
Net Cash Provided (Used) by Investing Activities	<u>66,461,789.66</u>	<u>148,181,149.07</u>
Net Increase (Decrease) in Cash		
Cash and Cash Equivalents (Beginning of the Year)	(878,032,352.57)	117,444,148.10
Cash and Cash Equivalents (End of the Year)	<u>1,486,068,319.61</u>	<u>1,368,624,171.51</u>
	<u>\$ 608,035,967.04</u>	<u>\$ 1,486,068,319.61</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(473,938,838.05)	(534,802,281.70)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	12,082,439.36	11,780,644.22
Changes in Assets and Liabilities:		
Accounts Receivable	(2,207,779.85)	6,098,630.33
Other Current and Noncurrent Assets	5,551,388.20	(7,480,977.91)
Accounts Payable	22,275,835.09	(153,422.80)
Due to System	(8,172,324.58)	(5,032,685.38)
Deferred Revenue	(590,167.11)	(197,188.87)
Assets Held for Others	337,573.81	(105,682.64)
Employees' Compensable Leave	(385,181.29)	(323,546.28)
Other Postemployment Benefits Obligation	470,888,932.00	454,737,814.00
Total Adjustments	<u>499,780,715.63</u>	<u>459,323,584.67</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,841,877.58</u>	<u>\$ (75,478,697.03)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	1,508,392,004.34	1,245,300,994.20
Miscellaneous Noncash Transactions	(26,697.95)	(1,276,241.31)

The University of Texas at Arlington
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 46,739,972.90	31,889,485.86
Restricted Cash & Cash Equivalents	(27,424,019.52)	(17,673,842.36)
Balance in State Appropriations	2,174,140.02	2,831,388.64
Accounts Receivable, Net:		
Federal (allow. \$253,758.30 in 2011 & \$0.00 in 2010)	39,110,382.89	26,954,152.71
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	1,606,375.50	2,641,146.47
Student (allow. \$2,608,900.00 in 2011 & \$1,001,614.86 in 2010)	20,465,584.54	20,047,150.41
Interest and Dividend Receivables	246,658.62	308,900.95
Contributions (allow. \$27,302.92 in 2011 & \$4,449.00 in 2010)	1,869,671.26	143,850.77
Other (allow. \$13,491.53 in 2011 & \$8,712.10 in 2010)	673,038.20	1,351,440.20
Due From System Administration	67,240,065.86	37,815,501.61
Due From Other Agencies	3,637,978.30	309,232.92
Inventories	142,907.20	312,551.12
Loans & Contracts (allow. \$706,582.99 in 2011 & \$134,006.07 in 2010)	7,400,882.24	6,030,893.26
Other Current Assets	326,682.86	408,587.16
Total Current Assets and Deferred Outflows	<u>164,210,320.87</u>	<u>113,370,439.72</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	9,838,152.26	9,374,869.55
Loans & Contracts (allow. \$61,593.23 in 2011 & \$79,689.67 in 2010)	3,270,519.88	3,586,404.15
Funds Held by System Administration (Restricted)	80,619,059.23	68,311,733.91
Contributions Rec. (allow. \$57,645.75 in 2011 & \$8,217.64 in 2010)	1,863,879.72	265,703.82
Unrestricted Investments	195,854,843.73	194,793,424.49
Gross Capital/Intangible Assets	896,444,046.49	808,616,710.29
Accumulated Depreciation/Amortization	(296,807,520.80)	(271,422,439.07)
Total Noncurrent Assets and Deferred Outflows	<u>891,082,980.51</u>	<u>813,526,407.14</u>
Total Assets and Deferred Outflows	<u>\$ 1,055,293,301.38</u>	<u>926,896,846.86</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	26,177,134.04	19,841,369.90
Salaries Payable	16,824,715.11	18,758,748.57
Due To System Administration	2,743,288.96	2,464,173.07
Due To Other State Agencies	184,415.51	11,970.67
Deferred Revenue	80,626,104.48	73,196,038.76
Employees' Compensable Leave - Current Portion	5,199,692.57	4,980,348.10
Payable From Restricted Assets	1,087,679.87	1,500,360.05
Other Current Liabilities	291,866.49	357,053.39
Total Current Liabilities and Deferred Inflows	<u>133,134,897.03</u>	<u>121,110,062.51</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	2,289,864.32	2,458,465.97
Assets Held for Others	4,444,276.44	1,538,191.58
Liability to Beneficiaries	39,975.75	40,183.05
Statewide Interfund Payable	3,750,978.42	
Other Noncurrent Liabilities	488,630.49	482,830.49
Total Noncurrent Liabilities and Deferred Inflows	<u>11,013,725.42</u>	<u>4,519,671.09</u>
Total Liabilities and Deferred Inflows	<u>144,148,622.45</u>	<u>125,629,733.60</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	599,636,525.69	537,194,271.22
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	45,962,473.99	40,524,689.86
Expendable		
Capital Projects	8,600,928.97	14,802,389.72
Funds Functioning as Endowment (Restricted)	3,787,997.66	2,126,496.82
Other Expendable	96,491,794.09	41,337,309.17
Unrestricted Net Assets	<u>156,664,958.53</u>	<u>165,281,956.47</u>
Total Net Assets	<u>911,144,678.93</u>	<u>801,267,113.26</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 1,055,293,301.38</u>	<u>926,896,846.86</u>

The University of Texas at Arlington
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 266,550,716.57	221,027,967.36
Discounts and Allowances	(77,580,764.90)	(63,553,532.90)
Federal Sponsored Programs	40,234,144.41	40,911,762.06
Federal Sponsored Programs Pass-Through from State Agencies	6,300,036.29	2,572,840.67
State Sponsored Programs Pass-Through from State Agencies	18,539,777.04	16,920,075.71
Local Sponsored Programs	1,159,000.46	420,970.25
Private Sponsored Programs	5,069,377.94	6,991,460.14
Sales and Services of Educational Activities	14,857,035.73	17,752,036.30
Auxiliary Enterprises	26,197,004.37	25,724,980.06
Other Operating Revenues	7,209,815.65	8,725,844.82
Total Operating Revenues	<u>308,536,143.56</u>	<u>277,494,404.47</u>
Operating Expenses:		
Instruction	145,782,720.54	136,859,127.10
Research	52,841,436.87	48,048,840.63
Public Service	9,685,193.55	10,418,144.14
Academic Support	29,470,141.13	32,560,796.53
Student Services	25,047,522.24	26,387,842.26
Institutional Support	50,044,231.86	35,146,061.24
Operations and Maintenance of Plant	35,665,061.99	33,476,957.78
Scholarships and Fellowships	28,183,670.14	21,056,165.13
Auxiliary Enterprises	37,941,135.52	38,749,608.66
Depreciation and Amortization	30,558,755.31	27,624,366.30
Total Operating Expenses	<u>445,219,869.15</u>	<u>410,327,909.77</u>
Operating Income (Loss)	<u>(136,683,725.59)</u>	<u>(132,833,505.30)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	104,048,047.42	112,133,724.18
Federal Nonexchange Sponsored Programs	43,455,597.96	34,202,990.88
Federal Nonexchange Pass-Through	1,758,872.00	5,883,503.00
State Nonexchange Pass-Through	456,981.36	463,158.95
Gift Contributions for Operations	3,590,143.06	3,174,372.74
Investment Income	12,847,753.88	11,188,577.03
Net Increase (Decrease) in Fair Value of Investments	20,109,067.69	3,869,772.12
Gain (Loss) on Sale of Capital Assets	(880,387.04)	202,798.06
Other Nonoperating Revenues	43,894.19	
Other Nonoperating (Expenses)	(2,500.00)	(280,081.88)
Net Nonoperating Revenues (Expenses)	<u>185,427,470.52</u>	<u>170,838,815.08</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	48,743,744.93	38,005,309.78
Gifts and Sponsored Programs for Capital Acquisitions	6,223,537.96	3,428,499.17
Additions to Permanent Endowments / Annuities	3,748,731.12	2,619,037.69
Reclass from/(to) Other Institutions	74,258,899.12	(109,656,436.13)
Transfers Between Institutions & System, Debt Service - Mandatory	(24,954,998.31)	(27,489,764.09)
Transfers Between Institutions & System Admin. - Non mandatory	5,657,815.41	147,119,941.99
Transfers From Other State Agencies		10,152.02
Transfers to Other State Agencies	(3,800,164.56)	(4,926,712.96)
Change in Net Assets	<u>109,877,565.67</u>	<u>49,110,027.47</u>
Beginning Net Assets	<u>801,267,113.26</u>	<u>752,157,085.79</u>
Ending Net Assets	<u>\$ 911,144,678.93</u>	<u>801,267,113.26</u>

The University of Texas at Arlington
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	196,395,560.82	166,478,122.06
Proceeds from Sponsored Programs	56,610,598.83	45,760,062.79
Proceeds from Auxiliaries	26,212,580.37	25,735,080.94
Proceeds from Other Revenues	24,955,468.21	26,082,776.24
Payments to Suppliers	(136,001,504.35)	(124,785,515.71)
Payments to Employees	(269,430,410.52)	(257,479,658.46)
Payments for Loans Provided	(12,625,215.48)	(10,368,784.54)
Proceeds from Loan Programs	11,450,834.17	7,170,045.21
Net Cash Provided (Used) by Operating Activities	<u>(102,432,087.95)</u>	<u>(121,407,871.47)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	104,705,296.04	112,616,192.73
Proceeds from Operating Gifts	3,626,170.34	3,119,030.01
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	3,748,731.12	2,619,037.69
Proceeds from Other Nonoperating Revenues	46,394.19	280,081.88
Payments / Receipts for Transfers to / from System or Other Agencies	155,683.42	(2,676,847.06)
Payments for Other Uses	(2,500.00)	(280,081.88)
Proceeds from Nonexchange Sponsored Programs	45,671,451.32	41,127,850.07
Net Cash Provided by Noncapital Financing Activities	<u>157,951,226.43</u>	<u>156,805,263.44</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	50,318,895.57	74,163,185.95
Proceeds from Capital Appropriations, Grants, and Gifts	2,431,581.29	1,216,356.04
Proceeds from Sale of Capital Assets	267,100.00	-
Payments for Additions to Capital Assets	(97,642,072.85)	(92,309,453.88)
Mandatory Transfers to System for Capital Related Debt	(24,954,998.31)	(27,489,764.09)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(69,579,494.30)</u>	<u>(44,419,675.98)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	6,277,040.42	-
Proceeds from Interest and Investment Income	3,155,128.06	2,918,719.72
Proceeds from Interest and Investment Income Invested by System	9,728,497.22	8,478,846.99
Payments to Acquire Investments Invested by System	-	(15,333,003.37)
Net Cash Provided (Used) by Investing Activities	<u>19,160,665.70</u>	<u>(3,935,436.66)</u>
Net Increase (Decrease) in Cash	5,100,309.88	(12,957,720.67)
Cash and Cash Equivalents (Beginning of the Year)	14,215,643.50	27,173,364.17
Cash and Cash Equivalents (End of the Year)	<u>\$ 19,315,953.38</u>	<u>\$ 14,215,643.50</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(136,683,725.59)	(132,833,505.30)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	30,558,755.31	27,624,366.30
Bad Debt Expense	120,276.60	94,876.81
Changes in Assets and Liabilities:		
Accounts Receivable	(14,190,236.72)	(17,266,353.04)
Inventories	169,643.92	142,211.87
Loans and Contracts	(1,174,381.31)	(3,198,739.33)
Other Current and Noncurrent Assets	81,904.30	85,787.21
Accounts Payable	8,080,554.81	1,160,396.22
Due to System	279,115.89	217,511.99
Deferred Revenue	7,430,065.72	3,391,156.66
Assets Held for Others	2,904,583.20	(953,697.38)
Employees' Compensable Leave	50,742.82	(17,181.21)
Other Current and Noncurrent Liabilities	(59,386.90)	145,297.73
Total Adjustments	<u>34,251,637.64</u>	<u>11,425,633.83</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (102,432,087.95)</u>	<u>\$ (121,407,871.47)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	20,109,067.69	3,869,772.12
Donated Capital Assets	431,933.00	2,020,498.38
Miscellaneous Noncash Transactions	(886,836.60)	(1,516,341.76)

The University of Texas at Austin
Exhibit A Balance Sheet
As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 270,342,782.40	153,211,412.19
Restricted Cash & Cash Equivalents	97,602,792.29	65,824,734.45
Balance in State Appropriations	3,896,372.26	14,771,676.39
Funds Held by System Administration (Current)	18,163.52	7,898.74
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	53,179,840.99	52,874,738.32
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	6,489,211.66	5,483,924.36
Student (allow. \$887,932.35 in 2011 & \$902,320.95 in 2010)	78,613,617.87	79,282,248.32
Interest and Dividend Receivables	5,703,775.56	5,289,472.43
Contributions (allow. \$1,116,104.26 in 2011 & \$778,763.26 in 2010)	53,009,117.70	43,044,565.72
Other (allow. \$359,350.52 in 2011 & \$163,835.82 in 2010)	11,739,250.81	14,364,936.98
Due From Other Funds	14,394,220.63	11,123,125.98
Due From System Administration	297,506,207.97	367,362,068.15
Due From Other Agencies	11,600,772.42	7,338,045.97
Inventories	7,587,168.02	7,408,836.16
Loans & Contracts (allow. \$0.00 in 2011 & \$0.00 in 2010)	9,910,272.63	10,877,654.66
Other Current Assets	60,952,554.30	58,114,753.16
Total Current Assets and Deferred Outflows	<u>982,546,121.03</u>	<u>896,380,091.98</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	246,263,532.69	260,625,443.53
Loans & Contracts (allow. \$14,858,725.46 in 2011 & \$13,860,009.68 in 2010)	42,986,158.84	45,369,817.09
Funds Held by System Administration (Restricted)	2,860,046,388.02	2,596,220,336.64
Contributions Rec. (allow. \$50,497.48 in 2011 & \$72,958.19 in 2010)	49,655,916.97	55,113,069.65
Unrestricted Investments	633,822,967.06	545,647,870.96
Other Noncurrent Assets	1,386,397.96	1,386,397.96
Gross Capital/Intangible Assets	4,836,332,944.08	4,456,019,721.98
Accumulated Depreciation/Amortization	<u>(2,104,216,684.44)</u>	<u>(1,908,505,924.09)</u>
Total Noncurrent Assets and Deferred Outflows	<u>6,566,277,621.18</u>	<u>6,051,876,733.72</u>
Total Assets and Deferred Outflows	<u>\$ 7,548,823,742.21</u>	<u>6,948,256,825.70</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	82,841,328.18	59,621,256.49
Salaries Payable	70,389,245.21	67,092,889.24
Due To Other Funds	14,394,220.63	11,123,125.98
Due To System Administration	14,879,268.41	13,656,337.75
Due To Other State Agencies	1,216,706.09	322,763.06
Deferred Revenue	456,793,556.83	446,469,205.69
Employees' Compensable Leave - Current Portion	30,137,475.55	28,860,322.86
Notes, Loans, and Leases Payable	1,783,109.41	2,151,834.96
Payable From Restricted Assets	15,166,670.54	3,886,684.22
Other Current Liabilities	<u>2,428,017.86</u>	<u>2,078,260.49</u>
Total Current Liabilities and Deferred Inflows	<u>690,029,598.71</u>	<u>635,262,680.74</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	17,745,213.96	19,293,064.44
Assets Held for Others	8,428,038.65	8,117,020.26
Liability to Beneficiaries	7,101,020.45	6,806,833.34
Notes, Loans, and Leases Payable	18,897,538.03	19,587,056.90
Other Noncurrent Liabilities	<u>486,301.65</u>	<u>518,350.36</u>
Total Noncurrent Liabilities and Deferred Inflows	<u>52,658,112.74</u>	<u>54,322,325.30</u>
Total Liabilities and Deferred Inflows	<u>742,687,711.45</u>	<u>689,585,006.04</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,711,435,612.20	2,525,774,906.03
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	1,547,017,295.58	1,498,539,634.68
Expendable		
Capital Projects	68,996,251.71	122,128,154.90
Funds Functioning as Endowment (Restricted)	134,874,217.09	126,869,350.20
Other Expendable	1,576,852,393.64	1,361,088,752.92
Unrestricted Net Assets	<u>766,960,260.54</u>	<u>624,271,020.93</u>
Total Net Assets	<u>6,806,136,030.76</u>	<u>6,258,671,819.66</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 7,548,823,742.21</u>	<u>6,948,256,825.70</u>

The University of Texas at Austin
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 589,099,273.52	553,528,798.20
Discounts and Allowances	(130,810,738.85)	(120,369,489.40)
Federal Sponsored Programs	383,319,722.25	362,472,770.54
Federal Sponsored Programs Pass-Through from State Agencies	37,174,839.76	32,175,970.37
State Sponsored Programs Pass-Through from State Agencies	75,898,794.18	64,261,822.76
Local Sponsored Programs	6,134,603.91	5,873,564.66
Private Sponsored Programs	98,135,074.85	87,622,183.58
Sales and Services of Educational Activities	204,282,693.94	177,002,573.03
Discounts and Allowances Sales and Services of Educational Activities	(5,539.04)	(67,520.06)
Auxiliary Enterprises	235,725,321.33	225,094,877.72
Discounts and Allowances Auxiliary Enterprises	(13,495,839.69)	(9,893,036.72)
Other Operating Revenues	6,837,982.01	6,050,431.70
Total Operating Revenues	<u>1,492,296,188.17</u>	<u>1,383,752,946.38</u>
Operating Expenses:		
Instruction	598,303,462.72	592,383,878.67
Research	454,763,910.70	419,228,376.82
Public Service	84,475,367.91	75,358,242.87
Academic Support	168,991,819.63	150,337,308.38
Student Services	53,646,350.78	51,940,468.94
Institutional Support	105,032,690.32	111,585,747.83
Operations and Maintenance of Plant	148,147,805.23	147,118,388.23
Scholarships and Fellowships	127,373,569.22	120,535,020.76
Auxiliary Enterprises	237,338,788.08	225,232,564.90
Depreciation and Amortization	219,141,078.95	168,123,989.50
Total Operating Expenses	<u>2,197,214,843.54</u>	<u>2,061,843,986.90</u>
Operating Income (Loss)	<u>(704,918,655.37)</u>	<u>(678,091,040.52)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	302,655,170.31	329,682,364.51
Federal Nonexchange Sponsored Programs	36,070,117.50	51,553,143.87
Federal Nonexchange Pass-Through	3,648,501.95	11,137,421.69
State Nonexchange Pass-Through		165,212.31
Gift Contributions for Operations	117,653,367.08	68,890,405.95
Investment Income	190,071,261.09	168,731,357.19
Net Increase (Decrease) in Fair Value of Investments	284,417,422.31	212,197,428.72
Interest Expense on Capital Asset Financings	(1,353,382.33)	(1,392,624.00)
Gain (Loss) on Sale of Capital Assets	(8,133,764.35)	(7,139,983.57)
Other Nonoperating Revenues	7,278,260.09	10,402,490.20
Other Nonoperating (Expenses)	(1,214,533.20)	(515,966.97)
Net Nonoperating Revenues (Expenses)	<u>931,092,420.45</u>	<u>843,711,249.90</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	226,173,765.08	165,620,209.38
Gifts and Sponsored Programs for Capital Acquisitions	149,113,805.04	150,763,755.21
Additions to Permanent Endowments / Annuities	35,506,995.92	42,102,075.05
Reclass from/(to) Other Institutions	10,219,812.48	(74,373,215.58)
Transfers Between Institutions & System, Debt Service - Mandatory	(101,878,953.87)	(87,916,779.37)
Transfers Between Institutions & System Admin. - Non mandatory	232,438,459.91	442,863,833.31
Transfers From Other State Agencies	2,815,949.64	1,964,264.93
Transfers to Other State Agencies	(6,925,623.10)	(6,299,647.64)
Change in Net Assets	<u>547,464,211.10</u>	<u>634,724,495.29</u>
Beginning Net Assets	<u>6,258,671,819.66</u>	<u>5,623,947,324.37</u>
Ending Net Assets	<u>\$ 6,806,136,030.76</u>	<u>6,258,671,819.66</u>

The University of Texas at Austin
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	481,787,564.00	443,389,822.17
Proceeds from Sponsored Programs	587,222,072.22	582,295,673.46
Proceeds from Auxiliaries	203,910,536.23	221,283,112.77
Proceeds from Other Revenues	213,307,652.65	184,470,555.40
Payments to Suppliers	(608,631,053.13)	(603,917,687.82)
Payments to Employees	(1,332,056,417.73)	(1,284,133,390.57)
Payments for Loans Provided	(33,499,548.86)	(29,110,574.88)
Proceeds from Loan Programs	35,815,833.46	35,595,921.00
Net Cash Provided (Used) by Operating Activities	<u>(452,143,361.16)</u>	<u>(450,126,568.47)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	313,530,474.44	327,643,609.76
Proceeds from Operating Gifts	113,145,967.78	18,423,845.27
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	35,506,995.92	42,102,075.05
Proceeds from Other Nonoperating Revenues	7,278,260.09	10,402,490.20
Payments / Receipts for Transfers to / from System or Other Agencies	164,583,703.76	148,390,490.17
Payments for Other Uses	(1,214,533.20)	(515,966.97)
Proceeds from Nonexchange Sponsored Programs	55,201,645.82	42,519,316.30
Net Cash Provided by Noncapital Financing Activities	<u>688,032,514.61</u>	<u>588,965,859.78</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	139,445,524.94	213,145,435.48
Proceeds from Capital Appropriations, Grants, and Gifts	29,078,831.83	113,147,565.85
Proceeds from Sale of Capital Assets	616,658.96	153,287.63
Payments for Additions to Capital Assets	(289,890,172.09)	(344,492,051.75)
Payments of Principal on Capital Related Debt	(1,587,597.96)	(1,428,223.55)
Mandatory Transfers to System for Capital Related Debt	(101,878,953.87)	(87,916,779.37)
Payments of Interest on Capital Related Debt	(1,353,382.33)	(1,392,624.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(225,569,090.52)</u>	<u>(108,783,389.71)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	163,760,250.89	138,460,359.16
Proceeds from Interest and Investment Income Invested by System	28,061,193.34	21,169,637.20
Payments to Acquire Investments Invested by System	(53,221,814.33)	(75,511,937.52)
Net Cash Provided (Used) by Investing Activities	<u>138,599,629.90</u>	<u>84,118,058.84</u>
Net Increase (Decrease) in Cash	148,919,692.83	114,173,960.44
Cash and Cash Equivalents (Beginning of the Year)	219,044,045.38	104,870,084.94
Cash and Cash Equivalents (End of the Year)	<u>\$ 367,963,738.21</u>	<u>\$ 219,044,045.38</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(704,918,655.37)	(678,091,040.52)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	219,141,078.95	168,123,989.50
Bad Debt Expense	1,034,755.68	2,889,539.12
Changes in Assets and Liabilities:		
Accounts Receivable	(17,761,826.17)	29,330,614.23
Inventories	(178,331.86)	430,739.10
Loans and Contracts	2,316,284.60	6,485,346.12
Other Current and Noncurrent Assets	(2,837,801.14)	4,732,283.72
Accounts Payable	39,466,841.48	(81,032.66)
Due to System	1,222,930.66	834,513.43
Deferred Revenue	10,324,351.14	17,962,048.54
Employees' Compensable Leave	(270,697.79)	(3,267,645.84)
Other Current and Noncurrent Liabilities	317,708.66	524,076.79
Total Adjustments	<u>252,775,294.21</u>	<u>227,964,472.05</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (452,143,361.16)</u>	<u>\$ (450,126,568.47)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	284,417,422.31	212,197,428.72
Donated Capital Assets	120,034,973.21	37,616,189.36
Capital Assets Acquired Under Capital Lease Purchases	529,353.54	618,217.55
Miscellaneous Noncash Transactions	(5,317,814.71)	(5,188,504.22)

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 30,508,025.09	24,160,854.66
Restricted Cash & Cash Equivalents	6,545,632.34	1,196,061.65
Balance in State Appropriations	9,529,899.33	8,461,635.72
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	3,763,130.57	6,452,416.78
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	665,063.56	895,339.53
Student (allow. \$550,127.65 in 2011 & \$425,669.15 in 2010)	3,268,012.36	3,824,970.14
Interest and Dividend Receivables	71,622.90	60,850.16
Other (allow. \$48,340.22 in 2011 & \$43,588.78 in 2010)	3,540,323.14	5,550,276.85
Due From Other Funds	17,620,068.51	11,063,713.12
Due From System Administration	7,858,449.61	18,238,869.33
Due From Other Agencies	219,384.12	262.16
Loans & Contracts (allow. \$545,833.05 in 2011 & \$516,529.41 in 2010)	78,624.91	1,047,830.69
Other Current Assets	21,745,552.49	16,657,745.02
Total Current Assets and Deferred Outflows	<u>105,413,788.93</u>	<u>97,610,825.81</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	1,974,412.05	1,974,412.05
Funds Held by System Administration (Restricted)	8,628,493.32	7,333,822.72
Unrestricted Investments	25,405,094.78	20,846,894.12
Gross Capital/Intangible Assets	155,869,452.88	127,816,010.19
Accumulated Depreciation/Amortization	<u>(50,635,510.20)</u>	<u>(44,619,298.38)</u>
Total Noncurrent Assets and Deferred Outflows	<u>141,241,942.83</u>	<u>113,351,840.70</u>
Total Assets and Deferred Outflows	<u>\$ 246,655,731.76</u>	<u>210,962,666.51</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	26,464,051.97	23,161,365.63
Salaries Payable	5,334,484.99	5,113,375.00
Federal Payables	205.00	29,607.22
Due To Other Funds	17,620,068.51	11,063,713.12
Due To System Administration	992,323.78	882,050.57
Due To Other State Agencies	29,419.44	
Deferred Revenue	10,073,397.23	9,513,557.02
Employees' Compensable Leave - Current Portion	1,544,226.91	1,421,810.93
Payable From Restricted Assets	593,624.89	820,670.73
Assets Held for Others	19,622,323.68	13,933,114.23
Total Current Liabilities and Deferred Inflows	<u>82,274,126.40</u>	<u>65,939,264.45</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	1,262,454.71	1,435,336.29
Total Noncurrent Liabilities and Deferred Inflows	<u>1,262,454.71</u>	<u>1,435,336.29</u>
Total Liabilities and Deferred Inflows	<u>83,536,581.11</u>	<u>67,374,600.74</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	105,233,942.68	83,196,711.81
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	7,172,849.21	6,497,452.17
Expendable		
Capital Projects	6,070,361.67	18,166,285.28
Funds Functioning as Endowment (Restricted)	29,493.28	27,000.00
Other Expendable	5,995,898.06	5,531,134.64
Unrestricted Net Assets	<u>38,616,605.75</u>	<u>30,169,481.87</u>
Total Net Assets	<u>163,119,150.65</u>	<u>143,588,065.77</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 246,655,731.76</u>	<u>210,962,666.51</u>

The University of Texas at Brownsville
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 27,012,626.60	23,912,016.82
Discounts and Allowances	(7,030,716.32)	(6,211,326.76)
Federal Sponsored Programs	14,974,785.81	13,834,969.72
Federal Sponsored Programs Pass-Through from State Agencies	1,592,939.29	883,380.51
State Sponsored Programs	128.08	
State Sponsored Programs Pass-Through from State Agencies	7,213,530.42	5,071,114.97
Local Sponsored Programs	57,864,095.58	59,595,087.89
Private Sponsored Programs	302,847.13	465,207.51
Sales and Services of Educational Activities	2,117,371.38	1,997,650.74
Auxiliary Enterprises	1,484,019.87	1,373,967.13
Discounts and Allowances Auxiliary Enterprises	(251,405.80)	(255,395.48)
Other Operating Revenues	97,800.91	373,575.85
Total Operating Revenues	<u>105,378,022.95</u>	<u>101,040,248.90</u>
Operating Expenses:		
Instruction	46,342,367.91	45,383,256.26
Research	6,078,576.84	5,136,682.46
Public Service	5,326,001.12	5,357,299.07
Academic Support	18,342,494.87	15,369,716.67
Student Services	10,465,603.37	10,279,590.95
Institutional Support	11,755,618.12	13,117,835.47
Operations and Maintenance of Plant	13,569,863.64	12,814,766.91
Scholarships and Fellowships	52,987,999.80	49,197,570.14
Auxiliary Enterprises	8,781,418.36	8,959,004.65
Depreciation and Amortization	6,152,549.00	5,717,838.24
Total Operating Expenses	<u>179,802,493.03</u>	<u>171,333,560.82</u>
Operating Income (Loss)	<u>(74,424,470.08)</u>	<u>(70,293,311.92)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	34,698,255.77	37,090,029.47
Federal Nonexchange Sponsored Programs	39,993,771.71	34,895,438.92
Federal Nonexchange Pass-Through	562,047.00	1,399,479.00
State Nonexchange Pass-Through	19,938.50	23,020.93
Gift Contributions for Operations	488,761.15	367,040.31
Investment Income	1,323,545.64	1,111,958.38
Net Increase (Decrease) in Fair Value of Investments	2,419,526.67	2,058,120.77
Gain (Loss) on Sale of Capital Assets		(92,482.19)
Other Nonoperating Revenues	79,840.77	
Other Nonoperating (Expenses)	(79,840.77)	
Net Nonoperating Revenues (Expenses)	<u>79,505,846.44</u>	<u>76,852,605.59</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	5,081,376.36	6,559,293.67
Capital Appropriations (HEAF)	5,057,420.00	4,284,677.00
Gifts and Sponsored Programs for Capital Acquisitions	16,637.84	63,488.12
Additions to Permanent Endowments / Annuities	647,408.76	356,021.12
Reclass from/(to) Other Institutions		18,248,000.00
Transfers Between Institutions & System, Debt Service - Mandatory	(5,722,758.35)	(7,477,021.17)
Transfers Between Institutions & System Admin. - Non mandatory	14,057,101.54	853,769.44
Transfers From Other State Agencies	16,726.35	
Transfers to Other State Agencies	(181,843.62)	(139,592.43)
Legislative Appropriations Lapsed	559,016.00	384,822.00
Change in Net Assets	<u>19,531,084.88</u>	<u>23,133,457.75</u>
Beginning Net Assets	<u>143,588,065.77</u>	<u>120,454,608.02</u>
Ending Net Assets	<u>\$ 163,119,150.65</u>	<u>143,588,065.77</u>

The University of Texas at Brownsville
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	21,433,893.77	19,413,522.38
Proceeds from Sponsored Programs	84,886,099.30	75,206,606.63
Proceeds from Auxiliaries	2,167,419.45	(12,788.45)
Proceeds from Other Revenues	7,735,598.61	4,546,602.78
Payments to Suppliers	(83,722,628.63)	(77,462,055.29)
Payments to Employees	(92,996,737.82)	(86,812,780.37)
Payments for Loans Provided	(20,768.05)	(2,994,709.01)
Proceeds from Loan Programs	905,411.53	3,319,083.17
Net Cash Provided (Used) by Operating Activities	<u>(59,611,711.84)</u>	<u>(64,796,518.16)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	36,841,804.51	35,171,289.48
Proceeds from Operating Gifts	488,761.15	367,040.31
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	647,408.76	356,021.12
Proceeds from Other Nonoperating Revenues	79,840.77	-
Payments / Receipts for Transfers to / from System or Other Agencies	(159,141.87)	(48,649.65)
Payments for Other Uses	(79,840.77)	-
Proceeds from Nonexchange Sponsored Programs	41,060,803.69	38,738,324.16
Net Cash Provided by Noncapital Financing Activities	<u>78,879,636.24</u>	<u>74,584,025.42</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	24,414,990.22	11,693,272.93
Proceeds from Capital Appropriations, Grants, and Gifts	2,404,623.65	4,826,929.51
Payments for Additions to Capital Assets	(26,547,296.40)	(14,713,904.18)
Mandatory Transfers to System for Capital Related Debt	(5,722,758.35)	(7,477,021.17)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,450,440.88)</u>	<u>(5,670,722.91)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	86,134.15	81,112.68
Proceeds from Interest and Investment Income Invested by System	1,226,468.04	1,024,108.38
Payments to Acquire Investments Invested by System	(3,433,344.59)	(1,235,835.50)
Net Cash Provided (Used) by Investing Activities	<u>(2,120,742.40)</u>	<u>(130,614.44)</u>
Net Increase (Decrease) in Cash	11,696,741.12	3,986,169.91
Cash and Cash Equivalents (Beginning of the Year)	25,356,916.31	21,370,746.40
Cash and Cash Equivalents (End of the Year)	<u>\$ 37,053,657.43</u>	<u>\$ 25,356,916.31</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(74,424,470.08)	(70,293,311.92)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	6,152,549.00	5,717,838.24
Bad Debt Expense	84,562.30	31,798.30
Changes in Assets and Liabilities:		
Accounts Receivable	4,564,640.99	(5,065,647.25)
Loans and Contracts	884,643.48	324,374.16
Other Current and Noncurrent Assets	(5,087,807.47)	(2,759,023.06)
Accounts Payable	1,905,312.67	3,614,933.82
Due to System	110,273.21	119,924.77
Deferred Revenue	559,840.21	444,328.45
Assets Held for Others	5,689,209.45	2,856,887.52
Employees' Compensable Leave	(50,465.60)	305,157.41
Other Current and Noncurrent Liabilities	-	(93,778.60)
Total Adjustments	<u>14,812,758.24</u>	<u>5,496,793.76</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (59,611,711.84)</u>	<u>\$ (64,796,518.16)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	2,419,526.67	2,058,120.77
Donated Capital Assets	16,637.84	20,300.00
Miscellaneous Noncash Transactions	16,726.35	(92,482.19)

The University of Texas at Dallas
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 45,979,882.89	40,912,080.66
Restricted Cash & Cash Equivalents	24,439,181.68	(2,583,179.24)
Balance in State Appropriations	1,196,378.85	1,736,066.45
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	8,955,122.48	6,951,451.79
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	2,062,158.19	1,071,162.64
Student (allow. \$2,112,761.92 in 2011 & \$2,189,953.25 in 2010)	20,699,306.99	17,459,519.67
Interest and Dividend Receivables	361,891.12	357,339.94
Contributions (allow. \$192,441.46 in 2011 & \$74,737.91 in 2010)	3,656,387.69	1,420,020.21
Other (allow. \$1,634,191.41 in 2011 & \$1,228,865.94 in 2010)	10,061,876.81	5,905,551.73
Due From System Administration	41,506,552.21	60,593,074.64
Due From Other Agencies	1,202,087.23	594,369.69
Inventories	304,499.72	304,885.97
Loans & Contracts (allow. \$851,674.17 in 2011 & \$927,790.46 in 2010)	5,218,367.40	5,548,215.37
Other Current Assets	6,847,847.17	4,295,150.49
Total Current Assets and Deferred Outflows	<u>172,491,540.43</u>	<u>144,565,710.01</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	13,746,139.11	31,368,006.22
Loans & Contracts (allow. \$323,872.28 in 2011 & \$331,211.27 in 2010)	58,174.11	24,200.40
Funds Held by System Administration (Restricted)	264,318,583.37	229,252,938.80
Contributions Rec. (allow. \$63,531.79 in 2011 & \$65,813.68 in 2010)	1,207,104.10	1,250,460.10
Unrestricted Investments	120,669,781.76	103,585,450.07
Gross Capital/Intangible Assets	828,022,962.24	736,576,393.05
Accumulated Depreciation/Amortization	(268,734,376.55)	(237,075,058.84)
Total Noncurrent Assets and Deferred Outflows	<u>959,288,368.14</u>	<u>864,982,389.80</u>
Total Assets and Deferred Outflows	<u>\$ 1,131,779,908.57</u>	<u>1,009,548,099.81</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	21,466,215.28	13,015,889.87
Salaries Payable	5,114,442.35	15,028,070.54
Due To System Administration	2,174,755.52	1,571,352.47
Due To Other State Agencies	14,783.80	
Deferred Revenue	84,465,532.85	68,120,970.33
Employees' Compensable Leave - Current Portion	3,067,536.04	2,792,405.40
Notes, Loans, and Leases Payable	192,785.23	111,663.95
Payable From Restricted Assets	5,806,702.29	233,637.87
Assets Held for Others	5,703,312.70	397,073.73
Other Current Liabilities	330,220.29	451,190.95
Total Current Liabilities and Deferred Inflows	<u>128,336,286.35</u>	<u>101,722,255.11</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	2,929,890.91	3,543,559.49
Liability to Beneficiaries	20,705.93	22,735.99
Notes, Loans, and Leases Payable	80,991.93	112,043.60
Total Noncurrent Liabilities and Deferred Inflows	<u>3,031,588.77</u>	<u>3,678,339.08</u>
Total Liabilities and Deferred Inflows	<u>131,367,875.12</u>	<u>105,400,594.19</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	559,014,808.53	499,277,626.66
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	162,134,878.58	145,481,816.52
Expendable		
Capital Projects	13,398,897.31	30,669,507.05
Funds Functioning as Endowment (Restricted)	5,914,025.07	5,338,618.61
Other Expendable	155,129,547.96	126,933,751.90
Unrestricted Net Assets	<u>104,819,876.00</u>	<u>96,446,184.88</u>
Total Net Assets	<u>1,000,412,033.45</u>	<u>904,147,505.62</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 1,131,779,908.57</u>	<u>1,009,548,099.81</u>

The University of Texas at Dallas
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 196,662,317.92	175,038,630.60
Discounts and Allowances	(37,937,715.00)	(38,190,274.28)
Federal Sponsored Programs	34,224,774.34	31,106,598.34
Federal Sponsored Programs Pass-Through from State Agencies	2,846,458.41	3,145,410.34
State Sponsored Programs Pass-Through from State Agencies	8,739,586.20	5,818,704.96
Local Sponsored Programs	138,941.38	53,206.89
Private Sponsored Programs	11,403,485.26	7,943,402.16
Sales and Services of Educational Activities	17,399,840.03	11,417,604.28
Discounts and Allowances Sales and Services of Educational Activities	(79,481.71)	(327,828.41)
Auxiliary Enterprises	8,342,928.81	8,556,777.78
Other Operating Revenues	2,433,897.51	2,699,383.53
Total Operating Revenues	244,175,033.15	207,261,616.19
Operating Expenses:		
Instruction	115,411,486.91	107,522,490.48
Research	71,306,052.42	65,837,772.18
Public Service	11,763,828.15	8,139,497.29
Academic Support	29,172,981.97	36,183,405.04
Student Services	13,105,844.72	10,142,463.05
Institutional Support	36,984,567.90	28,606,260.00
Operations and Maintenance of Plant	24,140,111.18	21,268,381.12
Scholarships and Fellowships	20,839,204.42	16,446,155.74
Auxiliary Enterprises	19,051,659.97	17,642,267.02
Depreciation and Amortization	33,470,370.24	28,620,310.09
Total Operating Expenses	375,246,107.88	340,409,002.01
Operating Income (Loss)	(131,071,074.73)	(133,147,385.82)
Nonoperating Revenues (Expenses):		
State Appropriations	82,686,249.42	90,360,564.83
Federal Nonexchange Sponsored Programs	14,679,591.54	20,682,295.31
Federal Nonexchange Pass-Through	7,803,574.47	
State Nonexchange Pass-Through	7,085,776.54	7,850,187.82
Gift Contributions for Operations	16,152,420.71	11,929,629.36
Investment Income	17,843,513.22	15,801,274.57
Net Increase (Decrease) in Fair Value of Investments	27,192,481.38	20,641,404.27
Gain (Loss) on Sale of Capital Assets	(132,486.22)	(685,280.20)
Other Nonoperating Revenues		108,866.83
Net Nonoperating Revenues (Expenses)	173,311,121.06	166,688,942.79
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	42,240,046.33	33,541,556.97
Gifts and Sponsored Programs for Capital Acquisitions	1,200.00	501,186.24
Additions to Permanent Endowments / Annuities	9,106,852.96	17,370,879.72
Reclass from/(to) Other Institutions	(52,563,868.80)	(2,965,113.39)
Transfers Between Institutions & System, Debt Service - Mandatory	(22,940,993.82)	(19,593,609.05)
Transfers Between Institutions & System Admin. - Non mandatory	122,293,832.43	94,015,515.36
Transfers From Other State Agencies		533,681.33
Transfers to Other State Agencies	(1,872,541.27)	(1,526,511.33)
Legislative Appropriations Lapsed		(23,102.85)
Change in Net Assets	96,264,527.83	121,854,483.00
Beginning Net Assets	904,147,505.62	782,293,022.62
Ending Net Assets	\$ 1,000,412,033.45	904,147,505.62

The University of Texas at Dallas
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	165,516,739.56	143,673,169.16
Proceeds from Sponsored Programs	49,842,155.96	45,284,369.46
Proceeds from Auxiliaries	14,252,550.03	9,936,039.16
Proceeds from Other Revenues	24,359,795.72	12,579,701.43
Payments to Suppliers	(101,445,375.45)	(100,798,076.01)
Payments to Employees	(236,270,266.05)	(203,049,800.12)
Payments for Loans Provided	(14,021,026.29)	(8,087,882.01)
Proceeds from Loan Programs	13,013,915.61	7,519,106.94
Net Cash Provided (Used) by Operating Activities	<u>(84,751,510.91)</u>	<u>(92,943,371.99)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	83,225,937.02	91,357,777.01
Proceeds from Operating Gifts	13,916,053.23	12,454,214.70
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	9,106,852.96	17,370,879.72
Payments / Receipts for Transfers to / from System or Other Agencies	4,705,444.70	5,177,292.77
Proceeds from Nonexchange Sponsored Programs	30,318,852.88	28,214,464.60
Net Cash Provided by Noncapital Financing Activities	<u>141,273,140.79</u>	<u>154,574,628.80</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	82,243,241.93	83,357,458.29
Proceeds from Capital Appropriations, Grants, and Gifts	44,556.00	510,000.00
Payments for Additions to Capital Assets	(95,182,012.79)	(107,310,065.70)
Payments of Principal on Capital Related Debt	(192,906.94)	(412,492.23)
Mandatory Transfers to System for Capital Related Debt	(22,940,993.82)	(19,593,609.05)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(36,028,115.62)</u>	<u>(43,448,708.69)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	161,286.43	220,821.66
Proceeds from Interest and Investment Income Invested by System	18,770,990.23	22,859,752.07
Payments to Acquire Investments Invested by System	(7,335,627.77)	(39,938,658.13)
Net Cash Provided (Used) by Investing Activities	<u>11,596,648.89</u>	<u>(16,858,084.40)</u>
Net Increase (Decrease) in Cash	32,090,163.15	1,324,463.72
Cash and Cash Equivalents (Beginning of the Year)	38,328,901.42	37,004,437.70
Cash and Cash Equivalents (End of the Year)	<u>\$ 70,419,064.57</u>	<u>\$ 38,328,901.42</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(131,071,074.73)	(133,147,385.82)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	33,470,370.24	28,620,310.09
Bad Debt Expense	203,065.94	195,635.22
Changes in Assets and Liabilities:		
Accounts Receivable	(11,748,406.51)	5,251,244.35
Inventories	386.25	109,157.12
Loans and Contracts	(1,007,110.68)	(568,775.07)
Other Current and Noncurrent Assets	(2,552,696.68)	5,765,617.30
Accounts Payable	6,159,259.32	1,003,664.42
Due to System	603,403.05	230,368.11
Deferred Revenue	16,344,562.52	(532,711.96)
Assets Held for Others	5,306,238.97	(490,061.23)
Employees' Compensable Leave	(338,537.94)	636,373.62
Other Current and Noncurrent Liabilities	(120,970.66)	(16,808.14)
Total Adjustments	<u>46,319,563.82</u>	<u>40,204,013.83</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (84,751,510.91)</u>	<u>\$ (92,943,371.99)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	27,192,481.38	20,641,404.27
Capital Assets Acquired Under Capital Lease Purchases	242,976.55	336,132.10
Miscellaneous Noncash Transactions	(132,653.74)	(42,732.04)

The University of Texas at El Paso
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 35,454,984.99	29,496,935.06
Restricted Cash & Cash Equivalents	4,998,737.12	6,216,946.13
Balance in State Appropriations	2,301,905.63	2,262,552.01
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	15,782,144.36	9,657,862.82
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	639,134.23	
Student (allow. \$879,899.71 in 2011 & \$610,048.00 in 2010)	15,316,031.15	14,800,692.10
Interest and Dividend Receivables	431,543.56	380,041.53
Contributions Rec. (allow. \$784,241.64 in 2011 & \$664,889.02 in 2010)	4,444,035.86	3,817,704.42
Other (allow. \$311,851.19 in 2011 & \$279,688.08 in 2010)	9,962,817.15	10,294,202.54
Due From System Administration	40,469,268.50	95,929,693.88
Due From Other Agencies	95,479.43	286,628.58
Inventories	443,853.71	419,143.46
Loans & Contracts (allow. \$0.00 in 2011 & \$0.00 in 2010)	3,070,619.67	3,084,432.52
Other Current Assets	15,300,169.55	14,892,426.19
Total Current Assets and Deferred Outflows	<u>148,710,724.91</u>	<u>191,539,261.24</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	13,089,814.23	13,424,975.42
Loans & Contracts (allow. \$1,034,148.80 in 2011 & \$1,062,460.73 in 2010)	1,629,636.49	1,891,533.05
Funds Held by System Administration (Restricted)	179,161,547.38	154,471,265.28
Contributions Rec. (allow. \$495,074.26 in 2011 & \$708,446.63 in 2010)	2,805,420.82	4,014,530.97
Unrestricted Investments	86,934,651.60	69,693,407.03
Other Noncurrent Assets	73,005.80	28,783.01
Gross Capital/Intangible Assets	687,347,920.65	599,516,844.03
Accumulated Depreciation/Amortization	<u>(219,872,477.29)</u>	<u>(201,530,169.02)</u>
Total Noncurrent Assets and Deferred Outflows	<u>751,169,519.68</u>	<u>641,511,169.77</u>
Total Assets and Deferred Outflows	<u>\$ 899,880,244.59</u>	<u>833,050,431.01</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	21,096,819.92	15,065,593.62
Salaries Payable	12,897,805.76	12,475,354.16
Due To System Administration	2,059,443.42	1,878,427.70
Due To Other State Agencies	2,971.10	44,542.69
Deferred Revenue	65,190,025.10	58,619,068.60
Employees' Compensable Leave - Current Portion	3,480,022.37	3,348,375.31
Payable From Restricted Assets	889,117.85	900,943.95
Assets Held for Others	1,957,376.89	2,176,188.29
Other Current Liabilities	1,855,214.88	1,368,813.64
Total Current Liabilities and Deferred Inflows	<u>109,428,797.29</u>	<u>95,877,307.96</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	2,773,790.67	2,618,348.75
Liability to Beneficiaries	2,999,469.21	364,362.63
Other Noncurrent Liabilities	415,630.27	389,674.97
Total Noncurrent Liabilities and Deferred Inflows	<u>6,188,890.15</u>	<u>3,372,386.35</u>
Total Liabilities and Deferred Inflows	<u>115,617,687.44</u>	<u>99,249,694.31</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	467,475,443.36	397,986,675.01
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	101,027,461.12	93,650,751.34
Expendable		
Capital Projects	25,931,864.37	79,938,741.01
Funds Functioning as Endowment (Restricted)	16,557,180.11	14,553,368.74
Other Expendable	102,716,160.79	87,618,425.05
Unrestricted Net Assets	<u>70,554,447.40</u>	<u>60,052,775.55</u>
Total Net Assets	<u>784,262,557.15</u>	<u>733,800,736.70</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 899,880,244.59</u>	<u>833,050,431.01</u>

The University of Texas at El Paso
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 127,510,388.15	113,612,682.97
Discounts and Allowances	(32,047,101.00)	(24,799,454.00)
Federal Sponsored Programs	49,948,950.07	52,486,710.55
Federal Sponsored Programs Pass-Through from State Agencies	2,689,541.52	3,184,049.70
State Sponsored Programs Pass-Through from State Agencies	24,114,255.20	16,958,586.41
Local Sponsored Programs	759,010.55	560,213.56
Private Sponsored Programs	3,864,948.99	5,686,594.61
Sales and Services of Educational Activities	5,580,366.76	4,656,252.38
Auxiliary Enterprises	27,153,689.26	22,807,644.45
Other Operating Revenues	226,487.77	312,459.92
Total Operating Revenues	<u>209,800,537.27</u>	<u>195,465,740.55</u>
Operating Expenses:		
Instruction	92,804,748.13	90,094,053.33
Research	56,297,469.16	53,873,684.23
Public Service	7,991,230.41	8,130,807.26
Academic Support	20,980,696.64	20,762,540.12
Student Services	16,818,545.61	16,427,053.07
Institutional Support	23,395,124.10	22,756,878.81
Operations and Maintenance of Plant	25,315,643.09	23,630,080.48
Scholarships and Fellowships	57,270,754.09	47,197,274.28
Auxiliary Enterprises	37,600,345.34	34,345,592.76
Depreciation and Amortization	20,354,368.72	18,337,030.87
Total Operating Expenses	<u>358,828,925.29</u>	<u>335,554,995.21</u>
Operating Income (Loss)	<u>(149,028,388.02)</u>	<u>(140,089,254.66)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	85,713,326.96	97,325,374.18
Federal Nonexchange Sponsored Programs	50,483,589.43	37,820,228.00
Federal Nonexchange Pass-Through	2,758,224.00	5,307,756.00
State Nonexchange Pass-Through	1,433,889.08	1,568,473.76
Gift Contributions for Operations	9,155,305.12	13,846,184.30
Investment Income	9,966,794.26	10,312,106.94
Net Increase (Decrease) in Fair Value of Investments	19,978,030.61	14,751,820.82
Gain (Loss) on Sale of Capital Assets	(19,166.11)	136,759.85
Net Nonoperating Revenues (Expenses)	<u>179,469,993.35</u>	<u>181,068,703.85</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	30,441,605.33	40,979,449.19
Gifts and Sponsored Programs for Capital Acquisitions	370,697.08	1,364,199.93
Additions to Permanent Endowments / Annuities	8,937,772.99	4,844,306.72
Reclass from/(to) Other Institutions	17,554,565.88	77,572,712.20
Transfers Between Institutions & System, Debt Service - Mandatory	(15,856,308.00)	(17,320,043.78)
Transfers Between Institutions & System Admin. - Non mandatory	10,718,952.64	41,979,539.20
Transfers From Other State Agencies		49,958.17
Transfers to Other State Agencies	(1,705,465.47)	(1,459,868.35)
Change in Net Assets	<u>50,461,820.45</u>	<u>148,010,253.28</u>
Beginning Net Assets	<u>733,800,736.70</u>	<u>585,790,483.42</u>
Ending Net Assets	<u>\$ 784,262,557.15</u>	<u>733,800,736.70</u>

The University of Texas at El Paso
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	99,613,390.30	95,060,446.84
Proceeds from Sponsored Programs	75,339,087.80	78,515,251.16
Proceeds from Auxiliaries	27,820,029.67	22,602,665.78
Proceeds from Other Revenues	7,051,952.02	3,693,041.42
Payments to Suppliers	(135,629,354.87)	(125,103,781.78)
Payments to Employees	(196,821,406.29)	(188,649,789.32)
Payments for Loans Provided	(7,444,462.08)	(7,158,560.01)
Proceeds from Loan Programs	<u>7,587,773.31</u>	<u>7,304,656.27</u>
Net Cash Provided (Used) by Operating Activities	<u>(122,482,990.14)</u>	<u>(113,736,069.64)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	85,673,973.34	97,572,738.73
Proceeds from Operating Gifts	9,738,083.83	9,995,215.51
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	8,937,772.99	4,844,306.72
Payments / Receipts for Transfers to / from System or Other Agencies	(1,899,769.26)	(1,531,756.45)
Proceeds from Nonexchange Sponsored Programs	<u>54,675,702.51</u>	<u>44,696,457.76</u>
Net Cash Provided by Noncapital Financing Activities	<u>157,125,763.41</u>	<u>155,576,962.27</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	83,946,143.08	68,465,697.80
Proceeds from Capital Appropriations, Grants, and Gifts	267,624.33	345,652.93
Proceeds from Sale of Capital Assets	-	230,096.48
Payments for Additions to Capital Assets	(89,174,560.31)	(79,169,569.95)
Mandatory Transfers to System for Capital Related Debt	<u>(15,856,308.00)</u>	<u>(17,320,043.78)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(20,817,100.90)</u>	<u>(27,448,166.52)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	112,650.04	89,624.91
Proceeds from Interest and Investment Income Invested by System	12,419,853.38	10,160,670.38
Payments to Acquire Investments Invested by System	<u>(21,618,334.87)</u>	<u>(18,861,199.94)</u>
Net Cash Provided (Used) by Investing Activities	<u>(9,085,831.45)</u>	<u>(8,610,904.65)</u>
Net Increase (Decrease) in Cash	4,739,840.92	5,781,821.46
Cash and Cash Equivalents (Beginning of the Year)	<u>35,713,881.19</u>	<u>29,932,059.73</u>
Cash and Cash Equivalents (End of the Year)	<u>\$ 40,453,722.11</u>	<u>\$ 35,713,881.19</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(149,028,388.02)	(140,089,254.66)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	20,354,368.72	18,337,030.87
Bad Debt Expense	132,398.18	122,121.60
Changes in Assets and Liabilities:		
Accounts Receivable	(6,754,784.74)	(12,773.47)
Inventories	(24,710.25)	34,511.66
Loans and Contracts	143,311.23	146,096.26
Other Current and Noncurrent Assets	(451,966.15)	983,543.17
Accounts Payable	5,814,174.55	1,701,392.41
Due to System	181,015.72	161,267.45
Deferred Revenue	6,570,956.50	4,217,232.03
Assets Held for Others	(218,811.40)	257,151.19
Employees' Compensable Leave	287,088.98	405,307.29
Other Current and Noncurrent Liabilities	<u>512,356.54</u>	<u>304.56</u>
Total Adjustments	<u>26,545,397.88</u>	<u>26,353,185.02</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (122,482,990.14)</u>	<u>\$ (113,736,069.64)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	19,978,030.61	14,751,820.82
Donated Capital Assets	103,072.75	116,789.00
Miscellaneous Noncash Transactions	(19,166.11)	186,718.02

The University of Texas - Pan American
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 50,885,187.01	41,302,561.48
Restricted Cash & Cash Equivalents	(25,106,839.47)	(20,229,825.43)
Balance in State Appropriations	14,581,977.74	12,008,189.62
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	42,639,465.46	31,809,975.74
Other Intergov. (allow. \$1.20 in 2011 & \$0.00 in 2010)	2,398,334.02	1,178,582.16
Student (allow. \$1,408,679.61 in 2011 & \$1,327,022.48 in 2010)	13,540,732.51	4,378,275.92
Interest and Dividend Receivables	181,910.10	152,238.03
Contributions (allow. \$421.64 in 2011 & \$568.82 in 2010)	41,742.24	56,313.14
Other (allow. \$0.00 in 2011 & \$500.00 in 2010)	3,986,170.43	15,078,981.94
Due From System Administration	3,501,056.27	925,690.33
Due From Other Agencies	95,358.55	81,403.66
Inventories	181,254.88	175,947.50
Loans & Contracts (allow. \$3,625,137.98 in 2011 & \$3,430,121.96 in 2010)	4,041,872.96	4,686,911.46
Other Current Assets	40,983.92	15,173.46
Total Current Assets and Deferred Outflows	<u>111,009,206.62</u>	<u>91,620,419.01</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	1,767,455.90	1,598,646.44
Loans & Contracts (allow. \$695,015.77 in 2011 & \$705,922.18 in 2010)	710,011.50	1,031,369.78
Funds Held by System Administration (Restricted)	31,869,594.89	28,696,314.32
Contributions Rec. (allow. \$0.00 in 2011 & \$199.55 in 2010)		19,763.13
Unrestricted Investments	68,683,738.46	57,990,292.30
Gross Capital/Intangible Assets	373,461,094.92	366,763,861.58
Accumulated Depreciation/Amortization	(196,088,528.97)	(183,828,772.99)
Total Noncurrent Assets and Deferred Outflows	<u>280,403,366.70</u>	<u>272,271,474.56</u>
Total Assets and Deferred Outflows	<u>\$ 391,412,573.32</u>	<u>363,891,893.57</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	6,614,785.76	7,663,984.71
Salaries Payable	10,188,255.95	10,525,137.66
Federal Payables	8,926,575.01	4,176,829.02
Due To System Administration	1,345,732.48	1,229,172.56
Due To Other State Agencies	547,797.97	451,893.81
Deferred Revenue	42,881,367.34	40,629,990.77
Employees' Compensable Leave - Current Portion	1,139,196.91	991,044.95
Payable From Restricted Assets	2,207,887.43	1,250,728.63
Other Current Liabilities	820,549.45	768,449.97
Total Current Liabilities and Deferred Inflows	<u>74,672,148.30</u>	<u>67,687,232.08</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	3,003,434.82	3,377,804.36
Assets Held for Others	1,959,036.78	852,771.19
Total Noncurrent Liabilities and Deferred Inflows	<u>4,962,471.60</u>	<u>4,230,575.55</u>
Total Liabilities and Deferred Inflows	<u>79,634,619.90</u>	<u>71,917,807.63</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	177,372,565.95	182,935,088.59
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	10,611,041.13	10,114,706.01
Expendable		
Capital Projects	1,743,341.61	85,171.49
Funds Functioning as Endowment (Restricted)	1,353,980.51	1,193,865.67
Other Expendable	17,989,130.13	19,745,435.78
Unrestricted Net Assets	<u>102,707,894.09</u>	<u>77,899,818.40</u>
Total Net Assets	<u>311,777,953.42</u>	<u>291,974,085.94</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 391,412,573.32</u>	<u>363,891,893.57</u>

The University of Texas - Pan American
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 108,210,624.74	98,677,761.73
Discounts and Allowances	(55,343,214.25)	(48,073,994.27)
Federal Sponsored Programs	24,436,088.08	24,343,198.21
Federal Sponsored Programs Pass-Through from State Agencies	1,588,050.42	1,265,307.61
State Sponsored Programs Pass-Through from State Agencies	35,110,840.33	27,114,402.57
Local Sponsored Programs	1,638.40	31,433.75
Private Sponsored Programs	175,646.41	2,164,917.23
Sales and Services of Educational Activities	6,219,718.37	5,426,573.22
Auxiliary Enterprises	7,185,837.75	6,263,451.02
Other Operating Revenues	2,465,083.44	2,261,736.76
Total Operating Revenues	<u>130,050,313.69</u>	<u>119,474,787.83</u>
Operating Expenses:		
Instruction	83,643,778.52	86,007,184.29
Research	6,541,032.45	7,359,916.01
Public Service	8,354,417.61	7,583,132.36
Academic Support	16,778,899.89	15,985,468.76
Student Services	15,476,033.55	15,666,113.75
Institutional Support	21,413,632.94	22,427,784.51
Operations and Maintenance of Plant	18,166,322.22	17,867,551.88
Scholarships and Fellowships	54,892,070.17	46,943,318.27
Auxiliary Enterprises	15,208,998.00	14,938,036.89
Depreciation and Amortization	14,240,501.96	13,530,547.32
Total Operating Expenses	<u>254,715,687.31</u>	<u>248,309,054.04</u>
Operating Income (Loss)	<u>(124,665,373.62)</u>	<u>(128,834,266.21)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	70,458,402.69	76,259,562.31
Federal Nonexchange Sponsored Programs	55,655,117.64	52,511,588.52
Federal Nonexchange Pass-Through	1,671,181.00	4,015,570.00
State Nonexchange Pass-Through	55,260.51	91,891.02
Gift Contributions for Operations	2,251,843.46	2,856,445.27
Investment Income	3,687,831.74	3,255,467.52
Net Increase (Decrease) in Fair Value of Investments	7,496,334.25	5,449,122.43
Gain (Loss) on Sale of Capital Assets	(301,811.90)	(84,978.18)
Other Nonoperating Revenues	185,228.26	106,000.00
Other Nonoperating (Expenses)	(135,304.00)	(218,531.00)
Net Nonoperating Revenues (Expenses)	<u>141,024,083.65</u>	<u>144,242,137.89</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	16,358,710.03	15,407,871.68
Capital Appropriations (HEAF)	12,311,123.00	13,176,800.00
Gifts and Sponsored Programs for Capital Acquisitions	129,020.68	78,646.66
Additions to Permanent Endowments / Annuities	528,597.36	245,244.34
Transfers Between Institutions & System, Debt Service - Mandatory	(12,024,742.49)	(12,353,154.16)
Transfers Between Institutions & System Admin. - Non mandatory	3,866,001.00	574,039.10
Transfers From Other State Agencies	167.52	
Transfers to Other State Agencies	(1,365,009.62)	(1,155,056.14)
Change in Net Assets	<u>19,803,867.48</u>	<u>15,974,391.48</u>
Beginning Net Assets	<u>291,974,085.94</u>	<u>275,999,694.46</u>
Ending Net Assets	<u>\$ 311,777,953.42</u>	<u>291,974,085.94</u>

The University of Texas - Pan American
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	49,312,927.01	56,672,067.62
Proceeds from Sponsored Programs	50,942,441.16	48,902,677.67
Proceeds from Auxiliaries	1,147,819.76	7,171,539.90
Proceeds from Other Revenues	20,818,362.57	5,317,335.67
Payments to Suppliers	(87,836,347.42)	(91,654,027.71)
Payments to Employees	(144,406,414.55)	(140,299,121.94)
Payments for Loans Provided	(9,196,158.47)	(9,717,007.47)
Proceeds from Loan Programs	9,978,445.64	9,746,475.37
Net Cash Provided (Used) by Operating Activities	<u>(109,238,924.30)</u>	<u>(113,860,060.89)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	67,884,614.57	75,900,169.42
Proceeds from Operating Gifts	2,286,177.49	2,836,367.36
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	528,597.36	245,244.34
Proceeds from Other Nonoperating Revenues	185,228.26	106,000.00
Payments / Receipts for Transfers to / from System or Other Agencies	(895,600.72)	(638,430.14)
Payments for Other Uses	(135,304.00)	(218,531.00)
Proceeds from Nonexchange Sponsored Programs	56,169,231.41	61,195,223.10
Net Cash Provided by Noncapital Financing Activities	<u>126,022,944.37</u>	<u>139,426,043.08</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	925,647.34	4,656,804.63
Proceeds from Capital Appropriations, Grants, and Gifts	12,311,123.00	13,176,800.00
Proceeds from Sale of Capital Assets	56,010.00	-
Payments for Additions to Capital Assets	(10,464,390.88)	(14,415,098.71)
Mandatory Transfers to System for Capital Related Debt	(12,024,742.49)	(12,353,154.16)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,196,353.03)</u>	<u>(8,934,648.24)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	252,775.60	125,233.26
Proceeds from Interest and Investment Income Invested by System	3,404,370.79	3,095,494.25
Payments to Acquire Investments Invested by System	(6,539,201.94)	(9,340,817.74)
Net Cash Provided (Used) by Investing Activities	<u>(2,882,055.55)</u>	<u>(6,120,090.23)</u>
Net Increase (Decrease) in Cash	4,705,611.49	10,511,243.72
Cash and Cash Equivalents (Beginning of the Year)	21,072,736.05	10,561,492.33
Cash and Cash Equivalents (End of the Year)	<u>\$ 25,778,347.54</u>	<u>\$ 21,072,736.05</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(124,665,373.62)	(128,834,266.21)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	14,240,501.96	13,530,547.32
Bad Debt Expense	184,109.61	387,652.99
Changes in Assets and Liabilities:		
Accounts Receivable	(9,020,513.81)	(7,717,775.42)
Inventories	(5,307.38)	19,091.16
Loans and Contracts	782,287.17	29,467.90
Other Current and Noncurrent Assets	(25,810.46)	57,412.54
Accounts Payable	5,971,098.25	4,836,085.07
Due to System	116,559.92	86,845.77
Deferred Revenue	2,251,376.57	3,664,428.87
Assets Held for Others	1,106,265.59	(170,963.44)
Employees' Compensable Leave	(226,217.58)	292,967.13
Other Current and Noncurrent Liabilities	52,099.48	(41,554.57)
Total Adjustments	<u>15,426,449.32</u>	<u>14,974,205.32</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (109,238,924.30)</u>	<u>\$ (113,860,060.89)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	7,496,334.25	5,449,122.43
Donated Capital Assets	129,020.68	78,646.66
Miscellaneous Noncash Transactions	(405,052.28)	(84,978.18)

The University of Texas of the Permian Basin
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 37,936,391.27	12,159,020.07
Restricted Cash & Cash Equivalents	(16,378,051.85)	1,152,244.11
Balance in State Appropriations	1,979,102.48	18,000.00
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	1,104,523.34	3,153,363.05
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	730.61	
Student (allow. \$0.00 in 2011 & \$0.00 in 2010)	663,529.46	578,652.45
Contributions (allow. \$3,316.13 in 2011 & \$3,272.35 in 2010)	29,845.13	29,451.11
Other (allow. \$238,751.63 in 2011 & \$113,319.14 in 2010)	2,363,375.41	1,295,615.79
Due From System Administration	11,586,325.93	57,355,502.51
Inventories	104,747.74	100,664.11
Loans & Contracts (allow. \$121,016.81 in 2011 & \$71,311.03 in 2010)	438,811.45	89,504.15
Other Current Assets	(10,626,553.22)	882,191.97
Total Current Assets and Deferred Outflows	<u>29,202,777.75</u>	<u>76,814,209.32</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	18,960,743.80	13,080,045.44
Funds Held by System Administration (Restricted)	18,549,573.42	16,839,930.86
Contributions Rec. (allow. \$1,162.07 in 2011 & \$4,715.06 in 2010)	10,458.64	42,435.57
Unrestricted Investments	382,211.75	6,568,252.32
Gross Capital/Intangible Assets	248,563,630.51	197,937,420.63
Accumulated Depreciation/Amortization	(57,656,765.99)	(53,233,251.24)
Total Noncurrent Assets and Deferred Outflows	<u>228,809,852.13</u>	<u>181,234,833.58</u>
Total Assets and Deferred Outflows	<u>\$ 258,012,629.88</u>	<u>258,049,042.90</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	7,175,938.44	9,048,323.50
Salaries Payable	1,518,491.57	2,436,220.57
Due To System Administration	311,880.12	296,562.80
Deferred Revenue	6,292,420.82	17,566,744.96
Employees' Compensable Leave - Current Portion	537,494.22	466,465.71
Payable From Restricted Assets	41,309.08	131,936.12
Assets Held for Others	38,040.25	219,010.38
Other Current Liabilities	242,687.48	221,906.77
Total Current Liabilities and Deferred Inflows	<u>16,158,261.98</u>	<u>30,387,170.81</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	155,092.94	215,324.20
Assets Held for Others	119,702.24	
Other Noncurrent Liabilities	31,055.53	15,379.62
Total Noncurrent Liabilities and Deferred Inflows	<u>305,850.71</u>	<u>230,703.82</u>
Total Liabilities and Deferred Inflows	<u>16,464,112.69</u>	<u>30,617,874.63</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	190,906,864.52	144,704,169.39
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	12,285,997.30	12,035,753.12
Expendable		
Capital Projects	17,396,282.96	46,418,351.75
Funds Functioning as Endowment (Restricted)	54,617.14	50,000.00
Other Expendable	8,437,777.04	12,495,906.33
Unrestricted Net Assets	<u>12,466,978.23</u>	<u>11,726,987.68</u>
Total Net Assets	<u>241,548,517.19</u>	<u>227,431,168.27</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 258,012,629.88</u>	<u>258,049,042.90</u>

The University of Texas of the Permian Basin
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 20,052,052.91	19,169,207.46
Discounts and Allowances	(9,933,002.26)	(5,332,960.06)
Federal Sponsored Programs	3,278,540.03	4,873,657.50
Federal Sponsored Programs Pass-Through from State Agencies	306,231.58	590,708.68
State Sponsored Programs	(12,114.24)	
State Sponsored Programs Pass-Through from State Agencies	1,566,542.87	391,992.45
Local Sponsored Programs	43,847.31	37,604.06
Private Sponsored Programs	293,730.75	361,990.10
Sales and Services of Educational Activities	1,129,647.76	715,461.87
Discounts and Allowances Sales and Services of Educational Activities	(50.00)	
Auxiliary Enterprises	3,430,876.87	2,866,926.30
Other Operating Revenues	1,382,452.89	3,177,655.37
Total Operating Revenues	<u>21,538,756.47</u>	<u>26,852,243.73</u>
Operating Expenses:		
Instruction	17,645,920.78	14,364,604.25
Research	1,852,280.57	2,133,849.57
Public Service	1,386,423.65	2,027,615.29
Academic Support	6,792,128.25	7,248,713.78
Student Services	2,878,522.06	3,431,458.87
Institutional Support	4,381,635.18	4,246,985.85
Operations and Maintenance of Plant	6,890,914.24	5,850,799.29
Scholarships and Fellowships	11,030,146.17	7,821,072.19
Auxiliary Enterprises	3,870,695.29	3,272,933.96
Depreciation and Amortization	4,438,316.32	3,796,747.47
Total Operating Expenses	<u>61,166,982.51</u>	<u>54,194,780.52</u>
Operating Income (Loss)	<u>(39,628,226.04)</u>	<u>(27,342,536.79)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	25,971,284.75	31,004,507.54
Federal Nonexchange Sponsored Programs	4,067,185.22	5,890,053.25
Federal Nonexchange Pass-Through	554,397.27	245,555.29
State Nonexchange Pass-Through	15,782.14	
Gift Contributions for Operations	1,449,792.24	1,166,535.16
Investment Income	2,345,594.72	1,295,991.14
Net Increase (Decrease) in Fair Value of Investments	3,026,633.94	2,633,694.35
Gain (Loss) on Sale of Capital Assets	(593.43)	(40,294.26)
Other Nonoperating Revenues	(247,073.62)	
Other Nonoperating (Expenses)	(177,368.78)	
Net Nonoperating Revenues (Expenses)	<u>37,005,634.45</u>	<u>42,196,042.47</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	(2,622,591.59)	14,853,505.68
Gifts and Sponsored Programs for Capital Acquisitions	17,524,614.80	374,945.73
Additions to Permanent Endowments / Annuities	112,816.77	436,684.60
Reclass from/(to) Other Institutions	(2,771,642.82)	43,658,946.56
Transfers Between Institutions & System, Debt Service - Mandatory	(8,174,126.91)	(11,364,018.70)
Transfers Between Institutions & System Admin. - Non mandatory	10,229,293.42	3,594,612.73
Transfers to Other State Agencies	(181,014.75)	(168,257.50)
Change in Net Assets	<u>14,117,348.92</u>	<u>51,386,419.10</u>
Beginning Net Assets	<u>227,431,168.27</u>	<u>176,044,749.17</u>
Ending Net Assets	<u>\$ 241,548,517.19</u>	<u>227,431,168.27</u>

The University of Texas of the Permian Basin
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	9,389,272.77	13,355,260.24
Proceeds from Sponsored Programs	(4,354,406.39)	16,816,381.92
Proceeds from Auxiliaries	3,542,891.23	3,665,718.01
Proceeds from Other Revenues	2,557,335.92	(6,766,727.81)
Payments to Suppliers	(17,912,566.00)	(21,937,531.02)
Payments to Employees	(31,161,605.68)	(27,280,390.89)
Payments for Loans Provided	(816,624.45)	(223,698.81)
Proceeds from Loan Programs	300,547.07	(276,525.71)
Net Cash Provided (Used) by Operating Activities	<u>(38,455,155.53)</u>	<u>(22,647,514.07)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	24,010,182.27	31,060,360.79
Proceeds from Operating Gifts	1,481,375.15	1,231,815.61
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	112,816.77	436,684.60
Payments / Receipts for Transfers to / from System or Other Agencies	(130,254.66)	(110,865.08)
Payments for Other Uses	(177,368.78)	-
Proceeds from Nonexchange Sponsored Programs	4,637,364.63	6,135,608.54
Net Cash Provided by Noncapital Financing Activities	<u>29,934,115.38</u>	<u>38,753,604.46</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	53,156,212.18	41,988,175.44
Proceeds from Capital Appropriations, Grants, and Gifts	17,524,614.80	-
Payments for Additions to Capital Assets	(49,726,367.90)	(53,511,868.65)
Mandatory Transfers to System for Capital Related Debt	(8,174,126.91)	(11,364,018.70)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>12,780,332.17</u>	<u>(22,887,711.91)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	1,645,040.09	6,731,504.32
Proceeds from Interest and Investment Income	1,467,166.59	558,704.75
Proceeds from Interest and Investment Income Invested by System	898,283.04	765,649.13
Payments to Acquire Investments	(22,706.50)	-
Payments to Acquire Investments Invested by System	-	-
Net Cash Provided (Used) by Investing Activities	<u>3,987,783.22</u>	<u>8,055,858.20</u>
Net Increase (Decrease) in Cash	8,247,075.24	1,274,236.68
Cash and Cash Equivalents (Beginning of the Year)	13,311,264.18	12,037,027.50
Cash and Cash Equivalents (End of the Year)	<u>\$ 21,558,339.42</u>	<u>\$ 13,311,264.18</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(39,628,226.04)	(27,342,536.79)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	4,438,316.32	3,796,747.47
Bad Debt Expense	166,770.08	554,407.44
Changes in Assets and Liabilities:		
Accounts Receivable	895,472.47	(2,165,162.18)
Inventories	(4,083.63)	(1,345.19)
Loans and Contracts	(516,077.38)	(500,224.52)
Other Current and Noncurrent Assets	11,508,745.19	20,238,322.03
Accounts Payable	(4,043,051.70)	(19,753,745.75)
Due to System	15,317.32	49,629.05
Deferred Revenue	(11,274,324.14)	2,429,635.80
Assets Held for Others	(61,267.89)	(47,353.33)
Employees' Compensable Leave	10,797.25	92,843.56
Other Current and Noncurrent Liabilities	36,456.62	1,268.34
Total Adjustments	<u>1,173,070.51</u>	<u>4,695,022.72</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (38,455,155.53)</u>	<u>\$ (22,647,514.07)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	3,026,633.94	2,633,694.35
Donated Capital Assets	-	374,945.73
Miscellaneous Noncash Transactions	(247,667.05)	(40,294.26)

The University of Texas at San Antonio
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 42,869,984.73	58,922,146.88
Restricted Cash & Cash Equivalents	(6,217,442.10)	(8,125,835.61)
Balance in State Appropriations	5,932,394.12	4,113,254.30
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	33,653,835.42	29,974,118.67
Other Intergov. (allow. \$33,213.00 in 2011 & \$0.00 in 2010)	1,100,422.89	
Student (allow. \$600,300.00 in 2011 & \$686,500.00 in 2010)	27,478,400.54	23,695,053.75
Interest and Dividend Receivables	800,458.68	647,303.38
Contributions (allow. \$4,481.59 in 2011 & \$5,229.46 in 2010)	891,925.28	1,040,663.66
Other (allow. \$0.00 in 2011 & \$34,757.03 in 2010)	2,523,188.53	3,237,426.99
Due From Other Funds		12,111,381.67
Due From System Administration	15,778,071.20	14,683,739.79
Due From Other Agencies	765,583.65	242.00
Inventories	686,994.65	649,627.16
Loans & Contracts (allow. \$562,110.53 in 2011 & \$629,363.49 in 2010)	5,455,943.57	6,016,222.31
Other Current Assets	1,733,379.63	1,237,977.86
Total Current Assets and Deferred Outflows	<u>133,453,140.79</u>	<u>148,203,322.81</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	2,000,000.00	2,000,000.00
Loans & Contracts (allow. \$432,632.68 in 2011 & \$226,740.98 in 2010)	3,762,829.38	3,843,751.24
Funds Held by System Administration (Restricted)	81,760,093.99	60,305,084.07
Contributions Rec. (allow. \$8,768.65 in 2011 & \$10,157.65 in 2010)	1,745,132.74	2,021,371.46
Unrestricted Investments	259,919,293.81	209,314,352.96
Gross Capital/Intangible Assets	988,377,053.21	943,784,243.03
Accumulated Depreciation/Amortization	(319,648,315.51)	(282,904,962.23)
Total Noncurrent Assets and Deferred Outflows	<u>1,017,916,087.62</u>	<u>938,363,840.53</u>
Total Assets and Deferred Outflows	<u>\$ 1,151,369,228.41</u>	<u>1,086,567,163.34</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	19,085,504.14	12,277,082.46
Salaries Payable	18,274,862.31	17,537,425.60
Due To Other Funds		12,111,381.67
Due To System Administration	2,791,799.11	2,524,321.94
Due To Other Institutions	18,665.62	
Due To Other State Agencies	24,694.24	29,604.18
Deferred Revenue	115,942,253.99	105,177,567.88
Employees' Compensable Leave - Current Portion	6,109,443.06	5,584,546.97
Payable From Restricted Assets	2,329,845.70	1,973,731.23
Assets Held for Others	2,898,281.41	1,418,161.45
Other Current Liabilities	1,080,885.29	1,110,086.06
Total Current Liabilities and Deferred Inflows	<u>168,556,234.87</u>	<u>159,743,909.44</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	1,858,848.22	2,481,456.98
Total Noncurrent Liabilities and Deferred Inflows	<u>1,858,848.22</u>	<u>2,481,456.98</u>
Total Liabilities and Deferred Inflows	<u>170,415,083.09</u>	<u>162,225,366.42</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	668,728,737.70	660,879,280.80
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	58,195,936.36	42,376,649.85
Expendable		
Capital Projects	1,122,301.29	25,158,653.04
Funds Functioning as Endowment (Restricted)	731,319.88	665,011.48
Other Expendable	66,194,932.88	38,535,775.52
Unrestricted Net Assets	<u>185,980,917.21</u>	<u>156,726,426.23</u>
Total Net Assets	<u>980,954,145.32</u>	<u>924,341,796.92</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 1,151,369,228.41</u>	<u>1,086,567,163.34</u>

The University of Texas at San Antonio
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 240,264,864.14	219,173,915.36
Discounts and Allowances	(65,917,928.09)	(48,683,210.41)
Federal Sponsored Programs	48,476,379.74	45,451,475.52
Federal Sponsored Programs Pass-Through from State Agencies	2,388,565.50	1,492,516.30
State Sponsored Programs Pass-Through from State Agencies	22,571,507.02	14,239,759.06
Local Sponsored Programs	1,180,799.93	631,436.85
Private Sponsored Programs	3,213,294.04	2,904,217.82
Sales and Services of Educational Activities	9,652,400.06	8,900,313.27
Discounts and Allowances Sales and Services of Educational Activities	(71,534.58)	(71,111.05)
Auxiliary Enterprises	27,357,414.83	24,011,026.91
Other Operating Revenues	2,508,444.47	2,641,504.88
Total Operating Revenues	291,624,207.06	270,691,844.51
Operating Expenses:		
Instruction	120,021,312.65	115,680,731.51
Research	46,104,030.70	38,492,052.70
Public Service	18,796,560.64	17,386,255.29
Academic Support	40,943,997.13	41,356,106.09
Student Services	23,910,432.43	22,952,416.97
Institutional Support	45,051,617.89	42,816,433.79
Operations and Maintenance of Plant	40,931,487.44	42,199,908.29
Scholarships and Fellowships	43,560,852.52	38,761,964.63
Auxiliary Enterprises	33,065,220.68	30,791,063.25
Depreciation and Amortization	39,343,964.62	37,552,487.63
Total Operating Expenses	451,729,476.70	427,989,420.15
Operating Income (Loss)	(160,105,269.64)	(157,297,575.64)
Nonoperating Revenues (Expenses):		
State Appropriations	112,476,408.87	121,371,754.88
Federal Nonexchange Sponsored Programs	51,476,787.00	43,958,976.10
Federal Nonexchange Pass-Through	5,658,924.54	5,022,175.99
State Nonexchange Pass-Through	1,400,625.59	1,497,673.25
Gift Contributions for Operations	6,555,540.87	8,759,234.16
Investment Income	12,069,925.18	9,032,120.19
Net Increase (Decrease) in Fair Value of Investments	23,014,860.29	17,740,268.47
Gain (Loss) on Sale of Capital Assets	(83,664.29)	(244,700.28)
Other Nonoperating Revenues	19,291.93	
Other Nonoperating (Expenses)		(96,849.03)
Net Nonoperating Revenues (Expenses)	212,588,699.98	207,040,653.73
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	52,483,430.34	49,743,078.09
Gifts and Sponsored Programs for Capital Acquisitions	135,513.14	284,590.37
Additions to Permanent Endowments / Annuities	15,713,081.05	10,249,882.19
Reclass from/(to) Other Institutions	(41,408,053.62)	13,046,177.35
Transfers Between Institutions & System, Debt Service - Mandatory	(29,671,750.37)	(31,520,585.17)
Transfers Between Institutions & System Admin. - Non mandatory	62,091,590.70	1,220,260.88
Transfers From Other State Agencies	3,358.16	
Transfers to Other State Agencies	(2,734,821.00)	(2,349,684.57)
Change in Net Assets	56,612,348.40	40,673,719.14
Beginning Net Assets	924,341,796.92	883,668,077.78
Ending Net Assets	\$ 980,954,145.32	924,341,796.92

The University of Texas at San Antonio
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	178,734,659.07	174,233,904.10
Proceeds from Sponsored Programs	76,355,237.60	61,733,818.90
Proceeds from Auxiliaries	28,073,410.51	25,392,617.89
Proceeds from Other Revenues	13,658,300.89	12,349,085.30
Payments to Suppliers	(136,449,573.38)	(139,528,484.04)
Payments to Employees	(269,665,576.89)	(254,311,340.97)
Payments for Loans Provided	(14,403,173.94)	(15,612,102.33)
Proceeds from Loan Programs	14,487,130.18	15,129,686.27
Net Cash Provided (Used) by Operating Activities	<u>(109,209,585.96)</u>	<u>(120,612,814.88)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	110,657,269.05	125,665,161.71
Proceeds from Operating Gifts	6,980,517.97	9,108,851.11
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	15,713,081.05	10,249,882.19
Proceeds from Other Nonoperating Revenues	5,014.61	-
Payments / Receipts for Transfers to / from System or Other Agencies	(2,454,813.07)	(1,941,555.32)
Proceeds from Nonexchange Sponsored Programs	56,683,494.13	28,728,538.34
Net Cash Provided by Noncapital Financing Activities	<u>187,584,563.74</u>	<u>171,810,878.03</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	19,329,545.74	29,867,650.96
Proceeds from Capital Appropriations, Grants, and Gifts	27,085.89	-
Proceeds from Sale of Capital Assets	26,073.89	33,702.91
Payments for Additions to Capital Assets	(45,081,032.97)	(48,043,236.41)
Mandatory Transfers to System for Capital Related Debt	(29,671,750.37)	(31,520,585.17)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(55,370,077.82)</u>	<u>(49,662,467.71)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	71,288.38	192,701.48
Proceeds from Interest and Investment Income Invested by System	11,825,133.50	8,662,979.77
Payments to Acquire Investments Invested by System	(49,045,090.48)	(35,359,293.75)
Net Cash Provided (Used) by Investing Activities	<u>(37,148,668.60)</u>	<u>(26,503,612.50)</u>
Net Increase (Decrease) in Cash	(14,143,768.64)	(24,968,017.06)
Cash and Cash Equivalents (Beginning of the Year)	50,796,311.27	75,764,328.33
Cash and Cash Equivalents (End of the Year)	<u>\$ 36,652,542.63</u>	<u>\$ 50,796,311.27</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(160,105,269.64)	(157,297,575.64)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	39,343,964.62	37,552,487.63
Bad Debt Expense	557,244.36	504,336.20
Changes in Assets and Liabilities:		
Accounts Receivable	(6,757,986.37)	(3,497,495.04)
Inventories	(37,367.49)	160,702.51
Loans and Contracts	83,956.24	(482,416.06)
Other Current and Noncurrent Assets	(495,401.77)	178,859.67
Accounts Payable	5,815,904.29	(4,891,216.34)
Due to System	267,477.17	283,673.85
Deferred Revenue	10,764,686.11	6,458,551.29
Assets Held for Others	1,480,119.96	35,727.90
Employees' Compensable Leave	(97,712.67)	473,123.37
Other Current and Noncurrent Liabilities	(29,200.77)	(91,574.22)
Total Adjustments	<u>50,895,683.68</u>	<u>36,684,760.76</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (109,209,585.96)</u>	<u>\$ (120,612,814.88)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	23,014,860.29	17,740,268.47
Donated Capital Assets	104,642.00	284,590.37
Miscellaneous Noncash Transactions	(61,014.20)	(345,264.88)

The University of Texas at Tyler
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 18,009,373.67	13,007,642.80
Restricted Cash & Cash Equivalents	2,770,051.68	4,820,529.59
Balance in State Appropriations	567,644.32	1,225,942.15
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	1,614,540.04	864,529.91
Student (allow. \$993,555.84 in 2011 & \$928,919.53 in 2010)	1,888,636.76	1,818,778.90
Interest and Dividend Receivables	114,196.31	98,260.76
Contributions (allow. \$10,700.00 in 2011 & \$7,900.00 in 2010)	203,229.27	149,279.15
Other (allow. \$0.00 in 2011 & \$0.00 in 2010)	3,214,873.91	2,368,953.45
Due From System Administration	8,217,370.44	9,659,806.10
Due From Other Agencies	449,013.57	417,959.26
Loans & Contracts (allow. \$837,039.51 in 2011 & \$788,826.03 in 2010)	2,407,059.95	1,581,516.89
Other Current Assets	292,539.35	387,780.56
Total Current Assets and Deferred Outflows	<u>39,748,529.27</u>	<u>36,400,979.52</u>
Noncurrent Assets and Deferred Outflows:		
Funds Held by System Administration (Restricted)	67,925,022.29	60,259,650.69
Contributions Rec. (allow. \$24,400.00 in 2011 & \$34,500.00 in 2010)	463,387.49	657,545.36
Unrestricted Investments	42,404,579.88	36,702,490.00
Gross Capital/Intangible Assets	237,397,470.54	237,265,599.36
Accumulated Depreciation/Amortization	(90,395,189.72)	(79,462,152.46)
Total Noncurrent Assets and Deferred Outflows	<u>257,795,270.48</u>	<u>255,423,132.95</u>
Total Assets and Deferred Outflows	<u>\$ 297,543,799.75</u>	<u>291,824,112.47</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	2,796,180.29	3,388,103.07
Salaries Payable	3,861,072.98	3,476,468.72
Due To System Administration	587,886.45	536,790.02
Due To Other State Agencies	2,000.00	
Deferred Revenue	14,309,894.49	14,537,073.00
Employees' Compensable Leave - Current Portion	823,657.96	774,016.94
Payable From Restricted Assets	91,382.47	89,964.52
Assets Held for Others	1,167,965.43	813,909.38
Other Current Liabilities	124,072.34	71,955.29
Total Current Liabilities and Deferred Inflows	<u>23,764,112.41</u>	<u>23,688,280.94</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	388,734.10	418,863.24
Other Noncurrent Liabilities	312,593.02	371,739.47
Total Noncurrent Liabilities and Deferred Inflows	<u>701,327.12</u>	<u>790,602.71</u>
Total Liabilities and Deferred Inflows	<u>24,465,439.53</u>	<u>24,478,883.65</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	147,002,280.82	157,803,446.90
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	35,110,898.50	33,106,689.89
Expendable		
Capital Projects	9,543,510.45	10,460,440.99
Funds Functioning as Endowment (Restricted)	363,431.64	305,244.59
Other Expendable	37,311,918.53	31,690,230.34
Unrestricted Net Assets	43,746,320.28	33,979,176.11
Total Net Assets	<u>273,078,360.22</u>	<u>267,345,228.82</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 297,543,799.75</u>	<u>291,824,112.47</u>

The University of Texas at Tyler
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 40,389,286.71	35,920,303.62
Discounts and Allowances	(14,125,571.88)	(13,037,327.46)
Federal Sponsored Programs	4,225,195.25	3,098,273.03
Federal Sponsored Programs Pass-Through from State Agencies	1,511,857.07	1,714,885.28
State Sponsored Programs	568,956.41	
State Sponsored Programs Pass-Through from State Agencies	4,289,244.56	3,452,951.38
Local Sponsored Programs	104,746.93	8,379.69
Private Sponsored Programs	1,756,734.73	1,051,906.71
Sales and Services of Educational Activities	1,975,931.90	2,597,397.27
Auxiliary Enterprises	4,022,062.02	3,689,584.70
Other Operating Revenues	234,175.30	330,101.42
Total Operating Revenues	<u>44,952,619.00</u>	<u>38,826,455.64</u>
Operating Expenses:		
Instruction	31,731,893.55	29,845,280.74
Research	2,673,086.89	2,582,271.15
Public Service	3,658,412.09	2,411,967.41
Academic Support	7,018,432.33	7,111,846.54
Student Services	5,834,879.66	6,746,549.76
Institutional Support	9,874,801.43	9,041,648.20
Operations and Maintenance of Plant	6,295,799.15	6,161,224.92
Scholarships and Fellowships	4,685,107.16	4,065,456.59
Auxiliary Enterprises	5,504,914.75	5,192,982.65
Depreciation and Amortization	11,286,509.38	10,433,470.99
Total Operating Expenses	<u>88,563,836.39</u>	<u>83,592,698.95</u>
Operating Income (Loss)	<u>(43,611,217.39)</u>	<u>(44,766,243.31)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	32,277,019.75	36,145,315.19
Federal Nonexchange Sponsored Programs	7,913,199.89	7,042,332.00
Federal Nonexchange Pass-Through	890,966.00	1,604,033.00
State Nonexchange Pass-Through	16,532.95	
Gift Contributions for Operations	992,152.32	1,424,170.55
Investment Income	4,790,383.20	4,362,978.47
Net Increase (Decrease) in Fair Value of Investments	9,133,592.96	6,458,701.40
Gain (Loss) on Sale of Capital Assets	(3,308.42)	(25,002.74)
Other Nonoperating (Expenses)	(557,966.11)	(112,344.48)
Net Nonoperating Revenues (Expenses)	<u>55,452,572.54</u>	<u>56,900,183.39</u>
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	11,841,355.15	12,133,940.08
Gifts and Sponsored Programs for Capital Acquisitions	74,009.25	1,370,279.33
Additions to Permanent Endowments / Annuities	1,311,791.84	814,219.13
Reclass from/(to) Other Institutions	(394,708.63)	14,408,778.33
Transfers Between Institutions & System, Debt Service - Mandatory	(7,237,888.99)	(8,504,372.56)
Transfers Between Institutions & System Admin. - Non mandatory	933,900.74	1,024,671.09
Transfers to Other State Agencies	(376,345.90)	(346,042.16)
Legislative Appropriations Lapsed	(418,982.06)	
Change in Net Assets	<u>5,733,131.40</u>	<u>20,901,473.24</u>
Beginning Net Assets	<u>267,345,228.82</u>	<u>246,443,755.58</u>
Ending Net Assets	<u>\$ 273,078,360.22</u>	<u>267,345,228.82</u>

The University of Texas at Tyler
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	26,792,239.00	23,085,305.77
Proceeds from Sponsored Programs	10,847,249.82	9,007,837.79
Proceeds from Auxiliaries	3,829,517.48	3,768,264.08
Proceeds from Other Revenues	1,908,618.08	2,264,978.90
Payments to Suppliers	(25,745,203.69)	(24,306,264.95)
Payments to Employees	(50,299,629.41)	(48,385,606.62)
Payments for Loans Provided	(966,354.55)	(352,812.05)
Proceeds from Loan Programs	90,521.86	244,298.31
Net Cash Provided (Used) by Operating Activities	<u>(33,543,041.41)</u>	<u>(34,673,998.77)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	32,516,335.52	36,257,497.01
Proceeds from Operating Gifts	996,857.68	1,407,164.34
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	1,311,791.84	814,219.13
Payments / Receipts for Transfers to / from System or Other Agencies	(319,909.90)	(272,311.16)
Payments for Other Uses	(49,125.00)	(4,463.37)
Proceeds from Nonexchange Sponsored Programs	8,820,698.84	8,648,731.00
Net Cash Provided by Noncapital Financing Activities	<u>43,276,648.98</u>	<u>46,850,836.95</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	1,978,925.55	15,980,502.41
Proceeds from Capital Appropriations, Grants, and Gifts	209,511.64	931,533.73
Payments for Additions to Capital Assets	(2,219,748.16)	(14,811,930.11)
Mandatory Transfers to System for Capital Related Debt	(7,237,888.99)	(8,504,372.56)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,269,199.96)</u>	<u>(6,404,266.53)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	1,384,388.83	1,127,171.71
Proceeds from Interest and Investment Income Invested by System	3,336,325.04	3,177,961.17
Payments to Acquire Investments Invested by System	(4,233,888.99)	(7,356,986.23)
Net Cash Provided (Used) by Investing Activities	<u>486,845.35</u>	<u>(3,051,853.35)</u>
Net Increase (Decrease) in Cash	2,951,252.96	2,720,718.30
Cash and Cash Equivalents (Beginning of the Year)	17,828,172.39	15,107,454.09
Cash and Cash Equivalents (End of the Year)	<u>\$ 20,779,425.35</u>	<u>\$ 17,828,172.39</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(43,611,217.39)	(44,766,243.31)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	11,286,509.38	10,433,470.99
Bad Debt Expense	50,289.63	45,919.90
Changes in Assets and Liabilities:		
Accounts Receivable	(1,696,842.76)	(1,786,997.88)
Loans and Contracts	(875,832.69)	(108,513.74)
Other Current and Noncurrent Assets	95,241.21	(5,462.39)
Accounts Payable	1,018,354.76	296,348.48
Due to System	51,096.43	50,591.31
Deferred Revenue	(227,178.51)	247,148.04
Assets Held for Others	354,056.05	802,635.05
Employees' Compensable Leave	19,511.88	79,959.09
Other Current and Noncurrent Liabilities	(7,029.40)	37,145.69
Total Adjustments	<u>10,068,175.98</u>	<u>10,092,244.54</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (33,543,041.41)</u>	<u>\$ (34,673,998.77)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	9,133,592.96	6,458,701.40
Miscellaneous Noncash Transactions	(512,149.53)	(132,883.85)

The University of Texas Southwestern Medical Center
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 88,971,154.28	117,543,694.27
Restricted Cash & Cash Equivalents	44,280,305.63	20,557,363.78
Balance in State Appropriations	16,054,072.28	8,665,748.37
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	29,586,149.52	47,677,871.41
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	9,396,830.70	2,620,079.68
Patient & Healthcare(allow. \$404,493,136.81 in 2011 & \$421,511,879.34 in 2010)	152,010,414.59	146,032,897.47
Interest and Dividend Receivables	2,232,189.54	1,851,524.16
Contributions (allow. \$289,573.50 in 2011 & \$220,525.13 in 2010)	2,160,833.92	4,859,853.27
Other (allow. \$59,341.99 in 2011 & \$98,885.54 in 2010)	28,673,273.33	21,735,534.04
Due From System Administration	469,726,419.65	89,658,415.59
Due From Other Agencies	1,983,819.51	
Inventories	17,903,668.91	13,653,119.91
Loans & Contracts (allow. \$41,489.04 in 2011 & \$38,841.77 in 2010)	1,555,704.89	1,502,284.06
Other Current Assets	4,570,271.66	4,280,007.33
Total Current Assets and Deferred Outflows	<u>869,105,108.41</u>	<u>480,638,393.34</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	368,400,601.00	336,985,874.08
Loans & Contracts (allow. \$159,704.23 in 2011 & \$169,240.78 in 2010)	5,988,392.97	6,545,122.27
Funds Held by System Administration (Restricted)	838,838,414.38	760,724,679.92
Contributions Rec. (allow. \$126,238.93 in 2011 & \$195,287.30 in 2010)	893,617.06	4,041,858.49
Unrestricted Investments	581,621,585.07	474,777,167.42
Gross Capital/Intangible Assets	2,062,904,720.07	1,923,235,358.42
Accumulated Depreciation/Amortization	<u>(718,382,914.85)</u>	<u>(642,394,933.11)</u>
Total Noncurrent Assets and Deferred Outflows	<u>3,140,264,415.70</u>	<u>2,863,915,127.49</u>
Total Assets and Deferred Outflows	<u>\$ 4,009,369,524.11</u>	<u>3,344,553,520.83</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	125,603,225.88	127,447,512.78
Salaries Payable	46,229,622.95	42,713,174.23
Due To System Administration	9,200,767.35	8,059,721.41
Due To Other State Agencies	33,398.43	
Deferred Revenue	13,097,810.98	10,964,616.61
Employees' Compensable Leave - Current Portion	43,472,651.96	38,980,090.13
Notes, Loans, and Leases Payable		16,988.00
Payable From Restricted Assets	44,447,487.72	15,650,774.82
Assets Held for Others	391,428.99	382,271.93
Other Current Liabilities	<u>112,590.39</u>	<u>112,506.39</u>
Total Current Liabilities and Deferred Inflows	<u>282,588,984.65</u>	<u>244,327,656.30</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	25,473,695.96	29,274,400.50
Other Noncurrent Liabilities	<u>1,964,863.64</u>	<u>1,870,263.65</u>
Total Noncurrent Liabilities and Deferred Inflows	<u>27,438,559.60</u>	<u>31,144,664.15</u>
Total Liabilities and Deferred Inflows	<u>310,027,544.25</u>	<u>275,472,320.45</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,344,521,805.22	1,280,840,425.31
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	507,595,801.90	500,020,172.95
Expendable		
Capital Projects	436,500,723.74	79,804,861.03
Funds Functioning as Endowment (Restricted)	26,429,748.29	23,135,279.85
Other Expendable	708,305,538.32	616,627,603.16
Unrestricted Net Assets	<u>675,988,362.39</u>	<u>568,652,858.08</u>
Total Net Assets	<u>3,699,341,979.86</u>	<u>3,069,081,200.38</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 4,009,369,524.11</u>	<u>3,344,553,520.83</u>

The University of Texas Southwestern Medical Center
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 21,559,034.02	19,465,476.30
Discounts and Allowances	(4,956,071.00)	(4,813,084.00)
Federal Sponsored Programs	225,581,981.59	231,188,640.92
Federal Sponsored Programs Pass-Through from State Agencies	5,200,927.86	4,072,968.83
State Sponsored Programs Pass-Through from State Agencies	13,375,333.15	1,371,729.96
Local Sponsored Programs	164,924,855.74	156,144,755.64
Private Sponsored Programs	50,470,106.41	77,225,604.00
Sales and Services of Educational Activities	20,401,676.26	17,608,212.87
Sales and Services of Hospitals	1,566,334,172.24	1,409,781,927.78
Discounts and Allowances Sales and Services of Hospitals	(1,035,818,670.13)	(932,822,547.85)
Professional Fees (Patient Charges)	1,354,013,514.84	1,211,810,339.12
Discounts and Allowances Professional Fees (Patient Charges)	(947,994,023.21)	(829,389,252.40)
Auxiliary Enterprises	17,578,608.85	17,986,421.50
Other Operating Revenues	15,211,068.87	13,606,268.47
Total Operating Revenues	1,465,882,515.49	1,393,237,461.14
Operating Expenses:		
Instruction	579,517,612.32	527,896,974.55
Research	315,330,494.84	308,606,969.95
Public Service	26,927,826.94	24,234,252.80
Hospitals / Clinics	466,788,845.99	423,837,795.32
Academic Support	25,281,158.22	21,367,497.55
Student Services	3,351,701.57	3,229,919.27
Institutional Support	56,112,048.68	48,514,398.07
Operations and Maintenance of Plant	73,895,370.10	76,759,705.99
Scholarships and Fellowships	547,745.76	764,473.63
Auxiliary Enterprises	14,816,795.07	16,762,992.35
Depreciation and Amortization	92,919,911.44	80,507,746.17
Total Operating Expenses	1,655,489,510.93	1,532,482,725.65
Operating Income (Loss)	(189,606,995.44)	(139,245,264.51)
Nonoperating Revenues (Expenses):		
State Appropriations	172,338,002.40	174,040,333.33
Federal Nonexchange Sponsored Programs	58,331.00	74,359.00
Federal Nonexchange Pass-Through	6,398,232.43	10,216,070.57
Gift Contributions for Operations	40,760,151.08	38,990,899.85
Investment Income	88,167,489.12	69,674,641.84
Net Increase (Decrease) in Fair Value of Investments	133,296,657.24	101,281,681.41
Gain (Loss) on Sale of Capital Assets	(21,920,884.64)	(2,697,398.88)
Other Nonoperating Revenues	2,008,622.00	572,029.73
Other Nonoperating (Expenses)	(1,400,000.00)	(682,020.85)
Net Nonoperating Revenues (Expenses)	419,706,600.63	391,470,596.00
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	230,099,605.19	252,225,331.49
Gifts and Sponsored Programs for Capital Acquisitions	2,914,173.15	19,359.44
Additions to Permanent Endowments / Annuities	2,456,698.44	22,121,706.21
Reclass from/(to) Other Institutions	(4,425,512.85)	78,938,888.24
Transfers Between Institutions & System, Debt Service - Mandatory	(89,820,091.22)	(70,878,666.78)
Transfers Between Institutions & System Admin. - Non mandatory	489,184,738.74	72,500,352.38
Transfers to Other State Agencies	(148,831.97)	(147,246.64)
Change in Net Assets	630,260,779.48	354,779,724.34
Beginning Net Assets	3,069,081,200.38	2,714,301,476.04
Ending Net Assets	\$ 3,699,341,979.86	3,069,081,200.38

The University of Texas Southwestern Medical Center
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	17,673,196.78	13,827,464.78
Proceeds from Patients and Customers	930,240,907.89	842,206,547.57
Proceeds from Sponsored Programs	463,586,313.97	472,137,024.30
Proceeds from Auxiliaries	17,444,335.92	17,978,951.79
Proceeds from Other Revenues	35,805,463.21	29,632,178.16
Payments to Suppliers	(424,335,936.57)	(426,901,740.37)
Payments to Employees	(1,106,887,224.13)	(1,011,872,186.80)
Payments for Loans Provided	(1,028,536.11)	(607,341.56)
Proceeds from Loan Programs	1,248,316.57	1,346,428.39
Net Cash Provided (Used) by Operating Activities	<u>(66,253,162.47)</u>	<u>(62,252,673.74)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	164,949,678.49	179,535,740.17
Proceeds from Operating Gifts	46,607,411.86	38,398,458.46
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	2,456,698.44	22,121,706.21
Proceeds from Other Nonoperating Revenues	-	572,029.73
Payments / Receipts for Transfers to / from System or Other Agencies	(461,962.98)	3,357,403.45
Payments for Other Uses	(1,400,000.00)	(682,020.85)
Proceeds from Nonexchange Sponsored Programs	6,456,563.43	10,290,429.57
Net Cash Provided by Noncapital Financing Activities	<u>218,608,389.24</u>	<u>253,593,746.74</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	104,931,282.72	95,872,615.96
Proceeds from Capital Appropriations, Grants, and Gifts	2,597,165.12	1,711,585.59
Proceeds from Sale of Capital Assets	336,369.06	548,478.22
Payments for Additions to Capital Assets	(178,809,843.77)	(147,054,090.13)
Payments of Principal on Capital Related Debt	(16,988.00)	(99,919.21)
Mandatory Transfers to System for Capital Related Debt	(89,820,091.22)	(70,878,666.78)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(160,782,106.09)</u>	<u>(119,899,996.35)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	42,812,882.27	29,864,782.82
Proceeds from Interest and Investment Income Invested by System	41,317,653.80	38,940,709.81
Payments to Acquire Investments	-	(2,665,959.42)
Payments to Acquire Investments Invested by System	(80,553,254.89)	(60,628,879.81)
Net Cash Provided (Used) by Investing Activities	<u>3,577,281.18</u>	<u>5,510,653.40</u>
Net Increase (Decrease) in Cash	(4,849,598.14)	76,951,730.05
Cash and Cash Equivalents (Beginning of the Year)	<u>138,101,058.05</u>	<u>61,149,328.00</u>
Cash and Cash Equivalents (End of the Year)	<u>\$ 133,251,459.91</u>	<u>\$ 138,101,058.05</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(189,606,995.44)	(139,245,264.51)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	92,919,911.44	80,507,746.17
Bad Debt Expense	283,528.01	298,814.77
Changes in Assets and Liabilities:		
Accounts Receivable	(3,394,171.19)	(14,069,626.11)
Inventories	(4,250,549.00)	(1,274,111.38)
Loans and Contracts	219,780.46	739,086.83
Other Current and Noncurrent Assets	(290,264.33)	2,280,098.32
Accounts Payable	33,795,658.93	6,507,914.68
Due to System	1,141,045.94	789,466.22
Deferred Revenue	2,133,194.37	(2,140,096.90)
Assets Held for Others	9,157.06	(71,328.80)
Employees' Compensable Leave	691,857.29	4,608,268.74
Other Current and Noncurrent Liabilities	94,683.99	(1,183,641.77)
Total Adjustments	<u>123,353,832.97</u>	<u>76,992,590.77</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (66,253,162.47)</u>	<u>\$ (62,252,673.74)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	133,296,657.24	101,281,681.41
Donated Capital Assets	51,510.00	6,000.00
Miscellaneous Noncash Transactions	(19,912,262.64)	(2,700,611.01)

The University of Texas Medical Branch at Galveston
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 233,734,356.26	177,972,815.53
Restricted Cash & Cash Equivalents	(17,369,446.69)	30,255,235.34
Balance in State Appropriations	143,438,780.80	149,404,996.37
Accounts Receivable, Net:		
Federal (allow. \$524,787.10 in 2011 & \$5,274,118.53 in 2010)	31,742,818.46	28,997,517.81
Other Intergov. (allow. \$0.00 in 2011 & \$10,215.16 in 2010)	922,074.22	2,687,569.59
Student (allow. \$393,699.92 in 2011 & \$226,217.50 in 2010)	8,494,134.52	7,871,628.05
Patient & Healthcare(allow. \$137,937,410.19 in 2011 & \$110,718,753.57 in 2010)	77,194,652.24	51,451,537.33
Interest and Dividend Receivables	381,651.23	393,454.53
Contributions (allow. \$18,572.10 in 2011 & \$114,850.87 in 2010)	144,708.28	210,664.22
Other (allow. \$791,351.19 in 2011 & \$1,068,942.50 in 2010)	21,832,376.02	37,958,372.26
Due From System Administration	11,427,653.74	17,490,860.08
Due From Other Agencies	6,051,184.10	2,233,755.30
Inventories	11,851,154.60	10,781,985.13
Loans & Contracts (allow. \$0.00 in 2011 & \$0.00 in 2010)	1,019,707.80	1,104,289.42
Other Current Assets	10,442,694.04	11,391,935.15
Total Current Assets and Deferred Outflows	<u>541,308,499.62</u>	<u>530,206,616.11</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	20,685,049.85	23,737,527.47
Loans & Contracts (allow. \$748,753.05 in 2011 & \$661,791.91 in 2010)	7,367,425.57	6,672,376.49
Funds Held by System Administration (Restricted)	477,324,653.50	432,150,109.81
Contributions Rec. (allow. \$20,808.77 in 2011 & \$20,808.77 in 2010)	103,128.09	83,776.91
Unrestricted Investments	131,484,688.52	105,981,695.53
Other Noncurrent Assets	1,180,717.97	427,000.00
Gross Capital/Intangible Assets	1,656,652,777.27	1,493,148,868.97
Accumulated Depreciation/Amortization	(887,708,140.49)	(833,019,813.32)
Total Noncurrent Assets and Deferred Outflows	<u>1,407,090,300.28</u>	<u>1,229,181,541.86</u>
Total Assets and Deferred Outflows	<u>\$ 1,948,398,799.90</u>	<u>1,759,388,157.97</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	200,263,148.18	155,324,204.14
Salaries Payable	32,246,188.82	30,163,908.05
Due To System Administration	10,438,977.25	9,122,868.27
Due To Other State Agencies	371,182.48	705,108.79
Deferred Revenue	53,406,095.54	45,636,152.00
Employees' Compensable Leave - Current Portion	34,720,793.54	34,765,867.39
Payable From Restricted Assets	10,746,425.76	9,485,019.73
Assets Held for Others	1,691,076.46	995,878.30
Total Current Liabilities and Deferred Inflows	<u>343,883,888.03</u>	<u>286,199,006.67</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	25,447,623.26	25,240,765.42
Liability to Beneficiaries	1,342,733.01	1,582,692.01
Other Noncurrent Liabilities	1,027,853.89	415,121.25
Total Noncurrent Liabilities and Deferred Inflows	<u>27,818,210.16</u>	<u>27,238,578.68</u>
Total Liabilities and Deferred Inflows	<u>371,702,098.19</u>	<u>313,437,585.35</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	768,944,636.78	660,129,055.65
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	298,770,917.74	293,496,695.54
Expendable		
Capital Projects	123,577,468.03	164,775,151.85
Funds Functioning as Endowment (Restricted)	22,881,865.54	20,509,299.94
Other Expendable	203,336,982.07	160,541,442.25
Unrestricted Net Assets	<u>159,184,831.55</u>	<u>146,498,927.39</u>
Total Net Assets	<u>1,576,696,701.71</u>	<u>1,445,950,572.62</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 1,948,398,799.90</u>	<u>1,759,388,157.97</u>

The University of Texas Medical Branch at Galveston
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 29,197,915.28	23,725,139.37
Discounts and Allowances	(3,916,831.68)	(1,547,001.62)
Federal Sponsored Programs	136,726,828.31	131,924,277.79
Federal Sponsored Programs Pass-Through from State Agencies	34,572,825.29	37,872,167.66
State Sponsored Programs Pass-Through from State Agencies	16,835,345.65	10,655,558.13
Local Sponsored Programs	5,312,493.82	5,380,068.02
Private Sponsored Programs	70,947,886.01	72,099,844.44
Sales and Services of Educational Activities	15,893,274.75	16,182,345.56
Sales and Services of Hospitals	1,697,464,135.24	1,497,861,812.74
Discounts and Allowances Sales and Services of Hospitals	(893,372,500.98)	(801,559,289.21)
Professional Fees (Patient Charges)	352,069,265.51	345,881,948.83
Discounts and Allowances Professional Fees (Patient Charges)	(224,947,836.83)	(217,784,016.14)
Auxiliary Enterprises	5,808,817.03	5,833,273.51
Other Operating Revenues	2,450,171.73	24,542,835.54
Total Operating Revenues	1,245,041,789.13	1,151,068,964.62
Operating Expenses:		
Instruction	268,121,167.45	243,027,572.78
Research	119,808,199.06	116,760,151.39
Public Service	13,815,459.86	21,244,206.32
Hospitals / Clinics	908,578,562.31	891,040,302.21
Academic Support	29,338,238.96	22,776,495.85
Student Services	6,185,540.11	5,558,097.96
Institutional Support	50,649,849.57	57,352,649.18
Operations and Maintenance of Plant	79,485,368.24	87,968,204.31
Scholarships and Fellowships	7,377,457.65	5,958,898.70
Auxiliary Enterprises	5,558,511.74	6,143,838.95
Depreciation and Amortization	75,104,150.63	67,441,749.58
Total Operating Expenses	1,564,022,505.58	1,525,272,167.23
Operating Income (Loss)	(318,980,716.45)	(374,203,202.61)
Nonoperating Revenues (Expenses):		
State Appropriations	284,711,579.86	416,589,538.89
Federal Nonexchange Sponsored Programs	795,229.75	784,517.00
Federal Nonexchange Pass-Through		6,745,161.00
Gift Contributions for Operations	10,301,248.90	11,615,798.23
Investment Income	31,923,486.79	30,382,835.29
Net Increase (Decrease) in Fair Value of Investments	50,198,370.18	36,313,852.30
Gain (Loss) on Sale of Capital Assets	78,514.39	(986,362.51)
Other Nonoperating Revenues	959,664.79	2,537,962.42
Other Nonoperating (Expenses)	(846,923.03)	(18,501.50)
Net Nonoperating Revenues (Expenses)	378,121,171.63	503,964,801.12
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	59,140,455.18	129,761,598.51
Gifts and Sponsored Programs for Capital Acquisitions	53,268,003.89	51,082,178.90
Additions to Permanent Endowments / Annuities	2,684,075.32	3,639,872.21
Reclass from/(to) Other Institutions	(258,946,044.66)	3,976,378.04
Transfers Between Institutions & System, Debt Service - Mandatory	(26,269,233.27)	(24,687,083.84)
Transfers Between Institutions & System Admin. - Non mandatory	301,074,245.83	21,632,636.76
Transfers From Other State Agencies	69,309,937.12	47,653,400.75
Transfers to Other State Agencies	(69,515,310.32)	(47,821,566.48)
Change in Net Assets	130,746,129.09	185,237,414.85
Beginning Net Assets	1,445,950,572.62	1,260,713,157.77
Ending Net Assets	\$ 1,576,696,701.71	1,445,950,572.62

The University of Texas Medical Branch at Galveston
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	<u>Current Year Totals</u>	<u>Prior Year Totals</u>
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	32,882,739.44	22,538,940.68
Proceeds from Patients and Customers	921,668,043.63	842,509,474.88
Proceeds from Sponsored Programs	259,221,730.61	254,420,387.89
Proceeds from Auxiliaries	6,024,501.24	5,882,102.24
Proceeds from Other Revenues	25,704,602.49	39,975,143.02
Payments to Suppliers	(483,675,560.57)	(472,078,638.49)
Payments to Employees	(994,120,137.47)	(965,443,734.63)
Payments for Loans Provided	(1,888,616.26)	(1,179,336.57)
Proceeds from Loan Programs	1,278,148.80	678,875.59
Net Cash Provided (Used) by Operating Activities	<u>(232,904,548.09)</u>	<u>(272,696,785.39)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	290,677,795.43	425,347,780.14
Proceeds from Operating Gifts	10,347,853.66	11,791,954.43
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	2,684,075.32	3,639,872.21
Proceeds from Other Nonoperating Revenues	959,664.79	2,537,962.42
Payments / Receipts for Transfers to / from System or Other Agencies	1,957,828.44	1,184,608.96
Payments for Other Uses	(974,052.58)	21,327.43
Proceeds from Nonexchange Sponsored Programs	795,229.75	7,529,678.00
Net Cash Provided by Noncapital Financing Activities	<u>306,448,394.81</u>	<u>452,053,183.59</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	45,550,432.10	44,688,727.60
Proceeds from Capital Appropriations, Grants, and Gifts	58,008,134.44	37,225,425.76
Proceeds from Sale of Capital Assets	272,443.63	76,764.42
Payments for Additions to Capital Assets	(157,730,196.48)	(144,946,186.40)
Mandatory Transfers to System for Capital Related Debt	(26,269,233.27)	(24,687,083.84)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(80,168,419.58)</u>	<u>(87,642,352.46)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	1,285,655.31	1,165,171.04
Proceeds from Interest and Investment Income Invested by System	30,902,465.13	29,229,114.37
Payments to Acquire Investments Invested by System	(17,426,688.88)	(6,100,881.89)
Net Cash Provided (Used) by Investing Activities	<u>14,761,431.56</u>	<u>24,293,403.52</u>
Net Increase (Decrease) in Cash	8,136,858.70	116,007,449.26
Cash and Cash Equivalents (Beginning of the Year)	208,228,050.87	92,220,601.61
Cash and Cash Equivalents (End of the Year)	<u>\$ 216,364,909.57</u>	<u>\$ 208,228,050.87</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(318,980,716.45)	(374,203,202.61)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	75,104,150.63	67,441,749.58
Changes in Assets and Liabilities:		
Accounts Receivable	(20,701,882.16)	(7,502,488.53)
Inventories	(1,069,169.47)	(399,814.34)
Loans and Contracts	(610,467.46)	(500,460.98)
Other Current and Noncurrent Assets	195,523.14	(1,221,122.81)
Accounts Payable	25,628,861.59	46,430,328.74
Due to System	1,316,108.98	372,521.90
Deferred Revenue	4,743,328.32	(1,568,153.41)
Assets Held for Others	695,198.16	395,313.76
Employees' Compensable Leave	161,783.99	(1,960,344.72)
Other Current and Noncurrent Liabilities	612,732.64	18,888.03
Total Adjustments	<u>86,076,168.36</u>	<u>101,506,417.22</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (232,904,548.09)</u>	<u>\$ (272,696,785.39)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	50,198,370.18	36,313,852.30
Miscellaneous Noncash Transactions	63,498.81	(1,016,779.73)

The University of Texas Health Science Center at Houston
Exhibit A Balance Sheet
As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 99,494,887.23	65,350,722.10
Restricted Cash & Cash Equivalents	13,098,346.57	8,592,393.70
Balance in State Appropriations	1,177,567.02	5,396,186.53
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	11,521,359.17	22,161,214.80
Other Intergov. (allow. \$0.00 in 2011 & \$163,646.50 in 2010)	11,517,106.64	12,138,314.63
Student (allow. \$467,248.88 in 2011 & \$381,459.92 in 2010)	13,254,230.80	12,607,962.15
Patient & Healthcare(allow. \$111,685,394.39 in 2011 & \$120,527,139.18 in 2010)	41,946,012.68	37,608,410.00
Interest and Dividend Receivables	906,688.90	770,928.52
Contributions (allow. \$252,426.78 in 2011 & \$316,599.81 in 2010)	10,296,937.46	10,405,980.73
Other (allow. \$350,551.90 in 2011 & \$5,109,057.35 in 2010)	5,272,363.29	13,045,227.83
Due From System Administration	25,981,197.07	89,196,369.18
Due From Other Agencies	3,391,449.04	4,945,938.96
Inventories	527,388.97	1,136,074.74
Loans & Contracts (allow. \$385,242.22 in 2011 & \$291,919.15 in 2010)	5,803,491.95	5,224,391.89
Other Current Assets	3,660,460.37	1,162,205.38
Total Current Assets and Deferred Outflows	<u>247,849,487.16</u>	<u>289,742,321.14</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	69,923,230.66	67,488,430.05
Loans & Contracts (allow. \$361,728.47 in 2011 & \$356,313.54 in 2010)	5,449,268.51	6,384,738.28
Funds Held by System Administration (Restricted)	192,254,867.20	171,266,597.06
Contributions Rec. (allow. \$278,039.38 in 2011 & \$386,372.39 in 2010)	11,341,721.54	15,760,817.90
Unrestricted Investments	296,616,046.69	247,353,817.24
Other Noncurrent Assets	99,763.53	
Gross Capital/Intangible Assets	1,016,921,207.51	930,457,498.11
Accumulated Depreciation/Amortization	(388,193,643.61)	(342,838,281.40)
Total Noncurrent Assets and Deferred Outflows	<u>1,204,412,462.03</u>	<u>1,095,873,617.24</u>
Total Assets and Deferred Outflows	<u>\$ 1,452,261,949.19</u>	<u>1,385,615,938.38</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	54,813,009.96	42,932,492.12
Salaries Payable	18,033,056.11	15,717,136.66
Due To System Administration	4,619,515.51	4,132,025.99
Due To Other Institutions	498,599.03	
Due To Other State Agencies	68,949.97	205,726.87
Statewide Interfund Payable	1,016,373.47	986,597.72
Deferred Revenue	42,464,454.73	54,569,550.50
Employees' Compensable Leave - Current Portion	21,842,674.11	20,139,559.87
Notes, Loans, and Leases Payable	2,390,962.91	1,538,150.24
Payable From Restricted Assets	2,073,775.32	1,578,832.13
Other Current Liabilities	11,801,713.78	10,984,085.50
Total Current Liabilities and Deferred Inflows	<u>159,623,084.90</u>	<u>152,784,157.60</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	13,910,372.85	15,466,082.09
Assets Held for Others	2,176,802.80	2,254,441.43
Liability to Beneficiaries	249,690.81	148,861.04
Notes, Loans, and Leases Payable	4,409.74	875,441.64
Statewide Interfund Payable	1,495,944.82	2,513,706.12
Other Noncurrent Liabilities	430,600.00	180,600.00
Total Noncurrent Liabilities and Deferred Inflows	<u>18,267,821.02</u>	<u>21,439,132.32</u>
Total Liabilities and Deferred Inflows	<u>177,890,905.92</u>	<u>174,223,289.92</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	626,215,245.61	584,118,912.87
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	127,843,308.49	123,134,288.39
Expendable		
Capital Projects	22,567,753.76	79,107,727.61
Funds Functioning as Endowment (Restricted)	11,933,619.19	10,443,814.40
Other Expendable	151,607,929.80	136,289,065.02
Unrestricted Net Assets	334,203,186.42	278,298,840.17
Total Net Assets	<u>1,274,371,043.27</u>	<u>1,211,392,648.46</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 1,452,261,949.19</u>	<u>1,385,615,938.38</u>

The University of Texas Health Science Center at Houston
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 33,335,662.54	28,492,109.29
Discounts and Allowances	(1,227,379.97)	(966,410.36)
Federal Sponsored Programs	164,226,862.35	153,078,803.72
Federal Sponsored Programs Pass-Through from State Agencies	24,720,509.29	19,649,882.15
State Sponsored Programs Pass-Through from State Agencies	21,988,733.36	11,495,292.05
Local Sponsored Programs	213,048,939.91	195,869,837.16
Private Sponsored Programs	37,637,431.55	21,847,024.62
Sales and Services of Educational Activities	59,806,398.46	60,904,012.14
Sales and Services of Hospitals	93,143,159.06	109,943,018.65
Discounts and Allowances Sales and Services of Hospitals	(56,761,834.23)	(70,744,192.52)
Professional Fees (Patient Charges)	646,625,095.06	608,408,976.17
Discounts and Allowances Professional Fees (Patient Charges)	(496,309,183.42)	(464,931,629.63)
Auxiliary Enterprises	19,090,990.77	22,585,925.90
Other Operating Revenues	8,422,729.52	9,171,552.06
Total Operating Revenues	767,748,114.25	704,804,201.40
Operating Expenses:		
Instruction	377,034,875.03	355,550,066.66
Research	210,567,295.34	194,367,927.58
Public Service	31,046,282.81	26,309,180.82
Hospitals / Clinics	150,581,903.06	142,921,318.92
Academic Support	35,068,975.79	28,753,893.59
Student Services	6,471,511.43	4,708,743.16
Institutional Support	42,736,091.97	62,213,251.95
Operations and Maintenance of Plant	36,526,818.72	39,623,258.14
Scholarships and Fellowships	6,873,985.93	6,793,312.22
Auxiliary Enterprises	13,903,529.26	15,526,086.10
Depreciation and Amortization	51,631,398.73	44,230,692.74
Total Operating Expenses	962,442,668.07	920,997,731.88
Operating Income (Loss)	(194,694,553.82)	(216,193,530.48)
Nonoperating Revenues (Expenses):		
State Appropriations	162,049,570.59	173,695,684.41
Federal Nonexchange Sponsored Programs	1,459,969.60	990,597.27
Federal Nonexchange Pass-Through	9,146,671.90	15,026,974.10
Gift Contributions for Operations	16,051,276.47	14,805,393.23
Investment Income	31,234,233.17	24,988,444.89
Net Increase (Decrease) in Fair Value of Investments	40,606,582.66	31,584,552.56
Gain (Loss) on Sale of Capital Assets	(459,632.98)	(254,716.78)
Other Nonoperating Revenues	4,704,092.17	(532,763.24)
Net Nonoperating Revenues (Expenses)	264,792,763.58	260,304,166.44
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	70,098,209.76	44,110,635.96
Gifts and Sponsored Programs for Capital Acquisitions	890,130.39	2,735,232.01
Additions to Permanent Endowments / Annuities	3,292,631.01	3,822,021.54
Reclass from/(to) Other Institutions	(1,784,309.06)	63,754,995.72
Transfers Between Institutions & System, Debt Service - Mandatory	(24,119,462.16)	(24,362,025.79)
Transfers Between Institutions & System Admin. - Non mandatory	12,016,233.60	79,176,078.06
Transfers From Other State Agencies	2,904,300.99	14,646.26
Transfers to Other State Agencies	(319,339.72)	(3,018,591.67)
Change in Net Assets	62,978,394.81	166,232,992.09
Beginning Net Assets	1,211,392,648.46	1,045,159,656.37
Ending Net Assets	\$ 1,274,371,043.27	1,211,392,648.46

The University of Texas Health Science Center at Houston
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	31,456,946.95	24,777,148.52
Proceeds from Patients and Customers	183,978,238.54	180,974,611.16
Proceeds from Sponsored Programs	468,183,023.52	392,583,393.25
Proceeds from Auxiliaries	19,143,153.54	22,685,168.76
Proceeds from Other Revenues	67,526,533.40	78,206,051.37
Payments to Suppliers	(256,115,555.33)	(269,603,309.04)
Payments to Employees	(641,475,424.93)	(600,918,140.53)
Payments for Loans Provided	(2,384,750.57)	(1,637,984.92)
Proceeds from Loan Programs	2,741,120.28	2,326,828.47
Net Cash Provided (Used) by Operating Activities	<u>(126,946,714.60)</u>	<u>(170,606,232.96)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	166,268,190.10	171,564,422.80
Proceeds from Operating Gifts	19,409,601.56	21,017,051.07
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	3,292,631.01	3,822,021.54
Proceeds from Other Nonoperating Revenues	498,599.03	(532,763.24)
Payments / Receipts for Transfers to / from System or Other Agencies	2,370,579.81	3,148,567.54
Payments for Other Uses	(459,649.39)	133,609.21
Proceeds from Nonexchange Sponsored Programs	10,429,593.50	15,975,357.37
Net Cash Provided by Noncapital Financing Activities	<u>201,809,545.62</u>	<u>215,128,266.29</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	-	41,269.71
Proceeds from Capital Debt Transferred from System (Nonmandatory)	69,840,597.56	79,425,724.56
Proceeds from Capital Appropriations, Grants, and Gifts	1,850,344.91	3,821,343.26
Proceeds from Sale of Capital Assets	318,491.81	54,820.88
Payments for Additions to Capital Assets	(83,236,201.94)	(83,158,936.68)
Payments of Principal on Capital Related Debt	(18,219.23)	(437,500.00)
Mandatory Transfers to System for Capital Related Debt	(24,119,462.16)	(24,362,025.79)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(35,364,449.05)</u>	<u>(24,615,304.06)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	-	225,728.79
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	2,163,369.62	1,355,179.58
Proceeds from Interest and Investment Income Invested by System	29,067,083.95	23,607,316.54
Payments to Acquire Investments	-	(932,014.44)
Payments to Acquire Investments Invested by System	(32,078,717.54)	(27,476,765.12)
Net Cash Provided (Used) by Investing Activities	<u>(848,263.97)</u>	<u>(3,220,554.65)</u>
Net Increase (Decrease) in Cash	38,650,118.00	16,686,174.62
Cash and Cash Equivalents (Beginning of the Year)	73,943,115.80	57,256,941.18
Cash and Cash Equivalents (End of the Year)	<u>\$ 112,593,233.80</u>	<u>\$ 73,943,115.80</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(194,694,553.82)	(216,193,530.48)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	51,631,398.73	44,230,692.74
Bad Debt Expense	190.00	1,615.00
Changes in Assets and Liabilities:		
Accounts Receivable	15,136,749.68	(20,685,225.56)
Inventories	608,685.77	(648,976.70)
Loans and Contracts	356,369.71	688,843.55
Other Current and Noncurrent Assets	(2,598,018.52)	(114,797.86)
Accounts Payable	12,585,450.96	3,990,855.58
Due to System	487,489.52	417,708.00
Deferred Revenue	(11,597,871.28)	16,612,710.51
Assets Held for Others	(77,638.63)	249,135.86
Employees' Compensable Leave	147,405.00	1,791,342.45
Other Current and Noncurrent Liabilities	1,067,628.28	(946,606.05)
Total Adjustments	<u>67,747,839.22</u>	<u>45,587,297.52</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (126,946,714.60)</u>	<u>\$ (170,606,232.96)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	40,606,582.66	31,584,552.56
Miscellaneous Noncash Transactions	7,046,203.18	(3,051,387.67)

The University of Texas Health Science Center at San Antonio
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 82,383,043.56	57,698,982.25
Restricted Cash & Cash Equivalents	6,477,336.84	23,184,477.92
Balance in State Appropriations	12,675,827.03	20,034,335.87
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	22,752,329.40	12,052,136.84
Other Intergov. (allow. \$0.00 in 2011 & \$0.00 in 2010)	9,353,675.86	3,410,404.93
Student (allow. \$0.00 in 2011 & \$0.00 in 2010)	11,802,453.60	11,011,795.45
Patient & Healthcare(allow. \$59,766,256.02 in 2011 & \$69,475,810.53 in 2010)	17,575,145.06	17,152,158.11
Interest and Dividend Receivables	635,362.08	515,976.98
Contributions (allow. \$31,188.14 in 2011 & \$39,097.26 in 2010)	3,724,293.27	4,507,296.20
Other (allow. \$0.00 in 2011 & \$0.00 in 2010)	6,458,076.50	14,172,039.23
Due From System Administration	12,408,252.57	38,300,095.39
Due From Other Institutions	517,264.65	
Due From Other Agencies	1,401,318.26	2,729,238.30
Inventories	1,919,411.86	1,782,594.04
Loans & Contracts (allow. \$40,702.42 in 2011 & \$78,898.86 in 2010)	1,071,385.60	1,102,221.71
Other Current Assets	245,596.59	160,997.71
Total Current Assets and Deferred Outflows	191,400,772.73	207,814,750.93
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	93,232,707.02	78,841,924.93
Loans & Contracts (allow. \$185,463.18 in 2011 & \$374,503.57 in 2010)	4,881,836.67	5,231,837.39
Funds Held by System Administration (Restricted)	413,510,596.80	374,173,743.53
Contributions Rec. (allow. \$45,515.30 in 2011 & \$53,668.99 in 2010)	4,506,014.93	5,313,229.78
Unrestricted Investments	153,076,630.43	123,546,894.84
Other Noncurrent Assets	11,148,761.30	13,708,666.55
Gross Capital/Intangible Assets	983,429,838.96	922,878,632.80
Accumulated Depreciation/Amortization	(404,333,650.04)	(368,123,645.58)
Total Noncurrent Assets and Deferred Outflows	1,259,452,736.07	1,155,571,284.24
Total Assets and Deferred Outflows	\$ 1,450,853,508.80	1,363,386,035.17
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	16,153,752.33	17,294,222.40
Salaries Payable	23,748,657.53	21,518,930.53
Due To System Administration	4,496,455.15	3,991,542.34
Deferred Revenue	44,646,687.83	38,427,947.17
Employees' Compensable Leave - Current Portion	20,958,090.80	20,430,803.57
Notes, Loans, and Leases Payable	1,185,799.93	1,130,152.43
Payable From Restricted Assets	11,705,612.04	11,456,021.23
Assets Held for Others	381,060.52	173,737.84
Other Current Liabilities	2,562,225.93	4,568,207.05
Total Current Liabilities and Deferred Inflows	125,838,342.06	118,991,564.56
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	24,155,875.56	22,508,249.61
Assets Held for Others	54,713.54	302,805.10
Liability to Beneficiaries	754,737.56	767,235.87
Notes, Loans, and Leases Payable	7,071,389.99	8,175,236.40
Other Noncurrent Liabilities	2,363,618.80	2,226,549.63
Total Noncurrent Liabilities and Deferred Inflows	34,400,335.45	33,980,076.61
Total Liabilities and Deferred Inflows	160,238,677.51	152,971,641.17
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	579,027,070.29	554,741,204.69
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	323,111,883.91	319,231,724.18
Expendable		
Capital Projects	1,194,181.77	18,146,735.50
Funds Functioning as Endowment (Restricted)	8,052,864.43	7,328,504.73
Other Expendable	191,242,551.25	158,819,520.68
Unrestricted Net Assets	187,986,279.64	152,146,704.22
Total Net Assets	1,290,614,831.29	1,210,414,394.00
Total Liabilities, Deferred Inflows and Net Assets	\$ 1,450,853,508.80	1,363,386,035.17

The University of Texas Health Science Center at San Antonio
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 34,854,758.48	31,747,782.38
Discounts and Allowances	(4,320,819.02)	(2,413,319.93)
Federal Sponsored Programs	137,870,901.28	133,703,136.61
Federal Sponsored Programs Pass-Through from State Agencies	3,333,289.24	1,975,981.18
State Sponsored Programs		24,843.75
State Sponsored Programs Pass-Through from State Agencies	3,904,460.54	3,023,825.35
Local Sponsored Programs	115,051,094.53	112,100,824.01
Private Sponsored Programs	47,336,689.74	48,514,463.64
Sales and Services of Educational Activities	26,783,688.88	20,543,782.13
Professional Fees (Patient Charges)	438,807,190.15	388,370,837.23
Discounts and Allowances Professional Fees (Patient Charges)	(296,771,323.35)	(266,984,774.93)
Auxiliary Enterprises	4,638,493.76	4,304,715.84
Other Operating Revenues	6,925,373.96	9,547,505.28
Total Operating Revenues	518,413,798.19	484,459,602.54
Operating Expenses:		
Instruction	334,881,580.47	300,517,330.19
Research	140,407,880.48	145,165,309.78
Public Service	44,476,856.67	37,295,289.68
Hospitals / Clinics	50,459,521.96	74,792,260.70
Academic Support	26,923,469.74	29,157,758.52
Student Services	3,156,851.83	3,034,361.91
Institutional Support	36,130,446.07	39,112,583.57
Operations and Maintenance of Plant	26,677,285.19	30,409,541.34
Scholarships and Fellowships	1,608,436.78	3,164,468.62
Auxiliary Enterprises	4,768,007.21	5,654,659.03
Depreciation and Amortization	41,909,245.84	33,092,740.34
Total Operating Expenses	711,399,582.24	701,396,303.68
Operating Income (Loss)	(192,985,784.05)	(216,936,701.14)
Nonoperating Revenues (Expenses):		
State Appropriations	173,077,778.56	178,603,325.63
Federal Nonexchange Sponsored Programs	1,133,405.00	1,060,249.81
Federal Nonexchange Pass-Through	5,849,372.77	13,374,956.91
Gift Contributions for Operations	11,628,273.91	12,544,808.08
Investment Income	31,532,446.52	29,283,647.26
Net Increase (Decrease) in Fair Value of Investments	52,461,382.72	39,481,254.93
Gain (Loss) on Sale of Capital Assets	(524,950.76)	(531,874.46)
Net Nonoperating Revenues (Expenses)	275,157,708.72	273,816,368.16
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	82,171,924.67	56,879,667.02
Gifts and Sponsored Programs for Capital Acquisitions	2,379,696.38	350,832.71
Additions to Permanent Endowments / Annuities	2,576,363.45	1,993,869.69
Reclass from/(to) Other Institutions	2,539,254.84	42,378,803.70
Transfers Between Institutions & System, Debt Service - Mandatory	(19,359,542.66)	(22,260,552.06)
Transfers Between Institutions & System Admin. - Non mandatory	10,068,799.33	7,475,738.94
Transfers From Other State Agencies	3,949.56	6,771.63
Transfers to Other State Agencies	(180,008.28)	(201,677.09)
Change in Net Assets	80,200,437.29	86,623,454.54
Beginning Net Assets	1,210,414,394.00	1,123,790,939.46
Ending Net Assets	\$ 1,290,614,831.29	1,210,414,394.00

The University of Texas Health Science Center at San Antonio
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	31,396,039.61	31,088,346.27
Proceeds from Patients and Customers	141,612,879.85	120,375,335.43
Proceeds from Sponsored Programs	304,751,843.80	308,833,521.87
Proceeds from Auxiliaries	4,652,989.95	4,332,761.15
Proceeds from Other Revenues	35,778,729.37	38,196,717.91
Payments to Suppliers	(161,135,130.26)	(171,697,691.47)
Payments to Employees	(504,152,502.61)	(496,199,792.22)
Payments for Loans Provided	(714,249.66)	(657,496.19)
Proceeds from Loan Programs	1,293,937.35	999,789.20
Net Cash Provided (Used) by Operating Activities	<u>(146,515,462.60)</u>	<u>(164,728,508.05)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	180,436,287.40	172,470,298.98
Proceeds from Operating Gifts	13,218,491.69	15,229,279.17
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	2,576,363.45	1,993,869.69
Payments / Receipts for Transfers to / from System or Other Agencies	363,751.79	1,498,623.63
Proceeds from Nonexchange Sponsored Programs	6,982,777.77	14,435,206.72
Net Cash Provided by Noncapital Financing Activities	<u>203,577,672.10</u>	<u>205,627,278.19</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	37,989,230.58	70,318,512.46
Proceeds from Capital Appropriations, Grants, and Gifts	(1,493,291.40)	-
Payments for Additions to Capital Assets	(65,653,288.40)	(88,231,781.55)
Payments of Principal on Capital Related Debt	(1,144,643.51)	(1,169,140.80)
Mandatory Transfers to System for Capital Related Debt	(19,359,542.66)	(22,260,552.06)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(49,661,535.39)</u>	<u>(41,342,961.95)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	1,635,344.74	321,617.18
Proceeds from Interest and Investment Income Invested by System	29,736,889.61	28,254,639.03
Payments to Acquire Investments Invested by System	(30,795,988.23)	(3,631,820.86)
Net Cash Provided (Used) by Investing Activities	<u>576,246.12</u>	<u>24,944,435.35</u>
Net Increase (Decrease) in Cash	7,976,920.23	24,500,243.54
Cash and Cash Equivalents (Beginning of the Year)	80,883,460.17	56,383,216.63
Cash and Cash Equivalents (End of the Year)	<u>\$ 88,860,380.40</u>	<u>\$ 80,883,460.17</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(192,985,784.05)	(216,936,701.14)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	41,909,245.84	33,092,740.34
Bad Debt Expense	(198,850.86)	77,477.30
Changes in Assets and Liabilities:		
Accounts Receivable	(7,090,280.69)	4,642,015.94
Inventories	(136,817.82)	(318,243.13)
Loans and Contracts	579,687.69	342,293.01
Other Current and Noncurrent Assets	2,475,306.37	3,471,845.65
Accounts Payable	1,943,145.10	(3,831,293.36)
Due to System	504,912.81	325,779.39
Deferred Revenue	6,218,740.66	5,450,655.14
Assets Held for Others	(40,768.88)	80,542.23
Employees' Compensable Leave	2,174,913.18	3,783,795.22
Other Current and Noncurrent Liabilities	(1,868,911.95)	5,090,585.36
Total Adjustments	<u>46,470,321.45</u>	<u>52,208,193.09</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (146,515,462.60)</u>	<u>\$ (164,728,508.05)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	52,461,382.72	39,481,254.93
Donated Capital Assets	1,630,778.00	324,949.41
Capital Assets Acquired Under Capital Lease Purchases	96,444.60	91,883.50
Miscellaneous Noncash Transactions	(525,766.10)	(550,800.84)

The University of Texas M. D. Anderson Cancer Center
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 301,113,287.03	30,715,962.54
Restricted Cash & Cash Equivalents	57,516,284.13	96,959,972.32
Balance in State Appropriations	158,446.67	206,112.30
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	129,682,702.76	44,739,720.76
Patient & Healthcare(allow. \$501,027,222.60 in 2011 & \$500,465,415.22 in 2010)	402,973,509.80	386,625,965.60
Interest and Dividend Receivables	2,457,633.54	2,183,913.56
Contributions (allow. \$2,030,302.22 in 2011 & \$4,076,040.04 in 2010)	22,562,261.74	26,878,909.91
Other (allow. \$2,090,401.24 in 2011 & \$1,873,124.07 in 2010)	31,734,556.62	31,008,820.45
Due From System Administration	8,919,875.32	26,991,581.92
Due From Other Agencies	75,615.03	4,131.93
Inventories	36,199,932.54	30,564,828.12
Other Current Assets	61,681,024.48	56,184,041.76
Total Current Assets and Deferred Outflows	<u>1,055,075,129.66</u>	<u>733,063,961.17</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	621,904,790.43	537,951,622.93
Funds Held by System Administration (Restricted)	516,597,963.95	452,824,072.88
Contributions Rec. (allow. \$3,334,688.25 in 2011 & \$7,369,845.64 in 2010)	47,243,070.49	64,100,068.87
Unrestricted Investments	1,262,351,941.74	1,196,202,983.29
Other Noncurrent Assets	1,206,700.82	2,620,744.57
Gross Capital/Intangible Assets	4,307,275,559.42	4,047,339,847.20
Accumulated Depreciation/Amortization	<u>(1,656,513,402.30)</u>	<u>(1,480,934,811.17)</u>
Total Noncurrent Assets and Deferred Outflows	<u>5,100,066,624.55</u>	<u>4,820,104,528.57</u>
Total Assets and Deferred Outflows	<u>\$ 6,155,141,754.21</u>	<u>5,553,168,489.74</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	178,140,858.76	164,636,634.58
Salaries Payable	133,577,724.59	125,708,737.15
Federal Payables	32,553,969.75	86,535,972.51
Other Intergovernmental Payables	44,161.49	10,919.10
Due To System Administration	15,294,467.22	13,501,745.92
Due To Other State Agencies	24,187.62	
Deferred Revenue	109,087,854.31	103,047,341.75
Employees' Compensable Leave - Current Portion	122,406,176.44	114,129,214.14
Payable From Restricted Assets	4,941,577.02	2,856,083.20
Other Current Liabilities	<u>35,624,462.53</u>	<u>32,297,773.08</u>
Total Current Liabilities and Deferred Inflows	<u>631,695,439.73</u>	<u>642,724,421.43</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	28,630,314.71	26,783,983.39
Assets Held for Others	343,084,855.17	309,949,765.77
Liability to Beneficiaries	1,367,431.27	1,361,877.74
Other Noncurrent Liabilities	<u>469,448.99</u>	<u>1,840,182.54</u>
Total Noncurrent Liabilities and Deferred Inflows	<u>373,552,050.14</u>	<u>339,935,809.44</u>
Total Liabilities and Deferred Inflows	<u>1,005,247,489.87</u>	<u>982,660,230.87</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,650,762,157.12	2,566,405,036.03
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	364,981,609.01	342,979,383.43
Expendable		
Capital Projects	38,110,388.22	(43,733,340.69)
Funds Functioning as Endowment (Restricted)	26,692,542.27	24,410,535.36
Other Expendable	408,935,378.05	380,088,848.22
Unrestricted Net Assets	<u>1,660,412,189.67</u>	<u>1,300,357,796.52</u>
Total Net Assets	<u>5,149,894,264.34</u>	<u>4,570,508,258.87</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 6,155,141,754.21</u>	<u>5,553,168,489.74</u>

The University of Texas M. D. Anderson Cancer Center
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Student Tuition and Fees	\$ 1,097,747.13	934,836.54
Discounts and Allowances	(4,258.50)	(2,382.42)
Federal Sponsored Programs	225,167,345.97	202,437,328.68
Federal Sponsored Programs Pass-Through from State Agencies	7,465,189.25	7,212,064.39
State Sponsored Programs Pass-Through from State Agencies	8,575,257.21	291,700.00
Private Sponsored Programs	107,989,345.42	95,679,128.13
Sales and Services of Educational Activities	1,692,861.75	1,497,855.20
Sales and Services of Hospitals	4,441,594,857.68	4,135,486,291.13
Discounts and Allowances Sales and Services of Hospitals	(2,049,649,139.67)	(1,960,397,528.51)
Professional Fees (Patient Charges)	1,102,414,532.10	1,032,132,258.95
Discounts and Allowances Professional Fees (Patient Charges)	(764,181,502.92)	(714,690,951.28)
Auxiliary Enterprises	33,232,457.44	30,700,522.20
Other Operating Revenues	50,168,380.54	44,061,475.11
Total Operating Revenues	3,165,563,073.40	2,875,342,598.12
Operating Expenses:		
Instruction	59,377,800.35	80,859,939.27
Research	520,582,209.08	463,104,670.85
Public Service	7,872,472.38	8,806,188.88
Hospitals / Clinics	1,704,851,239.02	1,579,735,295.38
Academic Support	85,048,733.29	56,339,255.58
Institutional Support	228,400,285.98	206,847,597.41
Operations and Maintenance of Plant	184,797,176.27	173,107,665.69
Scholarships and Fellowships	1,110,585.07	1,153,167.48
Auxiliary Enterprises	20,201,361.61	19,753,798.70
Depreciation and Amortization	242,664,065.41	226,960,748.66
Total Operating Expenses	3,054,905,928.46	2,816,668,327.90
Operating Income (Loss)	110,657,144.94	58,674,270.22
Nonoperating Revenues (Expenses):		
State Appropriations	168,730,376.42	179,818,472.66
Federal Nonexchange Sponsored Programs	395,116.59	447,521.00
Federal Nonexchange Pass-Through		634,206.00
Gift Contributions for Operations	87,046,018.05	107,364,150.22
Investment Income	62,964,272.37	59,165,668.06
Net Increase (Decrease) in Fair Value of Investments	187,326,635.23	107,831,605.56
Gain (Loss) on Sale of Capital Assets	(9,174,396.00)	(69,539.81)
Other Nonoperating Revenues		136,080.77
Other Nonoperating (Expenses)	(1,633,428.35)	(25,833,540.14)
Net Nonoperating Revenues (Expenses)	495,654,594.31	429,494,624.32
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	606,311,739.25	488,168,894.54
Gifts and Sponsored Programs for Capital Acquisitions	17,070,486.05	6,651,905.30
Additions to Permanent Endowments / Annuities	15,454,518.41	7,689,321.79
Reclass from/(to) Other Institutions	(4,938,128.09)	14,626,204.79
Transfers Between Institutions & System, Debt Service - Mandatory	(91,108,383.75)	(94,222,581.73)
Transfers Between Institutions & System Admin. - Non mandatory	39,414,244.94	15,738,363.65
Transfers From Other State Agencies	58,161,887.25	50,211,450.15
Transfers to Other State Agencies	(60,980,358.59)	(47,434,252.23)
Change in Net Assets	579,386,005.47	441,429,306.26
Beginning Net Assets	4,570,508,258.87	4,129,078,952.61
Ending Net Assets	\$ 5,149,894,264.34	4,570,508,258.87

The University of Texas M. D. Anderson Cancer Center
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Tuition and Fees	1,093,488.63	932,454.12
Proceeds from Patients and Customers	2,713,668,362.33	2,489,536,360.08
Proceeds from Sponsored Programs	274,200,909.08	312,640,997.96
Proceeds from Auxiliaries	33,141,515.90	31,209,839.79
Proceeds from Other Revenues	51,566,857.19	47,067,330.87
Payments to Suppliers	(1,044,293,557.09)	(849,761,638.64)
Payments to Employees	(1,796,174,003.86)	(1,676,888,793.47)
Net Cash Provided (Used) by Operating Activities	<u>233,203,572.18</u>	<u>354,736,550.71</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	168,778,042.05	179,750,042.51
Proceeds from Operating Gifts	107,467,614.00	101,205,305.94
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	15,454,518.41	7,689,321.79
Proceeds from Other Nonoperating Revenues	-	136,080.77
Payments / Receipts for Transfers to / from System or Other Agencies	4,973,079.52	2,221,400.89
Payments for Other Uses	(1,609,240.73)	(25,833,540.14)
Proceeds from Nonexchange Sponsored Programs	395,116.59	1,081,727.00
Net Cash Provided by Noncapital Financing Activities	<u>295,459,129.84</u>	<u>266,250,338.76</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	48,369,007.70	214,633,231.64
Proceeds from Capital Appropriations, Grants, and Gifts	17,070,486.05	6,651,905.30
Proceeds from Sale of Capital Assets	219,839.20	266,487.06
Payments for Additions to Capital Assets	(340,747,564.68)	(394,021,169.75)
Mandatory Transfers to System for Capital Related Debt	(91,108,383.75)	(94,222,581.73)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(366,196,615.48)</u>	<u>(266,692,127.48)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	129,989,721.87	14,325,524.54
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	78,070,059.28	21,584,544.22
Proceeds from Interest and Investment Income Invested by System	50,521,162.40	48,272,171.49
Payments to Acquire Investments	(121,764,185.82)	(34,000,028.10)
Payments to Acquire Investments Invested by System	(68,329,207.97)	(538,303,693.56)
Net Cash Provided (Used) by Investing Activities	<u>68,487,549.76</u>	<u>(488,121,481.41)</u>
Net Increase (Decrease) in Cash	230,953,636.30	(133,826,719.42)
Cash and Cash Equivalents (Beginning of the Year)	127,675,934.86	261,502,654.28
Cash and Cash Equivalents (End of the Year)	<u>\$ 358,629,571.16</u>	<u>\$ 127,675,934.86</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	110,657,144.94	58,674,270.22
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	242,664,065.41	226,960,748.66
Changes in Assets and Liabilities:		
Accounts Receivable	(102,087,745.47)	(3,954,318.90)
Inventories	(5,635,104.42)	(2,050,752.78)
Other Current and Noncurrent Assets	(4,082,938.97)	(6,836,187.46)
Accounts Payable	(28,976,383.29)	71,273,580.26
Due to System	1,792,721.30	1,023,521.88
Deferred Revenue	6,792,563.16	8,777,642.32
Employees' Compensable Leave	10,123,293.62	(304,685.15)
Other Current and Noncurrent Liabilities	1,955,955.90	1,172,731.66
Total Adjustments	<u>122,546,427.24</u>	<u>296,062,280.49</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 233,203,572.18</u>	<u>\$ 354,736,550.71</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	187,326,635.23	107,831,605.56
Miscellaneous Noncash Transactions	(11,992,867.34)	2,707,658.11

The University of Texas Health Science Center at Tyler
 Exhibit A Balance Sheet
 As of August 31, 2011

	Current Year Totals	Prior Year Totals
ASSETS AND DEFERRED OUTFLOWS		
Current Assets and Deferred Outflows:		
Cash & Cash Equivalents	\$ 9,840,079.85	2,621,925.20
Restricted Cash & Cash Equivalents	8,756,878.74	9,470,513.38
Balance in State Appropriations		1,071,812.14
Accounts Receivable, Net:		
Federal (allow. \$0.00 in 2011 & \$0.00 in 2010)	2,140,759.57	2,362,227.22
Patient & Healthcare(allow. \$23,343,410.00 in 2011 & \$27,335,530.00 in 2010)	8,014,548.28	8,126,451.70
Contributions (allow. \$0.00 in 2011 & \$0.00 in 2010)	194,493.07	209,810.97
Other (allow. \$0.00 in 2011 & \$0.00 in 2010)	512,680.70	830,144.20
Due From Other Funds	155,640.80	349,326.73
Due From System Administration	3,063,440.71	19,692,845.83
Due From Other Agencies	447,810.13	192,166.27
Inventories	1,915,200.87	1,825,360.30
Other Current Assets	49,307.64	119,672.56
Total Current Assets and Deferred Outflows	<u>35,090,840.36</u>	<u>46,872,256.50</u>
Noncurrent Assets and Deferred Outflows:		
Restricted Investments	292,872.24	292,872.24
Funds Held by System Administration (Restricted)	41,299,817.46	37,703,587.90
Contributions Rec. (allow. \$0.00 in 2011 & \$0.00 in 2010)	134,176.59	348,482.78
Unrestricted Investments	22,747,643.68	20,993,912.16
Other Noncurrent Assets	106,484.49	45,657.75
Gross Capital/Intangible Assets	215,758,967.07	187,045,988.41
Accumulated Depreciation/Amortization	<u>(104,372,982.52)</u>	<u>(99,084,195.60)</u>
Total Noncurrent Assets and Deferred Outflows	<u>175,966,979.01</u>	<u>147,346,305.64</u>
Total Assets and Deferred Outflows	<u>\$ 211,057,819.37</u>	<u>194,218,562.14</u>
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities and Deferred Inflows:		
Accounts Payable and Accrued Liabilities	9,228,982.43	6,409,292.97
Salaries Payable	2,321,316.61	1,873,655.43
Due To Other Funds	155,640.80	349,326.73
Due To System Administration	989,067.69	906,211.03
Deferred Revenue	1,591,146.53	2,125,027.27
Employees' Compensable Leave - Current Portion	2,130,707.48	2,672,905.62
Payable From Restricted Assets	373,454.49	394,646.09
Total Current Liabilities and Deferred Inflows	<u>16,790,316.03</u>	<u>14,731,065.14</u>
Noncurrent Liabilities and Deferred Inflows:		
Employees' Compensable Leave	899,275.43	465,899.16
Liability to Beneficiaries	66,461.66	66,338.07
Other Noncurrent Liabilities	106,484.49	45,657.75
Total Noncurrent Liabilities and Deferred Inflows	<u>1,072,221.58</u>	<u>577,894.98</u>
Total Liabilities and Deferred Inflows	<u>17,862,537.61</u>	<u>15,308,960.12</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	111,385,984.55	87,961,792.81
Restricted for:		
Nonexpendable		
Permanent Health, True Endowments, and Annuities	32,454,977.30	32,408,607.06
Expendable		
Capital Projects	(1,878,964.51)	15,603,290.87
Funds Functioning as Endowment (Restricted)	745,241.62	681,384.37
Other Expendable	16,765,333.14	13,000,550.95
Unrestricted Net Assets	<u>33,722,709.66</u>	<u>29,253,975.96</u>
Total Net Assets	<u>193,195,281.76</u>	<u>178,909,602.02</u>
Total Liabilities, Deferred Inflows and Net Assets	<u>\$ 211,057,819.37</u>	<u>194,218,562.14</u>

The University of Texas Health Science Center at Tyler
Exhibit B Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Federal Sponsored Programs	6,554,337.71	7,850,196.32
Federal Sponsored Programs Pass-Through from State Agencies	3,235,687.73	2,572,294.95
State Sponsored Programs Pass-Through from State Agencies	1,267,799.49	1,260,046.58
Private Sponsored Programs	3,464,898.45	3,376,266.86
Sales and Services of Educational Activities	1,325,998.28	1,385,994.78
Sales and Services of Hospitals	184,171,740.40	136,059,282.92
Discounts and Allowances Sales and Services of Hospitals	(135,013,687.98)	(90,714,141.24)
Professional Fees (Patient Charges)	32,488,457.20	31,844,519.92
Discounts and Allowances Professional Fees (Patient Charges)	(21,046,562.13)	(21,192,726.12)
Auxiliary Enterprises	225,360.10	223,880.67
Other Operating Revenues	589,412.88	878,523.46
Total Operating Revenues	77,263,442.13	73,544,139.10
Operating Expenses:		
Instruction	7,637,082.22	7,847,055.31
Research	10,982,462.64	12,168,889.86
Public Service	2,689.31	974.60
Hospitals / Clinics	70,968,556.51	71,591,800.72
Academic Support	901,873.67	709,833.10
Institutional Support	7,987,621.86	8,636,594.93
Operations and Maintenance of Plant	9,957,790.60	10,019,541.78
Scholarships and Fellowships	32,869.00	18,974.80
Auxiliary Enterprises	131,617.75	200,179.26
Depreciation and Amortization	7,094,530.34	7,643,478.14
Total Operating Expenses	115,697,093.90	118,837,322.50
Operating Income (Loss)	(38,433,651.77)	(45,293,183.40)
Nonoperating Revenues (Expenses):		
State Appropriations	36,947,634.66	42,770,985.11
Federal Nonexchange Pass-Through		80,210.00
Gift Contributions for Operations	483,410.06	720,777.76
Investment Income	4,100,411.22	3,950,638.28
Net Increase (Decrease) in Fair Value of Investments	5,321,455.76	4,132,754.32
Gain (Loss) on Sale of Capital Assets	(93,291.79)	(46,639.49)
Other Nonoperating Revenues	2,605.88	900.38
Other Nonoperating (Expenses)	(121,612.65)	
Net Nonoperating Revenues (Expenses)	46,640,613.14	51,609,626.36
Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers	8,206,961.37	6,316,442.96
Gifts and Sponsored Programs for Capital Acquisitions	106,646.24	559,596.04
Additions to Permanent Endowments / Annuities	10,000.00	73,847.03
Reclass from/(to) Other Institutions	(677,478.64)	22,061,063.65
Transfers Between Institutions & System, Debt Service - Mandatory	(3,176,201.89)	(4,451,353.87)
Transfers Between Institutions & System Admin. - Non mandatory	9,920,175.85	2,148,107.42
Transfers From Other State Agencies	8,161,007.19	4,174,750.00
Transfers to Other State Agencies	(8,265,430.38)	(4,175,461.80)
Change in Net Assets	14,285,679.74	26,706,991.43
Beginning Net Assets	178,909,602.02	152,202,610.59
Ending Net Assets	\$ 193,195,281.76	178,909,602.02

The University of Texas Health Science Center at Tyler
EXHIBIT C - STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2011

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Patients and Customers	61,303,273.76	55,339,665.32
Proceeds from Sponsored Programs	13,672,260.45	14,770,241.27
Proceeds from Auxiliaries	225,272.10	224,160.67
Proceeds from Other Revenues	1,915,411.16	2,264,518.24
Payments to Suppliers	(38,596,458.90)	(43,032,377.78)
Payments to Employees	(70,225,920.29)	(69,071,032.09)
Net Cash Provided (Used) by Operating Activities	<u>(31,706,161.72)</u>	<u>(39,504,824.37)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	38,019,446.80	42,251,877.25
Proceeds from Operating Gifts	594,954.95	494,589.76
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	10,000.00	73,847.03
Proceeds from Other Nonoperating Revenues	2,605.88	900.38
Payments / Receipts for Transfers to / from System or Other Agencies	108,615.74	171,021.18
Payments for Other Uses	(121,612.65)	-
Proceeds from Nonexchange Sponsored Programs	-	80,210.00
Net Cash Provided by Noncapital Financing Activities	<u>38,614,010.72</u>	<u>43,072,445.60</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (Nonmandatory)	25,765,116.42	13,505,453.04
Proceeds from Capital Appropriations, Grants, and Gifts	224,725.44	275,730.76
Proceeds from Sale of Capital Assets	16,919.76	5,381.40
Payments for Additions to Capital Assets	(27,304,288.38)	(18,976,360.06)
Mandatory Transfers to System for Capital Related Debt	(3,176,201.89)	(4,451,353.87)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,473,728.65)</u>	<u>(9,641,148.73)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments Invested by System	-	-
Proceeds from Interest and Investment Income	6,093.55	14,071.65
Proceeds from Interest and Investment Income Invested by System	4,092,811.43	3,937,066.84
Payments to Acquire Investments Invested by System	(28,505.32)	(95,121.25)
Net Cash Provided (Used) by Investing Activities	<u>4,070,399.66</u>	<u>3,856,017.24</u>
Net Increase (Decrease) in Cash	6,504,520.01	(2,217,510.26)
Cash and Cash Equivalents (Beginning of the Year)	12,092,438.58	14,309,948.84
Cash and Cash Equivalents (End of the Year)	<u>\$ 18,596,958.59</u>	<u>\$ 12,092,438.58</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(38,433,651.77)	(45,293,183.40)
Adjustments to Reconcile Operating Results to Net Cash:		
Depreciation and Amortization Expense	7,094,530.34	7,643,478.14
Changes in Assets and Liabilities:		
Accounts Receivable	395,190.71	(472,290.82)
Inventories	(89,840.57)	575,891.30
Other Current and Noncurrent Assets	9,538.18	(130,838.70)
Accounts Payable	(182,909.40)	(835,248.16)
Due to System	82,856.66	69,362.26
Deferred Revenue	(533,880.74)	(479,163.35)
Employees' Compensable Leave	(108,821.87)	(628,489.39)
Other Current and Noncurrent Liabilities	60,826.74	45,657.75
Total Adjustments	<u>6,727,490.05</u>	<u>5,788,359.03</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (31,706,161.72)</u>	<u>\$ (39,504,824.37)</u>
Non Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	5,321,455.76	4,132,754.32
Donated Capital Assets	-	7.00
Miscellaneous Noncash Transactions	(197,714.98)	(47,351.29)

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2011

2A: MISCELLANEOUS BOND INFORMATION

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
Revenue Bonds:					
Self Supporting:					
PUF Refunding Bonds, 2004A	60,665,000.00	3.000-5.000%	2004	2016	07/01/14
PUF Bonds, 2004B	396,520,000.00	4.500-5.000%	2023	2033	07/01/14
PUF Refunding Bonds, 2005A	100,345,000.00	5.000-5.250%	2011	2019	07/01/15
PUF Bonds, 2005B	124,625,000.00	4.250-5.000%	2018	2035	07/01/15
PUF Refunding Bonds, 2006B	284,065,000.00	5.000-5.250%	2020	2035	N/A
PUF Bonds, 2006C	97,755,000.00	4.000-5.000%	2011	2035	07/01/17
PUF Bonds, 2008A	400,905,000.00	VAR	2011	2038	Optional
PUF Taxable Bonds, 2009A	250,000,000.00	5.262%	2011	2039	Make-Whole
RFS Refunding Bonds, 2001A	81,665,000.00	VAR	2013	2013	Optional
RFS Bonds, 2001B	179,610,000.00	3.250-5.375%	2003	2022	08/15/11
RFS Bonds, 2001C	84,590,000.00	4.000-5.375%	2003	2022	08/15/11
RFS Refunding Bonds, 2002A	54,430,000.00	2.000-5.250%	2003	2020	N/A
RFS Refunding Bonds, 2002B	108,855,000.00	2.000-5.250%	2003	2020	N/A
RFS Bonds, 2003A	112,040,000.00	3.000-5.375%	2004	2023	08/15/13
RFS Bonds, 2003B	481,060,000.00	2.000-5.375%	2004	2033	08/15/13
RFS Refunding Bonds, 2004A	137,915,000.00	2.000-5.250%	2004	2018	N/A
RFS Refunding Bonds, 2004B	300,330,000.00	4.500-5.250%	2007	2019	N/A
RFS Bonds, 2004C	218,610,000.00	4.000-5.250%	2005	2023	08/15/14
RFS Bonds, 2004D	352,170,000.00	3.000-5.250%	2006	2034	08/15/14
RFS Bonds, 2006A	20,315,000.00	4.000-4.500%	2007	2015	N/A
RFS Bonds, 2006B	540,570,000.00	4.000-5.000%	2007	2037	08/15/16
RFS Refunding Bonds, 2006C	175,115,000.00	3.500-5.000%	2008	2023	N/A
RFS Refunding Bonds, 2006D	346,840,000.00	4.000-5.000%	2007	2026	02/15/17
RFS Bonds, 2006E	55,985,000.00	3.500-5.000%	2008	2023	02/15/17
RFS Bonds, 2006F	318,525,000.00	4.000-5.000%	2008	2038	02/15/17
RFS Refunding Bonds, 2007B	345,460,000.00	VAR	2008	2034	Optional
RFS Bonds, 2008B	685,485,000.00	VAR	2009	2039	Optional
RFS Bonds, 2008A	256,735,000.00	3.250-5.250%	2010	2024	08/15/18
RFS Taxable Bonds, 2009B	330,545,000.00	6.276%	2026	2041	08/15/19
RFS Bonds, 2009D	260,005,000.00	2.000-5.000%	2010	2026	08/15/19
RFS Bonds, 2010A	331,415,000.00	3.000-5.000%	2012	2024	08/15/20
RFS Refunding Bonds, 2010B	385,380,000.00	1.500-5.375%	2010	2024	08/15/20
RFS Taxable Bonds, 2010C	604,310,000.00	3.225-4.794%	2018	2046	Make-Whole
RFS Taxable Bonds, 2010D	516,245,000.00	0.630-5.134%	2011	2042	Make-Whole
RFS Bonds, 2010E	39,785,000.00	2.000-5.000%	2012	2018	N/A
TOTAL BONDS ISSUED	\$ 9,038,870,000.00				

2B: CHANGES IN BONDED INDEBTEDNESS

Description of Issue	Bonds Outstanding 9/1/2010	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2011	Principal Due Within One Year
Revenue Bonds:						
Self Supporting:						
PUF Refunding Bonds, 2004A	47,055,000.00	-	6,915,000.00	-	40,140,000.00	7,265,000.00
PUF Bonds, 2004B	223,535,000.00	-	-	-	223,535,000.00	-
PUF Refunding Bonds, 2005A	100,345,000.00	-	9,020,000.00	-	91,325,000.00	9,485,000.00
PUF Bonds, 2005B	72,720,000.00	-	-	-	72,720,000.00	-
PUF Refunding Bonds, 2006B	284,065,000.00	-	-	-	284,065,000.00	-
PUF Bonds, 2006C	97,755,000.00	-	1,535,000.00	-	96,220,000.00	1,605,000.00
PUF Bonds, 2008A	400,905,000.00	-	4,680,000.00	-	396,225,000.00	396,225,000.00
PUF Taxable Bonds, 2009A	250,000,000.00	-	-	-	250,000,000.00	-
RFS Refunding Bonds, 2001A	11,665,000.00	-	-	4,600,000.00	7,065,000.00	7,065,000.00
RFS Bonds, 2001B	7,895,000.00	-	7,895,000.00	-	-	-
RFS Bonds, 2001C	3,730,000.00	-	3,730,000.00	-	-	-
RFS Refunding Bonds, 2002A	46,785,000.00	-	5,320,000.00	-	41,465,000.00	5,600,000.00
RFS Refunding Bonds, 2002B	94,760,000.00	-	9,510,000.00	-	85,250,000.00	10,010,000.00
RFS Bonds, 2003A	20,300,000.00	-	4,690,000.00	-	15,610,000.00	4,940,000.00
RFS Bonds, 2003B	41,530,000.00	-	13,145,000.00	-	28,385,000.00	13,825,000.00
RFS Refunding Bonds, 2004A	113,490,000.00	-	8,695,000.00	-	104,795,000.00	13,170,000.00
RFS Refunding Bonds, 2004B	232,350,000.00	-	24,120,000.00	-	208,230,000.00	26,570,000.00
RFS Bonds, 2004C	85,190,000.00	-	8,515,000.00	-	76,675,000.00	8,930,000.00
RFS Bonds, 2004D	48,695,000.00	-	11,120,000.00	-	37,575,000.00	11,925,000.00
RFS Bonds, 2006A	11,105,000.00	-	2,525,000.00	-	8,580,000.00	2,530,000.00
RFS Bonds, 2006B	302,760,000.00	-	15,095,000.00	-	287,665,000.00	15,845,000.00
RFS Refunding Bonds, 2006C	173,940,000.00	-	415,000.00	-	173,525,000.00	430,000.00
RFS Refunding Bonds, 2006D	161,165,000.00	-	290,000.00	-	160,875,000.00	305,000.00
RFS Bonds, 2006E	49,550,000.00	-	2,325,000.00	-	47,225,000.00	2,440,000.00
RFS Bonds, 2006F	279,330,000.00	-	6,675,000.00	-	272,655,000.00	6,915,000.00
RFS Refunding Bonds, 2007B	335,810,000.00	-	1,035,000.00	-	334,775,000.00	334,775,000.00
RFS Bonds, 2008B	657,320,000.00	-	17,355,000.00	-	639,965,000.00	639,965,000.00
RFS Bonds, 2008A	242,680,000.00	-	14,625,000.00	-	228,055,000.00	15,215,000.00
RFS Taxable Bonds, 2009B	330,545,000.00	-	-	-	330,545,000.00	-
RFS Bonds, 2009D	254,450,000.00	-	7,840,000.00	-	246,610,000.00	11,955,000.00
RFS Bonds, 2010A	331,415,000.00	-	-	-	331,415,000.00	11,665,000.00
RFS Refunding Bonds, 2010B	382,790,000.00	-	320,000.00	-	382,470,000.00	335,000.00
RFS Taxable Bonds, 2010C	-	604,310,000.00	-	-	604,310,000.00	-
RFS Taxable Bonds, 2010D	516,245,000.00	-	2,070,000.00	-	514,175,000.00	3,875,000.00
RFS Bonds, 2010E	-	39,785,000.00	-	-	39,785,000.00	565,000.00
TOTAL CHANGES IN BONDS	\$ 6,211,875,000.00	\$ 644,095,000.00	\$ 189,460,000.00	\$ 4,600,000.00	\$ 6,661,910,000.00	\$ 1,563,430,000.00
				Amortization of Net Premiums		21,217,405.77
				Amortization of Net Losses		(10,200,966.35)
				Total Due Within One Year		1,574,446,439.42

The University of Texas System
Schedule 2 -- Bonds Payable (Consolidated)
For the Year Ended August 31, 2011

2C: PROJECTED CASH PAYMENT DEBT SERVICE REQUIREMENTS (1)

Description of Issue	YEAR ENDING AUGUST 31,										Total Debt Service Requirements	
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041		2042-2046
Revenue Bonds:												
Self Supporting:												
PUF Refunding Bonds, 2004A												
Principal	7,265,000.00	7,630,000.00	8,005,000.00	8,410,000.00	8,830,000.00	-	-	-	-	-	-	40,140,000.00
Interest	2,007,000.00	1,643,750.00	1,262,250.00	862,000.00	441,500.00	-	-	-	-	-	-	6,216,500.00
PUF Bonds, 2004B												
Principal	-	-	-	-	-	-	60,770,000.00	75,095,000.00	87,670,000.00	-	-	223,535,000.00
Interest	10,144,262.50	10,144,262.50	10,144,262.50	10,144,262.50	10,144,262.50	50,721,312.50	46,649,487.50	30,573,812.50	5,961,150.00	-	-	184,627,075.00
PUF Refunding Bonds, 2005A												
Principal	9,485,000.00	10,000,000.00	10,465,000.00	10,985,000.00	11,535,000.00	38,855,000.00	-	-	-	-	-	91,325,000.00
Interest	4,566,250.00	4,092,000.00	3,592,000.00	3,068,750.00	2,519,500.00	2,967,750.00	-	-	-	-	-	20,806,250.00
PUF Bonds, 2005B												
Principal	-	-	-	-	-	28,490,000.00	-	-	44,230,000.00	-	-	72,720,000.00
Interest	3,422,325.00	3,422,325.00	3,422,325.00	3,422,325.00	3,422,325.00	14,349,975.00	11,057,500.00	11,057,500.00	7,767,250.00	-	-	61,343,850.00
PUF Refunding Bonds, 2006B												
Principal	-	-	-	-	-	50,720,000.00	82,740,000.00	104,045,000.00	46,560,000.00	-	-	284,065,000.00
Interest	14,851,562.50	14,851,562.50	14,851,562.50	14,851,562.50	14,851,562.50	73,020,812.50	51,471,262.50	28,795,200.00	8,586,637.50	-	-	236,131,725.00
PUF Bonds, 2006C												
Principal	1,605,000.00	1,625,000.00	1,745,000.00	1,835,000.00	1,925,000.00	10,740,000.00	20,330,000.00	29,090,000.00	27,325,000.00	-	-	96,220,000.00
Interest	4,523,886.26	4,459,686.26	4,378,436.26	4,291,186.26	4,199,436.26	19,479,511.30	16,317,570.04	10,679,625.00	3,366,450.00	-	-	71,695,787.64
PUF Bonds, 2008A												
Principal	396,225,000.00	-	-	-	-	-	-	-	-	-	-	396,225,000.00
Interest	6,079.00	-	-	-	-	-	-	-	-	-	-	6,079.00
PUF Taxable Bonds, 2009A												
Principal	-	-	-	-	-	-	-	-	81,914,000.00	168,086,000.00	-	250,000,000.00
Interest	13,155,000.00	13,155,000.00	13,155,000.00	13,155,000.00	13,155,000.00	65,775,000.00	65,775,000.00	65,775,000.00	61,567,083.84	21,859,084.68	-	346,526,168.52
RFS Refunding Bonds, 2001A ⁽¹⁾												
Principal	7,065,000.00	-	-	-	-	-	-	-	-	-	-	7,065,000.00
Interest	135.00	-	-	-	-	-	-	-	-	-	-	135.00
RFS Refunding Bonds, 2002A												
Principal	5,600,000.00	5,895,000.00	6,205,000.00	6,530,000.00	6,875,000.00	10,360,000.00	-	-	-	-	-	41,465,000.00
Interest	2,176,912.50	1,882,912.50	1,573,425.00	1,247,662.50	904,837.50	1,660,312.50	-	-	-	-	-	9,446,062.50
RFS Refunding Bonds, 2002B												
Principal	10,010,000.00	10,535,000.00	11,090,000.00	11,670,000.00	12,280,000.00	29,665,000.00	-	-	-	-	-	85,250,000.00
Interest	4,475,625.00	3,950,100.00	3,397,012.50	2,814,787.50	2,202,112.50	3,366,562.50	-	-	-	-	-	20,206,200.00
RFS Bonds, 2003A												
Principal	4,940,000.00	5,200,000.00	5,470,000.00	-	-	-	-	-	-	-	-	15,610,000.00
Interest	826,362.50	567,012.50	294,012.50	-	-	-	-	-	-	-	-	1,687,387.50
RFS Bonds, 2003B												
Principal	13,825,000.00	14,560,000.00	-	-	-	-	-	-	-	-	-	28,385,000.00
Interest	1,490,212.50	764,400.00	-	-	-	-	-	-	-	-	-	2,254,612.50
RFS Refunding Bonds, 2004A												
Principal	13,170,000.00	13,860,000.00	14,160,000.00	15,355,000.00	16,170,000.00	32,080,000.00	-	-	-	-	-	104,795,000.00
Interest	5,501,737.50	4,810,312.50	4,082,662.50	3,339,262.50	2,533,125.00	2,292,412.50	-	-	-	-	-	22,559,512.50
RFS Refunding Bonds, 2004B												
Principal	26,570,000.00	27,805,000.00	27,615,000.00	29,065,000.00	30,590,000.00	66,585,000.00	-	-	-	-	-	208,230,000.00
Interest	10,932,075.00	9,537,150.00	8,077,387.50	6,627,600.00	5,101,687.50	7,087,762.50	-	-	-	-	-	47,363,662.50
RFS Bonds, 2004C												
Principal	8,930,000.00	9,370,000.00	9,855,000.00	-	-	48,520,000.00	-	-	-	-	-	76,675,000.00
Interest	3,881,812.50	3,435,312.50	2,943,387.50	2,426,000.00	2,426,000.00	12,130,000.00	3,836,750.00	-	-	-	-	31,079,262.50
RFS Bonds, 2004D												
Principal	11,925,000.00	12,500,000.00	13,150,000.00	-	-	-	-	-	-	-	-	37,575,000.00
Interest	1,910,000.00	1,324,925.00	678,300.00	-	-	-	-	-	-	-	-	3,913,225.00
RFS Bonds, 2006A												
Principal	2,530,000.00	2,630,000.00	2,520,000.00	900,000.00	-	-	-	-	-	-	-	8,580,000.00
Interest	352,025.00	250,825.00	139,050.00	38,250.00	-	-	-	-	-	-	-	780,150.00
RFS Bonds, 2006B												
Principal	15,845,000.00	16,640,000.00	17,450,000.00	18,305,000.00	19,200,000.00	-	60,965,000.00	66,190,000.00	64,495,000.00	8,575,000.00	-	287,665,000.00
Interest	14,269,100.00	13,476,850.00	12,674,850.00	11,818,850.00	10,928,912.50	49,996,625.00	48,509,625.00	27,129,250.00	12,114,750.00	428,750.00	-	201,347,562.50
RFS Refunding Bonds, 2006C												
Principal	430,000.00	450,000.00	480,000.00	16,105,000.00	16,900,000.00	120,975,000.00	18,185,000.00	-	-	-	-	173,525,000.00
Interest	8,657,012.50	8,641,962.50	8,625,650.00	8,608,250.00	7,803,000.00	24,037,250.00	1,149,750.00	-	-	-	-	67,522,875.00
RFS Refunding Bonds, 2006D												
Principal	305,000.00	315,000.00	12,295,000.00	26,650,000.00	27,420,000.00	28,025,000.00	65,865,000.00	-	-	-	-	160,875,000.00
Interest	7,432,587.50	7,420,387.50	7,407,787.50	6,857,487.50	5,558,987.50	19,177,437.75	8,571,050.00	-	-	-	-	62,425,725.25

YEAR ENDING AUGUST 31,

Description of Issue	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	Total Debt Service Requirements
RFS Bonds, 2006E												
Principal	2,440,000.00	2,670,000.00	3,980,000.00	3,165,000.00	3,400,000.00	23,870,000.00	7,700,000.00	-	-	-	-	47,225,000.00
Interest	2,197,190.00	2,099,590.00	1,977,090.00	1,781,527.50	1,631,277.50	5,224,762.75	476,695.00	-	-	-	-	15,388,132.75
RFS Bonds, 2006F												
Principal	6,915,000.00	7,280,000.00	7,650,000.00	8,015,000.00	8,430,000.00	48,865,000.00	37,315,000.00	64,720,000.00	62,160,000.00	21,305,000.00	-	272,655,000.00
Interest	12,869,200.00	12,523,450.00	12,159,450.00	11,776,950.00	11,376,200.00	50,124,750.00	39,736,537.50	27,842,612.50	12,645,412.50	1,351,725.00	-	192,406,287.50
RFS Refunding Bonds, 2007B ⁽¹⁾												
Principal	334,775,000.00	-	-	-	-	-	-	-	-	-	-	334,775,000.00
Interest	5,136.00	-	-	-	-	-	-	-	-	-	-	5,136.00
RFS Bonds, 2008B ⁽¹⁾												
Principal	639,965,000.00	-	-	-	-	-	-	-	-	-	-	639,965,000.00
Interest	10,563.00	-	-	-	-	-	-	-	-	-	-	10,563.00
RFS Bonds, 2008A												
Principal	15,215,000.00	15,845,000.00	16,850,000.00	19,375,000.00	21,000,000.00	120,720,000.00	19,050,000.00	-	-	-	-	228,055,000.00
Interest	11,281,418.75	10,520,668.75	9,903,418.75	9,060,918.75	8,218,418.75	22,624,681.25	2,021,512.50	-	-	-	-	73,631,037.50
RFS Taxable Bonds, 2009B												
Principal	-	-	-	-	-	-	15,795,000.00	108,135,000.00	103,650,000.00	102,965,000.00	-	330,545,000.00
Interest	20,745,004.20	20,745,004.20	20,745,004.20	20,745,004.20	20,745,004.20	103,725,021.00	103,725,021.00	84,424,124.40	52,345,919.40	17,621,752.80	-	465,566,859.60
RFS Bonds, 2009D												
Principal	11,955,000.00	12,430,000.00	12,990,000.00	13,545,000.00	14,155,000.00	97,160,000.00	84,375,000.00	-	-	-	-	246,610,000.00
Interest	11,188,093.75	10,696,443.75	10,144,943.75	9,580,443.75	8,973,193.75	32,487,968.75	11,116,456.25	-	-	-	-	94,187,543.75
RFS Bonds, 2010A												
Principal	11,665,000.00	12,120,000.00	11,800,000.00	13,360,000.00	13,965,000.00	129,005,000.00	139,500,000.00	-	-	-	-	331,415,000.00
Interest	15,735,100.00	15,268,500.00	14,662,500.00	14,072,500.00	13,474,500.00	55,016,150.00	14,552,750.00	-	-	-	-	142,782,000.00
RFS Refunding Bonds, 2010B												
Principal	335,000.00	340,000.00	355,000.00	375,000.00	390,000.00	257,565,000.00	123,110,000.00	-	-	-	-	382,470,000.00
Interest	18,282,200.00	18,268,800.00	18,255,200.00	18,241,000.00	18,226,000.00	69,361,700.00	11,998,600.00	-	-	-	-	172,633,500.00
RFS Taxable Bonds, 2010C												
Principal	-	-	-	-	-	55,280,000.00	86,650,000.00	99,560,000.00	115,345,000.00	134,395,000.00	113,080,000.00	604,310,000.00
Interest	27,379,517.70	27,379,517.70	27,379,517.70	27,379,517.70	27,379,517.70	134,568,335.50	121,029,013.50	101,272,172.70	76,237,783.50	46,826,353.80	15,606,387.60	632,437,635.10
RFS Taxable Bonds, 2010D												
Principal	3,875,000.00	12,640,000.00	12,775,000.00	12,975,000.00	13,225,000.00	69,850,000.00	76,420,000.00	88,955,000.00	94,320,000.00	108,840,000.00	20,300,000.00	514,175,000.00
Interest	23,684,391.45	23,642,347.70	23,430,501.30	23,133,354.80	22,793,928.80	106,890,039.05	91,397,320.85	71,236,234.80	47,999,049.50	22,097,506.10	1,042,202.00	457,346,876.35
RFS Bonds, 2010E												
Principal	565,000.00	3,610,000.00	4,565,000.00	4,730,000.00	4,930,000.00	21,385,000.00	-	-	-	-	-	39,785,000.00
Interest	1,538,700.00	1,527,400.00	1,419,100.00	1,260,150.00	1,070,950.00	1,130,900.00	-	-	-	-	-	7,947,200.00
SUMMARY DEBT SERVICE:												
Total Principal	1,563,430,000.00	205,950,000.00	211,470,000.00	221,350,000.00	231,220,000.00	1,240,195,000.00	947,290,000.00	635,790,000.00	727,669,000.00	544,166,000.00	133,380,000.00	6,661,910,000.00
Total Projected Interest	259,498,477.61	250,502,458.36	240,776,086.96	230,604,602.96	220,081,239.46	927,217,032.35	649,391,901.64	458,785,531.90	288,591,486.24	110,185,172.38	16,648,589.60	3,652,282,579.46
PROJECTED BOND DEBT SERVICE	\$ 1,822,928,477.61	456,452,458.36	452,246,086.96	451,954,602.96	451,301,239.46	2,167,412,032.35	1,596,681,901.64	1,094,575,531.90	1,016,260,486.24	654,351,172.38	150,028,589.60	10,314,192,579.46

(1) The PUF Bonds, Series 2008A, the RFS Refunding Bonds, Series 2001A, the RFS Refunding Bonds, Series 2007B, and the RFS Bonds, Series 2008B are currently variable rate bonds. As required by GASB Statement No. 38 annual debt service requirements are computed using the System's effective rates of .08%, .10%, .08%, and .09% (respectively), on par amounts of \$396,225,000, \$7,065,000, \$334,775,000, and \$639,965,000 (respectively). Interest on variable rate bonds will fluctuate based upon current market conditions and is reset weekly. As required, interest expense per this schedule is presented on a cash basis; whereas, the financial statements are presented on an accrual basis. Although variable rate bonds may come due in one year, debt service is generally expected to be payable through final maturity on each series (July 2038, August 2013, August 2034, and August 2039, respectively). Expected annual debt service requirements on \$198,112,500 in principal amount of the PUF Bonds, Series 2008A are computed using a base rate of 3.696%, and annual debt service requirements on the remaining \$198,112,500 in principal amount of the PUF Bonds, Series 2008A are computed using a base rate of 3.658%, each obtained as a result of the 2008A Swap Agreements. Expected annual debt service requirements on the RFS Refunding Bonds, Series 2001A are computed using a base rate of 4.633% obtained as a result of the 2001A Swap Agreement, plus interest on the excess portion of each maturity calculated at 15%. Expected annual debt service requirements on the RFS Refunding Bonds, Series 2007B are computed using a base rate of 3.805% obtained as a result of the 2007B Swap Agreements. Expected annual debt service requirements on \$291,060,000 in principal amount of the RFS Bonds, Series 2008B are computed using a base rate of 3.900%, and annual debt service requirements on the remaining \$348,905,000 in principal amount of the Series 2008B Bonds are computed using a base rate of 3.614%, each obtained as a result of the 2008B Swap Agreements.

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2011
2D: ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

Revenue Bonds

Description of Issue	Pledged Revenues			
	Operating Revenues	Investment Interest Earned	Other Pledged Revenues	Total Pledged Sources for Debt Service ⁽⁴⁾
Self Supporting:				
Permanent University Fund				
Pledged Revenues ⁽¹⁾	\$	4,620,949.89	352,252,657.78	356,873,607.67
PUF Refunding Bonds, 2004A				
PUF Bonds, 2004B				
PUF Refunding Bonds, 2005A				
PUF Bonds, 2005B				
PUF Refunding Bonds, 2006B				
PUF Bonds, 2006C				
PUF Bonds, 2008A				
PUF Taxable Bonds, 2009A				
Revenue Financing System				
Pledged Revenues ⁽²⁾	6,626,745,061.00	291,069,911.42	96,512,741.02	7,014,327,713.44
RFS Refunding Bonds, 2001A				
RFS Bonds, 2001B				
RFS Bonds, 2001C				
RFS Refunding Bonds, 2002A				
RFS Refunding Bonds, 2002B				
RFS Bonds, 2003A				
RFS Bonds, 2003B				
RFS Refunding Bonds, 2004A				
RFS Refunding Bonds, 2004B				
RFS Bonds, 2004C				
RFS Bonds, 2004D				
RFS Bonds, 2006A				
RFS Bonds, 2006B				
RFS Refunding Bonds, 2006C				
RFS Refunding Bonds, 2006D				
RFS Bonds, 2006E				
RFS Bonds, 2006F				
RFS Refunding Bonds, 2007B				
RFS Bonds, 2008B				
RFS Bonds, 2008A				
RFS Taxable Bonds, 2009B				
RFS Bonds, 2009D				
RFS Bonds, 2010A				
RFS Refunding Bonds, 2010B				
RFS Taxable Bonds, 2010C				
RFS Taxable Bonds, 2010D				
RFS Bonds, 2010E				
Total Revenue Bonds	\$	6,626,745,061.00	448,765,398.80	7,371,201,321.11

- (1) Revenues also pledged to Permanent University Fund Flexible Rate Notes, Series A on a subordinate lien basis.
- (2) Revenues also pledged to Revenue Financing System Commercial Paper Notes, Series A and Revenue Financing System Taxable Commercial Paper Notes, Series B on an equal and ratable basis.
- (3) As required by the Texas State Comptroller's Financial Reporting Requirements, interest expense for Fiscal Year 2008 is presented on a cash basis and therefore the data does not agree with information presented in the Statement of Revenues, Expenses and Change in Net Assets, nor the Notes of the financials, which are prepared on the accrual basis of accounting. The effect of this difference is a \$2,619,836.81 net increase due to accrued interest expense.
- (4) The related operating expenditures against these gross pledged revenues were \$7,205,722,174.56.

Debt Service		Refunded or Extinguished	Interest & Sinking Fund		Bond Reserve Fund	
Principal	Interest ⁽³⁾		Minimum	Actual	Minimum	Actual
6,915,000.00	2,352,750.00	-	N/A		N/A	N/A
-	10,144,262.50	-	N/A		N/A	N/A
9,020,000.00	5,039,800.00	-	N/A		N/A	N/A
-	3,422,325.00	-	N/A		N/A	N/A
-	14,968,489.00	-	N/A		N/A	N/A
1,535,000.00	4,585,286.26	-	N/A		N/A	N/A
4,680,000.00	14,453,373.41	-	N/A		N/A	N/A
-	13,155,000.00	-	N/A		N/A	N/A
-	531,738.69	4,600,000.00	N/A		N/A	N/A
7,895,000.00	394,750.00	-	N/A		N/A	N/A
3,730,000.00	186,500.00	-	N/A		N/A	N/A
5,320,000.00	2,456,212.50	-	N/A		N/A	N/A
9,510,000.00	4,974,900.00	-	N/A		N/A	N/A
4,690,000.00	1,072,587.49	-	N/A		N/A	N/A
13,145,000.00	2,180,324.98	-	N/A		N/A	N/A
8,695,000.00	5,958,225.00	-	N/A		N/A	N/A
24,120,000.00	12,198,375.00	-	N/A		N/A	N/A
8,515,000.00	4,307,562.50	-	N/A		N/A	N/A
11,120,000.00	2,466,000.00	-	N/A		N/A	N/A
2,525,000.00	453,025.00	-	N/A		N/A	N/A
15,095,000.00	15,023,850.00	-	N/A		N/A	N/A
415,000.00	8,671,537.50	-	N/A		N/A	N/A
290,000.00	7,444,187.50	-	N/A		N/A	N/A
2,325,000.00	2,310,440.00	-	N/A		N/A	N/A
6,675,000.00	13,136,200.00	-	N/A		N/A	N/A
1,035,000.00	12,502,181.34	-	N/A		N/A	N/A
17,355,000.00	23,917,567.91	-	N/A		N/A	N/A
14,625,000.00	11,866,418.76	-	N/A		N/A	N/A
-	20,745,004.20	-	N/A		N/A	N/A
7,840,000.00	11,423,293.75	-	N/A		N/A	N/A
-	15,735,100.00	-	N/A		N/A	N/A
320,000.00	18,295,000.00	-	N/A		N/A	N/A
-	24,489,457.50	-	N/A		N/A	N/A
2,070,000.00	26,659,611.51	-	N/A		N/A	N/A
-	1,376,281.67	-	N/A		N/A	N/A
<u>189,460,000.00</u>	<u>318,897,618.97</u>	<u>4,600,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE UNIVERSITY OF TEXAS SYSTEM
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2011

2E: DEFEASED BONDS OUTSTANDING

The Balance Sheet at August 31, 2011 does not include \$1,650,118,000 of bonds payable which were fully defeased during fiscal years 1991, 2000, 2004, 2005, 2007, 2008 and 2010. Direct obligations of the United States of America and noncallable obligations of an agency or instrumentality of the United States of America, including obligations unconditionally guaranteed by the United States of America, rated not less than AAA or its equivalent, in amounts, maturities, and bearing interest at rates sufficient to provide funds to pay in full the principal of, redemption premium, if any, and interest on the defeased bonds are being held by various escrow agents. Shown below is a listing of the defeased bonds outstanding at August 31, 2011.

<u>Description of Issue</u>	<u>Year Refunded/ Defeased</u>	<u>Par Value Outstanding</u>
Permanent University Fund Bonds		
Refunding Series 1992A	2000	\$ 40,690,000
Series 1997	2004	19,525,000
Series 2002B	2005	102,670,000
Series 2002B	2007	85,545,000
Series 2004B	2007	172,985,000
Series 2005B	2007	51,905,000
		<u>473,320,000</u>
General Revenue Bonds		
Pan American, Aux. Enterprise Rev. Bonds, Series 1968-C	1991	553,000
		<u>553,000</u>
Revenue Financing System Bonds		
Series 1998A	2007	3,605,000
Series 2003A	2007	64,295,000
Series 2003B	2007	193,490,000
Series 2004C	2007	94,770,000
Series 2004D	2007	107,520,000
Series 2003B	2008	169,015,000
Series 2004D	2008	149,860,000
Series 2006B	2010	192,185,000
Series 2006D	2010	178,375,000
Series 2006F	2010	23,130,000
		<u>1,176,245,000</u>
Total Defeased Bonds Outstanding		<u>\$ 1,650,118,000</u>

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2011

2F: EARLY EXTINGUISHMENT AND REFUNDING

Description of Debt Extinguished/Refunded	Description of Newly Issued Debt	Category	Amount Extinguished or Refunded	For Refunding Only		
				Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain (Loss)
RFS Refunding Bonds, Series 2001A	N/A	Early Extinguishment	4,600,000.00	N/A	N/A	N/A
TOTAL BONDS			4,600,000.00	0.00	0.00	0.00
RFS Commercial Paper Notes, Series A	RFS Bonds, Series 2010E*	Current Refunding	21,328,000.00	19,110,000.00	N/A	N/A
TOTAL OTHER			21,328,000.00	19,110,000.00	0.00	0.00
TOTAL			\$ 25,928,000.00	19,110,000.00	0.00	0.00

*The RFS Bonds, Series 2010E proceeds were also used to provide new money of \$23,080,404.07 and pay costs of issuance. The refunding issue par value shown on this schedule does not include the new money proceeds.