

**UNIVERSITY OF HOUSTON  
SYSTEM**

**UNAUDITED COMBINED ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2011  
WITH AUGUST 31, 2010 COMPARATIVE DATA**



# UNIVERSITY OF HOUSTON SYSTEM

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**UNIVERSITY OF HOUSTON SYSTEM**  
**UNIVERSITY OF HOUSTON**

Executive Director, Financial Reporting

December 5, 2011

Dr. Carl Carlucci  
Executive Vice Chancellor, Administration and Finance  
University of Houston System  
Houston, Texas 77204-2016

Dr. Carlucci:

Submitted herewith is the Annual Financial Report of the University of Houston System for the year ended August 31, 2011.

This report has been prepared in compliance with Texas Government Code Annotated §2101.011 and in accordance with the Annual Financial Reporting Requirements established by the Comptroller of Public Accounts. Additionally, in order to support internal management needs within the University of Houston System, this report presents financial statements with comparative data for the prior fiscal year.

The information contained in the accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Sincerely,

David Ellis  
Executive Director, Financial Reporting



University of Houston System

Organizational Data  
August 31, 2011

Board of Regents

Welcome W. Wilson, Sr., Houston	Term Expires August 31, 2011
Jim P. Wise, Houston	Term Expires August 31, 2011
Carroll Robertson Ray, Houston	Term Expires August 31, 2011
Nelda Luce Blair, The Woodlands	Term Expires August 31, 2013
Jacob M. Monty, Houston	Term Expires August 31, 2013
Michele "Mica" Mosbacher, Houston	Term Expires August 31, 2013
Nandita V. Berry, Houston	Term Expires August 31, 2015
Tilman J. Fertitta, Houston	Term Expires August 31, 2015
Jarvis V. Hollingsworth, Houston	Term Expires August 31, 2015
Tamecia Glover Harris, Houston	Term Expires May 31, 2012

Officers of the Board (Fiscal Year 2011):

Carroll Robertson Ray	Chair
Nelda Luce Blair	Vice Chair
Michele "Mica" Mosbacher	Secretary

Officers of the Board (Fiscal Year 2012):

Nelda Luce Blair	Chair
Michele "Mica" Mosbacher	Vice Chair
Jarvis V. Hollingsworth	Secretary

Administrative Officers

Renu Khator	Chancellor
John J. Antel	Senior Vice Chancellor for Academic Affairs and Provost
Carl P. Carlucci	Executive Vice Chancellor for Administration and Finance
Michael J. Lawrence	Interim Vice Chancellor for Student Affairs
Grover S. Campbell	Vice Chancellor for Governmental Relations
Rathindra N. Bose	Vice Chancellor for Research and Technology Transfer
Dona H. Cornell	Vice Chancellor for Legal Affairs and General Counsel
Renu Khator	President – University of Houston
William A. Staples	President – UH Clear Lake
William V. Flores	President – UH Downtown
Philip D. Castille	President – UH Victoria





University of Houston System  
Financial Statements  
(With Detailed Supportive Schedules)  
Statement of Procedure Regarding  
Annual Financial Report

Present herein are the financial statements with detailed supportive schedules for the University of Houston System for the fiscal year ended August 31, 2011. These statements and detailed supportive schedules are in compliance with the guidelines in *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, published by the Texas Comptroller of Public Accounts. Additionally, this report has been prepared in accordance with the requirements in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

The State Auditor has not audited the accompanying annual financial statements and, therefore, an opinion has not been nor will be expressed on the financial statements and related information contained in this report. The information contained in the combined financial statements of the University of Houston System, and its related components, is part of and included in the State of Texas Comprehensive Annual Report. The Annual Financial Report of the University of Houston System is reviewed by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report, upon which an opinion is expressed.

Unaudited

University of Houston System  
Combined Statement of Net Assets  
August 31, 2011

	Total 2011	Total 2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents		
Cash on Hand	\$ 168,269.00	\$ 158,397.32
Cash in Bank	(67,424,817.79)	(96,311,926.54)
Cash in Transit/Reimburse From Treasury	3,206,023.07	26,584,222.19
Cash in State Treasury	18,272,222.22	21,013,634.25
Cash Equivalents	264,485,192.80	219,157,101.52
Short Term Investments	149,170,219.64	195,383,126.23
Restricted:		
Cash in Bank	(11,615,602.16)	16,329,448.03
Legislative Appropriations	89,218,140.63	108,068,913.56
Receivables:		
Federal Receivables	87,408,810.66	51,501,033.12
Interest and Dividends	529,517.86	771,502.96
Accounts Receivable	11,515,184.21	24,040,224.33
Gifts	17,973,598.59	14,427,906.41
Other Receivables	1,401,931.62	1,696,448.70
Due From Other Agencies	2,595,892.37	913,125.74
Consumable Inventories	702,132.44	671,773.05
Merchandise Inventories	1,377,764.78	1,536,255.09
Deferred Charges	46,470,144.49	49,309,449.30
Loans and Contracts	7,502,187.29	15,503,817.92
<b>Total Current Assets</b>	<b>622,956,811.72</b>	<b>650,754,453.18</b>
<b>Non-Current Assets</b>		
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	116,564,993.28	90,186,098.44
Receivables	3,480,647.84	7,983,179.89
Loans and Contracts	15,156,251.24	16,533,050.90
Investments	611,561,274.07	553,197,848.24
Capital Assets		
Non-Depreciable or Non-Amortizable	285,959,162.40	199,721,461.62
Depreciable or Amortizable, Net	678,054,593.06	660,116,698.00
<b>Total Non-Current Assets</b>	<b>1,710,776,921.89</b>	<b>1,527,738,337.09</b>
<b>Total Assets</b>	<b>2,333,733,733.61</b>	<b>2,178,492,790.27</b>

Unaudited

University of Houston System  
Combined Statement of Net Assets  
August 31, 2011

	Total 2011	Total 2010
Liabilities		
Current Liabilities:		
Payables:		
Accounts Payable	34,466,543.19	33,837,813.38
Federal Payable	51,250.70	20,492.51
Payroll Payable	39,408,254.25	36,640,479.31
Other Payable	3,451,641.89	3,375,070.45
Due to Other Agencies	284,399.12	323,275.28
Deferred Revenues	181,832,740.73	172,822,419.84
Notes and Loans Payable	42,141,000.00	10,000,000.00
Revenue Bonds Payable	28,523,914.86	27,383,914.86
Claims and Judgments Payable	307,666.66	387,792.43
Employees' Compensable Leave	11,470,639.95	10,963,773.33
Capital Lease Obligations	366,159.65	
Funds Held for Others	9,506,475.36	12,843,325.42
<b>Total Current Liabilities</b>	<b>351,810,686.36</b>	<b>308,598,356.81</b>
Non-Current Liabilities		
Revenue Bonds Payable	646,446,577.60	674,970,492.46
Claims and Judgments Payable	12,742.20	14,442.86
Employees' Compensable Leave	12,461,427.66	12,166,550.14
Capital Lease Obligations	7,006,818.38	
<b>Total Non-Current Liabilities</b>	<b>665,927,565.84</b>	<b>687,151,485.46</b>
<b>Total Liabilities</b>	<b>1,017,738,252.20</b>	<b>995,749,842.27</b>
Net Assets		
Invested in Capital Assets, Net of Related Debt	406,009,373.71	348,346,603.95
Restricted for:		
Debt Retirement	17,363,063.44	20,455,745.79
Capital Projects	5,732,691.46	4,984,731.85
Funds Held as Permanent Investments		
Non-Expendable		
True Endowments, Annuities	330,672,720.61	300,890,689.22
Expendable		
Term Endowments	397,362.00	387,118.62
Funds Functioning as Endowments	69,710,779.40	51,790,678.62
Other Restricted	121,091,733.94	121,233,331.93
Unrestricted	365,017,756.85	334,654,048.02
<b>Total Net Assets</b>	<b>\$ 1,315,995,481.41</b>	<b>\$ 1,182,742,948.00</b>

Unaudited

University of Houston System  
Combined Statement of Revenues, Expenses, And Changes In Net Assets  
For The Year Ended August 31, 2011

	Total 2011	Total 2010
Operating Revenues		
Sales of Goods and Services (PR-Chgs for Services)		
Tuition and Fees-Pledged	\$ 495,912,558.95	\$ 436,391,185.66
Discounts and Allowances	(107,367,840.02)	(100,746,669.84)
Auxiliary Enterprise-Pledged	67,442,597.91	57,154,395.06
Other Sales of Goods and Services-Pledged	31,271,754.87	24,252,699.66
Federal Revenue-Operating (PR-OP Grants/Contributions)	56,950,714.83	35,841,339.96
Federal Pass Through Revenue (PR-OP Grants/Contributions)	8,842,748.72	14,720,871.12
State Grant Revenue (PR-OP Grants/Contributions)	9,599,816.48	9,899,126.60
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	38,185,400.57	30,610,824.96
Other Grants and Contracts-Operating (PR-OP Grants/Contributions)	18,876,208.98	22,492,467.82
Other Operating Revenues (PR-Chgs for Services)	397,990.53	397,470.21
<b>Total Operating Revenues</b>	<b>620,111,951.82</b>	<b>531,013,711.21</b>
Operating Expenses		
Instruction	286,300,388.11	278,812,620.78
Research	98,159,063.83	99,682,859.51
Public Service	43,985,006.25	42,901,387.89
Academic Support	159,673,767.39	155,661,094.02
Student Services	36,224,775.85	36,581,747.79
Institutional Support	96,146,853.11	87,585,997.74
Physical Plant	53,055,146.37	47,493,338.24
Scholarships & Fellowships	92,975,555.29	63,260,382.73
Auxiliary Enterprises	90,188,635.82	81,739,725.63
Depreciation and Amortization	68,166,441.83	57,342,723.72
<b>Total Operating Expenses</b>	<b>1,024,875,633.85</b>	<b>951,061,878.05</b>
<b>Operating Income (Loss)</b>	<b>(404,763,682.03)</b>	<b>(420,048,166.84)</b>
Non-Operating Revenues (Expenses)		
Legislative Revenue (GR)	227,749,732.00	232,789,981.80
Additional Appropriations (GR)	45,823,069.47	49,136,467.67
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	116,859,531.20	110,351,141.57
Federal Pass Through Revenue (PR-OP Grants/Contributions)	6,168,628.36	13,048,356.45
Gifts (PR-OP Grants/Contributions)	83,887,076.50	56,567,580.85
Interest and Investment Income (PR-Chgs for Services)	34,793,388.56	1,402,484.59
Interest Expense and Fiscal Charges	(31,833,558.87)	(28,998,529.68)
Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib)	29,125,898.14	38,837,981.81
Other Nonoperating Revenues	35,192,404.27	86,408,972.44
Other Nonoperating Expenses	(71,037,987.54)	(51,417,548.08)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>476,728,182.09</b>	<b>508,126,889.42</b>

Unaudited

University of Houston System  
Combined Statement of Revenues, Expenses, And Changes In Net Assets  
For The Year Ended August 31, 2011

	Total 2011	Total 2010
<u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u>	<u>71,964,500.06</u>	<u>88,078,722.58</u>
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Appropriation (HEAF)	50,929,094.00	53,332,099.00
Additions to Permanent and Term Endowments	15,855,061.17	5,418,936.45
Transfers-Out	(5,277,326.30)	(4,237,469.24)
Legislative Appropriations Lapsed	(20,279.53)	1,087,464.18
<u>Total Other Rev, Exp, Gains, Losses and Transfers</u>	<u>61,486,549.34</u>	<u>55,601,030.39</u>
<u>Change In Net Assets</u>	<u>133,451,049.40</u>	<u>143,679,752.97</u>
Net Assets, Beginning	1,182,742,948.00	1,038,988,674.70
Restatements	(198,515.99)	74,520.33
<u>Net Assets Beginning, as Restated</u>	<u>1,182,544,432.01</u>	<u>1,039,063,195.03</u>
<u>Net Assets, Ending</u>	<u>\$ 1,315,995,481.41</u>	<u>\$ 1,182,742,948.00</u>

Unaudited

University of Houston System  
Combined Matrix of Operating Expenses Reported by Function  
For The Year Ended August 31, 2011

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$	\$	\$ 1,164,141.68	\$ 6,994.55	\$
Salaries and Wages	216,047,261.30	53,012,110.52	19,801,353.89	94,424,795.21	21,057,564.13
Payroll Related Costs	48,263,588.30	9,133,057.85	4,806,608.97	19,872,185.61	5,372,796.21
Professional Fees and Services	3,151,704.24	6,233,969.78	3,903,208.11	6,292,430.52	2,185,810.54
Federal Pass-Through Expenses		2,458,675.63	288,506.36		
State Pass-Through Expenses		185,699.23	6,978.13		
Travel	2,174,245.40	3,450,180.14	615,489.58	2,452,211.37	351,952.78
Materials and Supplies	5,341,453.58	7,483,453.54	1,698,872.12	10,722,437.54	1,559,345.35
Communication and Utilities	1,409,014.27	854,472.75	1,593,206.97	10,287,417.09	1,195,480.44
Repairs and Maintenance	445,718.25	808,033.13	375,903.97	3,849,540.49	424,623.53
Rentals and Leases	1,204,611.71	1,272,346.56	4,353,730.64	4,083,485.24	625,940.10
Printing and Reproduction	578,626.43	226,311.01	467,464.31	1,131,349.48	626,739.88
Depreciation and Amortization					
Interest	27,564.29	9,828.63	1,620.48	16,715.12	2,383.33
Scholarships	2,821,175.52	1,234,039.19	466,171.75	2,389,489.47	239,595.68
Claims and Losses			5,858.13		
Other Operating Expenses	4,835,424.82	11,796,885.87	4,435,891.16	4,144,715.70	2,582,543.88
<b>Total Operating Expenses</b>	<b>\$ 286,300,388.11</b>	<b>\$ 98,159,063.83</b>	<b>\$ 43,985,006.25</b>	<b>\$ 159,673,767.39</b>	<b>\$ 36,224,775.85</b>

Unaudited

University of Houston System  
Combined Matrix of Operating Expenses Reported by Function  
For The Year Ended August 31, 2011

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total 2011	Total 2010
\$	\$	\$	\$	\$	\$	\$
53,095,956.97	15,855,033.98	588,196.62	1,352,636.54		2,523,772.77	3,175,555.03
13,648,113.78	5,555,670.64	16,613.39	35,055,091.60		508,937,364.22	491,283,365.53
6,387,529.69	5,769,309.88	394,193.23	7,866,022.66		114,534,657.41	107,134,959.29
			14,860,880.99		49,179,036.98	44,605,102.99
					2,747,181.99	3,177,669.62
					192,677.36	
388,276.83	19,657.40	14,294.33	2,999,845.98		12,466,153.81	14,033,313.99
3,366,660.32	2,285,176.65	93,171.19	5,949,911.33		38,500,481.62	42,357,217.05
1,484,065.41	17,046,227.94	6,124.59	11,113,098.70		44,989,108.16	43,845,069.78
2,033,373.79	2,271,643.68	1,043.29	3,863,617.00		14,073,497.13	13,189,183.06
6,226,369.42	2,188,450.65	5,240.60	904,788.25		20,864,963.17	16,931,469.12
637,359.85	17,948.04	11,471.99	673,606.33		4,370,877.32	5,023,035.72
				68,166,441.83	68,166,441.83	57,342,723.72
89,205.21	1,782,891.97	13.47	23,855.24		1,954,077.74	541,098.45
3,522,821.81	5,236.87	90,271,263.33	1,063,551.27		102,013,344.89	67,666,890.26
1,569,095.70	593.20		29.99		1,575,577.02	1,487,239.76
3,698,024.33	257,305.47	1,573,929.26	4,461,699.94		37,786,420.43	39,267,984.68
<u>\$ 96,146,853.11</u>	<u>\$ 53,055,146.37</u>	<u>\$ 92,975,555.29</u>	<u>\$ 90,188,635.82</u>	<u>\$ 68,166,441.83</u>	<u>\$ 1,024,875,633.85</u>	<u>\$ 951,061,878.05</u>

Unaudited

University of Houston System  
Combined Statement of Cash Flows  
For The Year Ended August 31, 2011

	Total 2011	Total 2010
Cash Flows from Operating Activities		
Receipts from Customers	\$ 32,089,739.46	\$ 23,948,761.12
Proceeds from Tuition & Fees	403,511,964.11	334,106,638.20
Proceeds from Research Grants & Contracts	93,851,122.39	80,890,493.46
Proceeds from Loan Programs	180,019,619.64	105,660,220.96
Proceeds from Auxiliaries	69,902,376.34	56,260,928.44
Proceeds from Other Revenues	8,200,892.45	5,152,883.15
Payments to Suppliers for Goods and Services	(210,490,914.72)	(219,293,211.40)
Payments to Employees for Salaries	(505,772,513.39)	(490,278,948.43)
Payments to Employees for Benefits	(114,008,288.56)	(106,913,446.89)
Payments for Loans Provided	(170,641,189.35)	(106,330,182.55)
Payments for Other Expenses	(121,716,963.85)	(84,543,847.31)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(335,054,155.48)</b>	<b>(401,339,711.25)</b>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	292,380,206.16	261,627,470.88
Proceeds from Gifts	84,947,598.63	53,923,834.92
Proceeds from Endowments	13,338,938.42	5,125,852.45
Proceeds of Transfers from Other Funds	54,502,123.81	50,616,496.66
Proceeds from Grant Receipts	121,255,080.63	123,399,498.02
Proceeds from Other Financing Activities	10,873,168.54	938,776.26
Payments for Transfers to Other Funds	(33,653,940.63)	(17,031,208.81)
Payments for Other Uses	(4,233,253.27)	(5,362,648.17)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>539,409,922.29</b>	<b>473,238,072.21</b>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Debt Issuance	2,964,458.05	121,535,000.00
Proceeds from Other Financing Activities	101,782,532.82	81,495,930.19
Proceeds from Capital Contributions	50,929,094.00	53,332,099.00
Payments for Additions to Capital Assets	(167,798,057.93)	(150,535,382.17)
Payments of Principal on Debt	(24,974,857.90)	(48,090,000.00)
Payments for Capital Lease	(396,891.91)	
Payments of Interest on Debt Issuance	(31,928,890.32)	(29,005,266.62)
Payments of Other Costs on Debt Issuance	(113,084,120.77)	(45,022,042.33)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(182,506,733.96)</b>	<b>(16,289,661.93)</b>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	497,425,887.38	288,150,165.96
Proceeds from Interest Income	8,513,627.06	7,126,871.36
Proceeds from Investment Income	34,531,601.20	18,251,299.14
Payments to Acquire Investments	(515,780,843.28)	(346,364,153.81)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>24,690,272.36</b>	<b>(32,835,817.35)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>46,539,305.21</b>	<b>22,772,881.68</b>
<b>Cash and Cash Equivalents, September 1</b>	<b>277,116,975.21</b>	<b>254,344,093.53</b>
<b>Cash and Cash Equivalents, August 31</b>	<b>\$ 323,656,280.42</b>	<b>\$ 277,116,975.21</b>



Unaudited

University of Houston System  
Combined Statement of Cash Flows  
For The Year Ended August 31, 2011

	Total 2011	Total 2010
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
<u>Operating Income (Loss)</u>	<u>\$ (404,763,682.03)</u>	<u>\$ (420,048,166.84)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Amortization and Depreciation	68,166,441.83	57,342,723.72
Bad Debt Expense		12,770.73
Operating Income and Cash Flow Categories:		
Classification Differences	9,462,703.02	(715,856.47)
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(22,575,744.05)	(40,581,024.92)
(Increase) Decrease in Inventories	128,130.92	330,119.09
(Increase) Decrease in Prepaid Expenses	3,672,372.09	6,508,914.11
(Increase) Decrease in Loans and Contracts	(84,272.73)	45,894.88
(Increase) Decrease in Other Assets	(1,682,766.63)	1,484,933.71
Increase (Decrease) in Payables	552,530.08	(11,197,274.86)
Increase (Decrease) in Deferred Income	9,010,320.89	4,351,502.70
Increase (Decrease) in Compensated Absence Liability	801,744.14	31,372.12
Increase (Decrease) in Benefits Payable	2,296,943.15	801,337.08
Increase (Decrease) in Other Liabilities	(38,876.16)	293,043.70
<u>Total Adjustments</u>	<u>69,709,526.55</u>	<u>18,708,455.59</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ (335,054,155.48)</u>	<u>\$ (401,339,711.25)</u>
Non-Cash Transactions		
Net Change in Fair Value of Investments	\$ 29,125,898.14	\$ 38,837,981.81
<u>Non-Cash Transactions</u>	<u>\$ 29,125,898.14</u>	<u>\$ 38,837,981.81</u>



**UNIVERSITY OF HOUSTON SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2011**

**NOTE 1: Summary of Significant Accounting Policies**

**Entity**

The University of Houston System (the System) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The System serves the state as the primary provider of educational and cultural opportunities, skilled employers and leaders, technical knowledge, and innovative research to the Houston metropolitan area and the Gulf Coast region. Houston and the upper Gulf Coast region represent approximately one fourth of the state's population and economy.

The System includes within this report all components as determined by an analysis of their relationship to the System as listed below.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

The accompanying financial statements and related information have been prepared in conformity with the instructions contained in the State Comptroller's manual, *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The instructions and the accompanying report are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing a Comprehensive Annual Financial Report for the State of Texas. Since the System's annual financial report is not subject to a separate financial audit, certain information, such as a Management Discussion and Analysis and a complete set of Government-Wide Financial Statements, are not included in the accompanying report. The System's financial statements are considered to be materially accurate in all respects.

Blended Component Units

No component units have been identified which should have been blended into an appropriated fund.

Discretely Presented Component Units

These component units are legally separate from the state, but are financially accountable to the state, or have a relationship with the state such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these entities.

No component units have been identified which should have been discretely presented in the financial statements

**Fund Structure**

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

## **Governmental Fund Types & Government-wide Adjustment Fund Types**

### General Fund

The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

### Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

### Debt Service Funds

Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

### Capital Project Funds

Capital Project funds are used to account for financial resources used for the acquisition, repair, renovation or construction of major capital facilities (other than those financed by proprietary or similar trust funds).

### Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

### Capital Asset Adjustment Fund Type

The Capital Asset Adjustment fund type will be used to convert governmental fund type capital assets from modified accrual to full accrual.

### Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment fund type will be used to convert governmental fund type debt from modified accrual to full accrual.

### Other Adjustments Fund Type

The Other Adjustments fund type will be used to convert all other governmental fund type activity from modified accrual to full accrual.

## **Proprietary Fund Types**

### Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

### Internal Service Funds

Internal Service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of a governmental unit, or to other governmental units, within the state, on a cost reimbursement basis.

### **Fiduciary Fund Types**

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

#### **Pension Trust Funds**

Pension trust funds are used to account for resources held in trust for the member and beneficiaries of defined benefit pension plans. A separate pension trust fund is used for each separate pension plan. Separate pension trust funds also may be established to account for supplemental pension benefits.

#### **External Investment Trust Funds**

External investment trust funds are used to account for the state's external portion of investment pools reported by the sponsoring government.

#### **Agency Funds**

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

#### **Private-Purpose Trust Funds**

Private-purpose trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

### **Component Units**

The fund types of individual discrete component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 19.

Governmental Component Units are used to account for discretely presented component units that follow governmental fund accounting principles.

Proprietary Component Units are used to account for the discretely presented component units which follow proprietary fund measurement focus and accounting principles.

### **Business-Type Activities**

The operations of universities are considered to be a Business-Type Activity. The System charges fees to external users for goods and services. Consequently the accompanying financial statements are presented using the proprietary fund type structure.

### **Basis of Accounting**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds, pension trust funds, external investment trust funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

### **Budget and Budgetary Accounting**

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Additionally the System prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by the System's Board of Regents.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

## **Assets, Liabilities, and Fund Balances/Net Assets**

### **ASSETS**

#### **Cash and Cash Equivalents**

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

#### **Securities Lending Collateral**

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

#### **Restricted Assets**

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

#### **Inventories and Prepaid Items**

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

#### **Capital Assets**

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is

reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

Non-Current Receivables - Other

Receivable balances not expected to be collected within one year of fiscal year end.

**LIABILITIES**

Accounts Payable

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

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Non-Current Payables - Other

Payable balances not expected to be paid within one year of fiscal year end.

Employees' Compensable Leave Balances

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

Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or non-current in the statement of net assets.

Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds is accounted for in the Long-term Liabilities column. Payables are reported separately as either current or non-current in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an Other Financing Source in the governmental funds when received, and expenditures for payment of principal and interest are recorded in debt service funds when paid. These amounts are adjusted in the long-term liabilities column.

Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The bonds payable are reported at par, less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the Statement of Net Assets.

## **FUND BALANCE/NET ASSETS**

The difference between fund assets and liabilities is Net Assets on the government-wide, proprietary, and fiduciary fund statements, and the Fund Balance is the difference between fund assets and liabilities on the governmental fund statements.

### **Reservations of Fund Balance**

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use and are not available for expenditure.

### **Reserved for Encumbrances**

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

### **Unreserved/Undesignated**

This represents the unappropriated balance at year-end.

### **Invested In Capital Assets, Net Of Related Debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

### **Restricted Net Assets**

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

### **Unrestricted Net Assets**

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

## **INTERFUND ACTIVITIES AND BALANCES**

The System has the following types of transactions between funds:

### **Transfers**

Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

### **Reimbursements**

Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

### **Interfund Receivables and Payables**

Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as Current. Repayment for two (or more) years is classified as Non-Current.

### **Interfund Sales and Purchases**

Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the System's interfund activities and balances are presented in Note 12.



**NOTE 2: Capital Assets**

A summary of changes in Capital Assets for the year ending August 31, 2011 is presented in Table 2.

**Table 2 - Capital Assets**

Business-Type Activities:	University of Houston System					
	Balance 09/01/10	Adjustments	Completed CIP	Inc-Int'gy Trans	Dec-Int'gy Trans	Balance 08/31/11
<b>Non-Depreciable/Non-Amortizable Assets</b>						
Land & Land Improvements	\$ 100,946,809.26	\$ -	\$ -	\$ -	\$ -	\$ 101,348,853.62
Construction in Progress	96,038,028.30	(187,381.71)	(15,200,599.35)	342,474.30	(342,474.30)	174,591,701.02
Other Tangible Capital Assets	2,736,624.06	-	-	-	-	2,805,210.23
Other Intangible Capital Assets	-	-	-	-	-	7,213,397.53
<b>Total Non-Depreciable and Non-Amortizable Assets</b>	<b>199,721,461.62</b>	<b>(187,381.71)</b>	<b>(15,200,599.35)</b>	<b>342,474.30</b>	<b>(342,474.30)</b>	<b>285,959,162.40</b>
<b>Depreciable Assets</b>						
Buildings & Building Improvements	989,173,516.52	(2,521.58)	9,542,723.64	-	-	1,007,777,381.89
Infrastructure	43,297,217.46	-	-	-	-	43,297,217.46
Facilities & Other Improvements	92,900,842.36	-	1,783,706.16	-	-	94,684,548.52
Furniture & Equipment	165,976,264.10	17,728.41	700,953.00	258,669.08	(48,587.08)	181,714,529.41
Vehicle, Boats & Aircraft	4,412,394.70	-	272,213.00	17,024.50	(17,024.50)	5,227,728.75
Other Capital Assets	128,788,968.64	-	409,800.00	-	-	135,400,091.79
<b>Total Depreciable Assets</b>	<b>1,424,549,203.78</b>	<b>15,206.83</b>	<b>12,709,395.80</b>	<b>275,693.58</b>	<b>(65,611.58)</b>	<b>1,468,101,497.82</b>
<b>Less Accumulated Depreciation For:</b>						
Buildings & Building Improvements	(517,326,517.39)	-	-	-	-	(549,171,603.44)
Infrastructure	(37,409,297.93)	-	-	-	-	(37,951,624.13)
Facilities & Other Improvements	(41,475,793.98)	-	-	-	-	(44,644,539.78)
Furniture & Equipment	(112,646,569.75)	(26,341.11)	-	(246,911.16)	40,380.45	(123,413,473.24)
Vehicle, Boats & Aircraft	(2,876,766.76)	-	-	(17,024.50)	17,024.50	(3,058,081.76)
Other Capital Assets	(76,858,622.18)	-	-	-	-	(82,521,972.03)
<b>Total Accumulated Depreciation</b>	<b>(788,593,567.99)</b>	<b>(26,341.11)</b>	<b>-</b>	<b>(263,935.66)</b>	<b>57,404.95</b>	<b>(840,761,294.38)</b>
<b>Depreciable Assets, Net</b>	<b>635,955,635.79</b>	<b>(11,134.28)</b>	<b>12,709,395.80</b>	<b>11,757.92</b>	<b>(8,206.63)</b>	<b>627,340,203.44</b>
<b>Amortizable Assets-Intangible</b>						
Computer Software	47,146,491.55	-	2,491,203.55	-	-	82,832,296.78
Other Intangible Capital Assets	-	-	-	-	-	2,359,368.34
<b>Total Amortizable Assets-Intangible</b>	<b>47,146,491.55</b>	<b>-</b>	<b>2,491,203.55</b>	<b>-</b>	<b>-</b>	<b>85,191,665.12</b>
<b>Less Accumulated Amortization For:</b>						
Computer Software	(22,985,429.34)	-	-	-	-	(34,418,291.30)
Other Intangible Capital Assets	-	-	-	-	-	(58,984.20)
<b>Total Accumulated Amortization</b>	<b>(22,985,429.34)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,477,275.50)</b>
<b>Amortizable Assets-Intangible, Net</b>	<b>24,161,062.21</b>	<b>-</b>	<b>2,491,203.55</b>	<b>-</b>	<b>-</b>	<b>50,714,389.62</b>
<b>Total Business-Type Activities - Capital Assets, Net</b>	<b>\$ 859,838,159.62</b>	<b>\$ (198,515.99)</b>	<b>\$ -</b>	<b>\$ 354,232.22</b>	<b>\$ (350,680.93)</b>	<b>\$ 964,013,755.46</b>

**NOTE 3: Deposits, Investments, & Repurchase Agreements**

The University of Houston System authorized by statute to make investments following the “prudent person rule”. There were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 2011, the carrying amount of deposits was \$37,524,573.33 as presented below.

Governmental and Business-Type Activities	
Cash in Bank-Carrying Amount	\$ 37,524,573.33
Total Cash in Bank per Annual Financial Report	<u>\$ 37,524,573.33</u>
Reconciliation of Cash per Annual Financial Report	
Proprietary Funds, Current Assets, Cash in Bank	\$ (67,424,817.79)
Proprietary Funds, Current Assets, Restricted Cash in Bank	(11,615,602.16)
Proprietary Funds, Non-Current Assets, Restricted Cash in Bank	<u>116,564,993.28</u>
Cash in Bank per Annual Financial Report	<u>\$ 37,524,573.33</u>

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

As of August 31, 2011, the total bank balance was as follows.

Governmental and Business-Type Activities	\$ 44,612,936.39
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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 has no deposits that are at risk of recovery with the failure of a depository financial institution.

**Foreign Currency Risk**

Foreign Currency Risk for deposits is the risk that changes in exchange rate will adversely affect the deposit. The System maintains no foreign bank accounts; therefore no foreign currency risks exist.

**Investments**

As of August 31, 2011, fair value of investments is as presented below.

Governmental and Business-Type Activities	Fair Value
U.S. Government Agency Obligations	\$ 35,476,719.29
U.S. Treasury Securities	97,939,742.18
Corporate Obligations	42,448,907.84
Equities	102,582,068.97
International Equities	103,825,419.66
Fixed Income Money Market and Bond Mutual Funds	264,485,192.80
Other Commingled Funds (TexPool)	149,170,219.64
Other Commingled Funds	1,259,036.06
Externally Managed Investments-Domestic	42,089,315.58
Externally Managed Investments-International	174,577,059.79
Real Estate	4,038,292.00
Miscellaneous Investments	<u>7,324,712.70</u>
Total Investments	<u>\$ 1,025,216,686.51</u>

## Reconciliation of Investments per Annual Financial Statements

Proprietary Funds, Current Assets, Short Term Investments	\$ 413,655,412.44
Proprietary Funds, Non-Current Assets, Investments	611,561,274.07
Investments per Annual Financial Statements	<u>\$ 1,025,216,686.51</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the System limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 2011, the System had no investment securities with credit risk exposure. A schedule of investments as rated by the national rating agency Standard & Poor's follows:

## Investments as Rated by Standard &amp; Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AAAm	AA	A	BBB	NR
05	9999	US Govt Agency Obligations	35,476,719.29					
		Corporate Obligations	6,613,254.19		25,254,451.10	3,649,514.10	6,246,714.15	684,974.30
		Fixed Inc MM & Bond Mutual Funds		264,485,192.80				
		Miscellaneous Investments			4,879,895.40	1,327,480.80		1,117,336.50

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2011, the agency's concentration of credit risk in any single issuer did not exceed five percent of total investment assets as reported on the Statement of Net Assets.

## Reverse Repurchase Agreements

The System, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the System and the System transfers securities to the broker-dealer and promises to repay the cash plus interest in exchange for the same or similar securities. Credit risk exposure for the System arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. During the fiscal year, the System had no investments in reverse repurchase agreements.

## Securities Lending

The System does not participate in a security-lending program.

In securities lending transactions, the System transfers its securities to broker-dealers and other entities for collateral - which may be cash, or securities - and simultaneously agrees to return the collateral for cash or the same securities in the future. The System invests the cash received as collateral and, if the returns on those investments exceed the rebate paid to the borrowers of the securities, the securities lending transactions generate income for the System. However, if the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss on principal, part of the payment to the borrower would come from the System's resources. The borrower will pay a loan premium or fee for the securities loan, thus generating income for the System.

Securities lending is authorized by state statutes. The System is authorized to lend its U.S. Government and Agency securities. Collateral is either cash or U.S. Government or Agency securities at a value of 102% of the value of the securities lent. The securities lending contracts allow the System to pledge or sell collateral securities without borrower default. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes to borrowers exceed the amounts the borrowers owe the System.

Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities. The policy is to match the maturities of the collateral investments and the securities loans. There were no significant violations of legal or contractual provisions, any borrower or lending agent default losses, and no recoveries of prior-period losses during the year.

#### NOTE 4: Short-Term Debt

In the prior fiscal year the System issued commercial paper (Consolidated Revenue Commercial Paper Program, Series A) to facilitate renovation and construction projects at the University of Houston and UH-Victoria. The balance remaining from the prior year issuance was redeemed during fiscal year 2011. Additional commercial paper was issued during fiscal year 2011, the proceeds of which were used to provide interim financing for renovation and construction projects at UH. Additional information about the System's long-term debt liabilities can be found in Note 5.

**Table 4 : Commercial Paper Activity**

Business Type Activities	Balance 9/01/10	Additions	Reductions	Balance 8/31/11
Commercial Paper	\$ 10,000,000.00	\$ 48,341,000.00	\$ 16,200,000.00	\$ 42,141,000.00

#### NOTE 5: Long-Term Liabilities

##### Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes, presented in Table 5.1, occurred in liabilities.

**Table 5.1 - Long Term Liabilities**

Business- Type Activities	Balance 9/1/10	Additions	Reductions	Balance 8/31/11	Due Within 1 Year	Due Thereafter
Claims and Judgments	\$ 402,235.29	\$ 2,527,390.68	\$ 2,609,217.11	\$ 320,408.86	\$ 307,666.66	\$ 12,742.20
Capital Lease Obligations	0.00	7,769,869.94	396,891.91	7,372,978.03	366,159.65	7,006,818.38
Employee Compensable Leave	23,130,323.47	12,922,136.52	12,120,392.38	23,932,067.61	11,470,639.95	12,461,427.66
Notes & Loans Payable	10,000,000.00	48,341,000.00	16,200,000.00	42,141,000.00	42,141,000.00	0.00
Revenue Bonds Payable	702,354,407.32	0.00	27,383,914.86	674,970,492.46	28,523,914.86	646,446,577.60
Total	<u>\$ 735,886,966.08</u>	<u>\$ 71,560,397.14</u>	<u>\$ 58,710,416.26</u>	<u>\$ 748,736,946.96</u>	<u>\$ 82,809,381.12</u>	<u>\$ 665,927,565.84</u>

#### Claims and Judgments

At August 31, 2011, various lawsuits and claims involving the System were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against the System cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not expected to have a material effect on System accounts.

## Capital Lease Obligations

See Note 8 for detailed capital lease note disclosure requirements.

## Notes and Loans Payable

The Board of Regents has established a program to issue commercial paper notes payable from pledged revenues, the general purpose and function of which is to finance System project costs of eligible projects and to refinance, renew, or refund notes, any prior encumbered obligations, and parity debt obligations, including interest thereon. The System is authorized to issue commercial paper (Consolidated Revenue Commercial Paper Program, Series A) in the form of notes which may not exceed, in the aggregate, a principal amount which was initially established at \$50,000,000 at any one time, and was increased in March 2009 to \$125,000,000 at any one time. The maximum maturity for the commercial paper is 270 days and is issued at tax exempt and taxable interest rates. During the 2011 fiscal year the System issued \$48,341,000 of commercial paper notes. As of the date of the issuance of this financial report, the System had outstanding commercial paper liabilities of \$42,141,000, which will be redeemed during fiscal year 2012, and which the System anticipates refinancing with long-term debt. The System's debt service requirements for long-term notes and loans payable as of August 31, 2011 are presented in Table 5.2.

**Table 5.2 – Long Term Notes and Loans Payable**

Business-Type Activities	Year	Principal	Interest	Total
Commercial Paper	2012	\$ 42,141,000.00	\$ 9,433.22	\$ 42,150,433.22
Total		<u>\$ 42,141,000.00</u>	<u>\$ 9,433.22</u>	<u>\$ 42,150,433.22</u>

## Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Full-time state employees earn annual leave from eight to twenty-one hours per month depending on the respective employees' years of state employment. The state's policy is that an employee may carry his 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. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2011. Employees with at least six months of state service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

Non-debt liability obligations are usually paid from the same funding source from which the employee's salary or wage compensation was paid.

Lump sum payments made to employees, who separated from state service during the 2011 fiscal year, for accrued vacation and compensatory leave, totaled \$2,315,083.17.

## Revenue Bonds Payable

See Note 6 for required Revenue Bond disclosures.

## **NOTE 6: Bonded Indebtedness**

### **Bonds Payable**

Detailed supplemental bond information is disclosed in Schedule 2-A, Miscellaneous Bond Information, Schedule 2-B, Changes in Bonded Indebtedness, Schedule 2-C Debt Service Requirements, Schedule 2-D, Analysis of Funds Available for Debt Service, Schedule 2-E, Defeased Bonds Outstanding, and Schedule 2-F, Early Extinguishment and Refunding.

### **Revenue Bonds**

#### **• Consolidated Revenue Bonds, Series 2002-A**

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, building, structure, activity, service, operation, or facility of the University of Houston System.
- Proceeds were used to renovate and expand the M.D. Anderson Library and build the Science and Engineering Research Center (UH), to build the Commerce Street Building (UHD), to build the Student Services and Classroom Building (UHCL) and the renovation of the University West Building (UHV).
- \$130,955,000; all bonds authorized have been issued.
- Issued 09-01-2002.
- Source of revenue for debt service – Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation-Tuition Revenue Bonds.)

#### **• Consolidated Revenue Variable Rate Demand Bonds, Series 2004**

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston System, including the individual campuses of the System.  
Proceeds were used to repair damage from Tropical Storm Allison (UH).  
\$25,000,000; all bonds authorized have been issued.
- Issued 06-16-2004.
- Source of revenue for debt service – Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 from Legislative appropriation-Tuition Revenue Bonds.)
- The bonds bear interest at a variable rate, which is determined on a weekly basis on each Wednesday, and the rate is effective for a seven-day period commencing on the immediately following Thursday. The variable rate in effect on August 31, 2011 was .19%.
- Bondholders have the option to tender their bonds for purchase at a price equal to the principal amount thereof, plus accrued interest, at the times and subject to the conditions described in the bond resolution. Tendered bonds may be remarketed and remain outstanding. Bonds tendered for purchase will be paid first from the proceeds of remarketing, if any, and then from legally available money advanced by the Board of Regents. In order to provide for the payment of the purchase price of tendered bonds, the Board has agreed to provide self-liquidity. The Board has not entered into an agreement with an outside entity to provide liquidity in the event that the remarketing agent is unable to remarket the bonds on an optional tender date. Liquidity support for the bonds will be provided by the System's funds and is expected to be provided first from funds invested in the System's non-endowed investment pool and money market accounts.
- Outstanding bonds maturing subsequent to 02-15-2011, totaling \$860,000 were extinguished early by using existing assets.

#### **• Consolidated Revenue Bonds, Series 2005**

- To finance the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston System, including the individual campuses of the System.
- Proceeds were used to finance the construction of the Welcome Center Garage (UH).
- \$25,800,000; all bonds authorized have been issued.
- Issued 04-01-2005.
- Source of revenue for debt service – Tuition and various other fees, and revenues and balances that may be legally available for payment of debt obligations.

- **Consolidated Revenue Bonds, Series 2006**

- To finance the acquisition, purchase, construction, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads or related infrastructure for or on behalf of the University of Houston System and the individual campuses of the System.
- Proceeds were used to finance the construction of the Shea Street Academic Building and Parking Facility (UHD).
- \$35,140,000; all bonds authorized have been issued.
- Issued 02-01-2006.
- Source of revenue for debt service – Tuition and various other fees that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation-Tuition Revenue Bonds.)

### **General Obligation Bonds**

At August 31, 2011, the System had no bonds payable classified as General Obligation Bonds.

### **Refunding Bonds**

- **Consolidated Revenue and Refunding Bonds, Series 2002-B**

- To refund \$27,415,000 of Consolidated Revenue Refunding Bonds, Series 1993 and \$19,385,000 of Consolidated Revenue Bonds, Series 1993-A.
- \$45,425,000; all bonds authorized have been issued.
- Issued 11-01-2002.
- Source of revenue for debt service - Designated tuition and various other revenues and balances that may be legally available for payment of debt obligations.
- Average rate of bonds refunded - 5.4% (1993) and 5.5% (1993-A).
- Net proceeds from refunding series - \$47,871,000, after receipt of bond premium of \$2,888,998 and payment of \$442,998 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1993 and 1993-A series bonds, when the bonds were called for early redemption on 02-15-03.
- The 1993 and 1993-A series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant fund group.
- Refunding of the 1993 and 1993-A series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$3,228,503.
- Economic gain - \$2,733,595; the difference between the net present value of the old and new debt service payments.

- **Consolidated Revenue and Refunding Bonds, Series 2003**

- To refund \$15,975,000 of Consolidated Revenue Refunding Bonds, Series 1995.
- \$16,490,000; all bonds authorized have been issued.
- Issued 12-01-2003.
- Source of revenue for debt service – Tuition and various other revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 from Legislative appropriation-Tuition Revenue Bonds.)
- Average rate of bonds refunded - 5.92%.
- Net proceeds from refunding series - \$17,419,961 after receipt of bond premium of \$896,716 and payment of \$266,453 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1995 series bonds, when the bonds were called for early redemption on 02-15-05.
- The 1995 series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant fund group.
- Refunding of the 1995 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$1,377,275.
- Economic gain - \$1,292,003; the difference between the net present value of the old and new debt service payment.

- **Consolidated Revenue and Refunding Bonds, Series 2006**

- To refund \$3,295,000 of Consolidated Revenue Refunding Bonds, Series 1997 (UHV) and \$44,430,000 of Consolidated Revenue Bonds, Series 2000 (UH).
- \$45,240,000; all bonds authorized have been issued.
- Issued 02-01-2006.
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation-Tuition Revenue Bonds.)
- Average rate of bonds refunded - 5.45% (1997) and 5.45% (2000).
- Net proceeds from refunding series - \$49,799,345, after receipt of bond premium of \$1,823,210 and payment of \$473,865 in underwriting fees, insurance, and other issuance costs.
- Funds were used to purchase state and local government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1997 and 2000 series bonds. The refunded 1997 series will be called for early redemption on 08-15-2007, and the 2000 series bonds will be called for early redemption on 02-15-2010.
- The 1997 series bonds maturing subsequent to 08-15-2007 and the 2000 series bonds maturing subsequent to 02-15-2010 are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group.
- Refunding of the 1997 and 2000 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$4,841,586.
- Economic gain - \$3,013,573; the difference between the net present value of the old and new debt service payment.

- **Consolidated Revenue and Refunding Bonds, Series 2008**

- To (a) refund and defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, improvement, enlargement and equipping of property, buildings, structures, activities, services, operations and other facilities, roads or related infrastructure for or on the behalf of the system, including individual campuses of the System.
- In addition to the defeasement of the commercial paper noted above the proceeds were used to finance the construction of the Calhoun Lofts, East Parking Garage Part 1, and MacGregor Land purchase (UH), the Allied Health Facility, The Regional Center for Economic Development and Building 2, Sugarland (UHV).
- \$143,615,000.00: all bonds have been issued.
- Issued 07-01-2008.
- Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation.)

- **Consolidated Revenue and Refunding Bonds, Series 2009**

- To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or infrastructure related for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the commercial paper noted above the proceeds were used to finance the Science Lab renovations, the purchase of Bayou Oaks, the construction of the Stadium Parking Garage Part 1 and East Garage Part 2 (UH) and the renovation of the Arbor Building (UHCL).
- Issued 02-04-2009.
- \$108,395,000; all bonds authorized have been issued (\$98,230,000 University of Houston and \$10,165,000 University of Houston – Clear Lake).
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation-Tuition Revenue Bonds.)

- **Consolidated Revenue and Refunding Bonds, Series 2009-A**

- To (a) refund and defease \$20,515,000 of outstanding Consolidated Revenue Bonds, Series 1999 and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or infrastructure related for or on behalf of the System, including individual campuses of the System
- In addition to the defeasement of the bonds noted above the proceeds were used to finance the construction of Cougar Village Part 1 (UH).



- Issued 07-02-2009.
  - \$71,175,000; all bonds authorized have been issued (\$52,200,000 revenue bonds – (UH) and \$18,975,000 refunding bonds – (UH), \$6,829,105.50, University of Houston – Downtown, \$4,267,477.50, and University of Houston – Victoria, \$7,878,420.00).
  - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2011 partially from Legislative appropriation-Tuition Revenue Bonds.)
  - Average interest rate of bonds refunded - 4.885%.
  - Net proceeds from refunding series - \$20,892,799.63, after receipt of bond premium of \$1,719,638.50 and additional available funds of \$377,640.50 and payment of \$179,479.37 in underwriting fees, insurance, and other issuance costs.
  - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 1999 series bonds, after they were called for early redemption.
  - The 1999 series bonds maturing subsequent to 02-15-2009 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
  - Refunding of the 1999 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$2,023,239.08.
  - Economic gain - \$1,742,552.43; the difference between the net present value of the old and new debt service payment.
- **Consolidated Revenue and Refunding Bonds, Series 2010-A**
    - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
    - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs related to the renovation of UH Moody Towers Dining Hall and the purchase of UH Energy Research Park.
    - Issued 04-15-2010.
    - \$23,305,000; all bonds authorized have been issued (\$23,305,000 University of Houston).
    - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.
- **Consolidated Revenue and Refunding Bonds, Series 2010-B**
    - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
    - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance costs related to the construction of a classroom/business building and the Health and Biomedical Sciences building (UH), the renovation of certain facilities at the UH Energy Research Park (UH) and construction costs related to Jaguar Residence Hall (UHV).
    - This bond issue is a qualified Build America Bond (BAB) as defined within Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended.
    - Issued 04-15-2010.
    - \$79,975,000; all bonds authorized have been issued (\$74,686,469 University of Houston and \$5,288,531 University of Houston – Victoria).
    - Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations. The System will receive interest subsidy payments from the U.S. Treasury equal to 35 percent of the interest payable on related qualified Build America Bonds contemporaneously with the interest payment dates of the qualified Build America Bonds.
- **Consolidated Revenue and Refunding Bonds, Series 2010-C**
    - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.

- In addition to the defeasement of the commercial paper note above, the proceeds were used to finance construction costs for Stadium Parking Garage Part 2, and renovation of certain facilities at the UH Energy Research Park (UH) and at construction costs related to Jaguar Residence Hall (UHV).
- Issued 04-15-2010.
- \$18,255,000; all bonds authorized have been issued (\$16,698,745 University of Houston and \$1,556,255 University of Houston – Victoria).
- Source of revenue for debt service – Designated tuition and various other fees, revenues and balances that may be legally available for payment of debt obligations.

### **Pledged Future Revenues**

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of 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 revenue bonds:

	Government Activities	Business-Type Activities	Component Units
Pledged revenue required for future principal and interest on existing revenue bonds	\$ NA	\$ 1,011,359,279.24	\$ NA
Term of commitment year ending 08/31	NA	2038	NA
Percentage of revenue pledged	NA	71.2%	NA
Current year pledged revenue	\$ NA	\$ 624,084,153.87	\$ NA
Current year principal and interest paid	\$ NA	\$ 57,978,570.68	\$ NA

Pledged revenue sources:

Governmental activities – None.

Business-type activities – Operating income from tuition and fees, and sales and service revenue from auxiliary and non-auxiliary activities including intercollegiate athletics, residential life, parking, rental of facilities, continuing education, royalties, publications, clinics, bookstores, and vending commissions.

Component Units – None.

### **Build America Bonds**

Build America Bonds (BABs) were created as part of the federal American Recovery and Reinvestment Act of 2009 (ARRA). Taxable bonds may be issued by governmental entities, including state agencies and state universities, as Tax Credit BABs or as Direct Payment BABs. Tax Credit BABs provide a federal tax credit to investors equal to 35 percent of the interest received from the bond issuer. Direct Payment BABs provide a direct federal reimbursement to state and local governmental issuers equal to 35 percent of the interest paid on the bonds.

During the 2010 fiscal year the University of Houston System issued \$79,975,000 of Consolidated Revenue and Refunding Bonds, Series 2010-B, taxable revenue bonds under the Direct Payment BABs program. A balance of \$79,975,000 remained outstanding at August 31, 2011. No Tax Credit BABs were issued.

### **NOTE 7: 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 swap contracts, futures contracts, options, options on futures contracts and forward contracts.

Hedging derivative contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the agency 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 agency to issue bonds at a cost less than what the agency 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.

As of August 31, 2011 the System has no investments in Derivative Instruments.

## NOTE 8: Leases

### Operating Leases

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

<u>Fund Type</u>	<u>Amount</u>
Proprietary Fund	\$ 6,679,883.31

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2012	\$ 4,580,298.49
2013	3,435,223.87
2014	2,290,149.24
2015	1,145,074.62
2016	572,537.31
2017-2021	286,268.66
2022-2026	143,134.33
Total Minimum Future Lease Rental Payments	<u>\$ 12,452,686.52</u>

### Capital Leases

The System has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. A summary of the original capitalized costs of all such property under lease in addition to the accumulated depreciation as of August 31, 2011 is as follows:

Assets Under Capital Leases  
Year Ended August 31, 2011

	<u>Primary Government Business-Type Activities</u>		
<u>Class of Property</u>	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Buildings	\$ 7,372,978.03	\$ (335,517.00)	\$ 7,037,461.03
Total	<u>\$ 7,372,978.03</u>	<u>\$ (335,517.00)</u>	<u>\$ 7,037,461.03</u>

Future Capital Lease payments  
Year Ending August 31, 20FY

Primary Government Business-Type Activities			
Year	Principal	Interest	Total Future Minimum Lease Payments
2012	\$ 366,159.65	\$ 315,817.51	\$ 681,977.16
2013	374,630.46	298,816.74	673,447.20
2014	382,928.44	281,455.64	664,384.08
2015	390,700.61	263,554.03	654,254.64
2016	397,875.30	245,183.70	643,059.00
2017-2021	2,047,015.34	929,324.14	2,976,339.48
2022-2026	2,130,833.58	465,074.34	2,595,907.92
2027-2031	1,282,834.65	72,671.43	1,355,506.08

#### NOTE 9: Retirement Plans

The State has joint contributory retirement plans for substantially all its employees. The System participates in the plans administered by the Teachers Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The Retirement System does not account for each State agency separately. Annual financial reports prepared by the Retirement System include audited financial statements and actuarial assumptions and conclusions.

The state has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is available to certain eligible employees and is in lieu of participation in the Teacher Retirement System.

The contributions made by plan members and employers for the fiscal year ended August 31, 2011 are:

	TRS Participants	ORP Participants	Total Contributions
Member Contributions	\$ 13,551,596.59	\$ 15,978,870.00	\$ 29,530,466.59
Employer Contributions	13,820,420.88	17,663,004.00	31,483,424.88
Total	\$ 27,372,017.47	\$ 33,641,874.00	\$ 61,013,891.47

#### NOTE 10: Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Multiple plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The State's 457 plan complies with the Internal Revenue Code Section 457. The State also administers another plan; "TexaSaver" created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

The tax deferred investment program permits benefits-eligible employees of the System to purchase qualified tax deferred investments with a portion of their salaries. Participation in the program is voluntary and is a supplement to the Teacher Retirement System or the Optional Retirement Program. It is however, separate and apart from either.

**NOTE 11: Post Employment Health Care and Life Insurance Benefits (UT, A&M, TRS, and ERS)**

Provisions of this requirement apply only to University of Texas, Texas A&M University, Teacher Retirement System, and Employee Retirement System.

**NOTE 12: Interfund Activity and Transactions**

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

1. Interfund Receivables or Interfund Payables
2. Legislative Transfers In/Out

The System experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances at August 31, 2011, are shown in Tables 12.1, 12.2, 12.3, 12.4 and 12.5

**Table 12.1 - Interfund Receivable/Payable**

	Interfund Receivable	Interfund Payable	Purpose
<i>Current Portion</i> GENERAL REVENUE (01)			
Total Current Interfund Receivable/Payable	\$ 0.00	\$ 0.00	
<i>Non-Current Portion</i> GENERAL REVENUE (01)			
Total Non-Current Interfund Receivable/Payable	\$ 0.00	\$ 0.00	

**Table 12.2 - Due From/To Other Agencies**

	Due From Other Agencies	Due To Other Agencies	Source
Enterprise (05)			
Appd Fund 1180, D23 Fund 1180 Agency 306, D23 Fund 1180 University of Houston	\$ 2,502.50	\$	State Pass Through
Appd Fund 5026, D23 Fund 5026 Agency 320, D23 Fund 5026 University of Houston	83,904.94		Federal Pass Through
Appd Fund 7999, D23 Fund 7999 Agency 506, D23 Fund 7999 University of Houston	24,187.62		State Pass Through
Appd Fund 0001, D23 Fund 0001 Agency 530, D23 Fund 0001 University of Houston	682,946.01		Federal Pass Through
Appd Fund 0001, D23 Fund 0001 Agency 537, D23 Fund 0001 University of Houston	654,567.72		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 556, Fund 7999 UH-Victoria	36,778.56		State Pass Through

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Appd Fund 9999, D23 Fund 7999 Agency 555, D23 Fund 7999 Uh-Clear Lake	17,952.43		State Pass Through
Appd Fund 1510, D23 Fund 1510, Agency 582, D23 Fund 1510 University of Houston	10,209.75		State Pass Through
Appd Fund 1510, D23 Fund 1510 Agency 582, D23 Fund 1510 University of Houston	49,673.61		State Pass Through
Appd Fund 0015, D23 Fund 0015 Agency 582, D23 Fund 0015 UH-Clear Lake	181,787.76		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 601, D23 Fund 7999 UH-Downtown	29,622.19		State Pass Through
Appd Fund 5015, D23 Fund 5015 Agency 608, D23 Fund 5015 University of Houston	265.32		State Grant
UH-Clear Lake	57.16		State Grant
UH-Victoria	336.06		State Grant
UH-Downtown	88.72		State Grant
UH-System Admin	66.00		State Grant
Appd Fund 0148, D23 Fund 0148 Agency 701, D23 Fund 0148 University of Houston	70,125.18		Federal Pass-Through
Appd 0369, D23 Fund 0369 Agency 701, D23 Fund 0369 University of Houston	263.35		Federal Pass-Through
Appd Fund 9999, D23 Fund 7999 Agency 711, D23 Fund 7999 UH-Clear Lake	5,615.67		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 712, D23 Fund 7999 University of Houston	45,933.34		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 714, D23 Fund 7999 University of Houston	18,544.41		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 715, D23 Fund 7999 University of Houston		22,273.75	Federal Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 717, D23 Fund 7999 University of Houston	31,473.33		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 721, D23 Fund 7999 University of Houston	189,468.80		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 721, D23 Fund 7999 UH-Clear Lake	8,824.02		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 723, D23 Fund 7999 University of Houston	314,179.32	31,807.98	State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 730, D23 Fund 7999 UH-Clear Lake	8,945.18		Federal Pass Through

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Appd Fund 9999, D23 Fund 7999 Agency 734, D23 Fund 7999 University of Houston	64,311.64		State Pass Through
Appd Fund 0001, D23 Fund 0001 Agency 736, D23 Fund 0001 UH-Clear Lake	5,627.56		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 743, D23 Fund 7999 UH-Victoria	24,694.24		State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 744, D23 Fund 7999 University of Houston		150,129.29	State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 747, D23 Fund 7999 University of Houston		75.69	State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 754, D23 Fund 7999 University of Houston		41,907.80	State Pass Through
Appd 9999, D23 Fund 7999 Agency 759, D23 Fund 7999 University of Houston		8,945.18	State Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 760, D23 Fund 7999 University of Houston		163.35	Federal Pass Through
Appd Fund 0001, D23 Fund 0001 Agency 781, D23 Fund 0001 UH-Clear Lake	4,341.30	5,844.01	Federal Pass Through
Appd Fund 0001, D23 Fund 0001 Agency 781, D23 Fund 0001 UH-Victoria	24,506.82		Federal Pass Through
Appd Fund 0002, D23 Fund 0002 Agency 781, D23 Fund 0002 UH_Clear Lake		1,500.00	Federal Pass Through
Appd Fund 0002, D23 Fund 0002 Agency 781, D23 Fund 0002 UH_Victoria		2,000.00	Federal Pass Through
Appd Fund 9999, D23 Fund 7999 Agency 788, D23 Fund 7999 University of Houston		19,752.07	State Pass Through
Appd Fund 0951, D23 Fund 0951 Agency 802, D23 Fund 0951 UH_Clear Lake	4,091.86		State Pass Through
Total Due From/To Other Agencies	\$ 2,595,892.37	\$ 284,399.12	

**Table 12.3 - Due From/To Other Funds**

General Revenue (01)	Due From Other Funds	Due to Other Funds	Source
	\$ 0.00	\$ 0.00	
Total Due From/To Other Funds	\$ 0.00	\$ 0.00	

**Table 12.4 - Transfers In/Out**

Enterprise (05)	Transfers In	Transfers Out	Purpose
Appd Fund 5103, D23 Fund 5103 Agency 781, D23 Fund 5013 University of Houston	\$	\$ 4,079,907.59	\$56.465 Tex Educ Code Annot. Sub Chapter Q (B-on-Time)
UH Clear Lake		172,291.50	
UH-Downtown		661,719.14	
UH-Victoria		147,600.00	
Appd Fund 0225, D23 Fund 0225 Agency 781, D 23 Fund 0001 University of Houston		171,914.07	\$61.9731 Tex. Educ. Code Annot. (Law Tuition Set Aside)
University of Houston		43,894.00	\$56.095 Tex. Educ. Code Annot. Subchapter F (Doctoral Set Aside)
Total Transfers In/Out	\$ 0.00	\$ 5,277,326.30	

**Table 12.5 - Legislative Transfers In and Out**

General Revenue (01)	Legislative Transfers In	Legislative Transfers Out	Comment
Appd Fund 0001, D23 Fund 0001 Agency 730, D23 Fund 0001 University of Houston	\$ 102,029.00	\$ 73,146.00	Shared Appropriation approved by the UH Board of Regents
Appd Fund 0001, D23 Fund 0001 Agency 759, UH-Clear Lake	73,146.00	102,029.00	Shared Appropriation approved by the UH Board of Regents
Total Legislative Transfers	\$ 175,175.00	\$ 175,175.00	

**NOTE 13: Continuance Subject to Review**

The System is not subject to the provisions of the Texas Sunset Act (Chapter 325, Texas Government Code Annotated). The Act provides for the regular assessment of the continuing need for state agencies to exist. Certain agencies, such as institutions of higher education and courts, are not subject to the Sunset Act.

**NOTE 14: Adjustments to Fund Balances/Net Assets**

During fiscal year 2011, a restatement of the prior year's net assets/fund equity balance was required. The restatements represent prior period adjustments to beginning net assets related to capital assets and accumulated depreciation changes. The changes and restatements are shown in Tables 14.1 and 14.2.

**Table 14.1 - Restatement of Net Assets**

Description		
Net Assets, as Reported, August 31, 2010		\$ 1,182,742,948.00
Restatements:		
Capital Assets Valuation Correction	\$ (172,174.88)	
Accumulated Depreciation Correction	(26,341.11)	
Total Restatements		(198,515.99)
Net Assets, September 1, 2010, as Restated		<u>\$ 1,182,544,432.01</u>



**Table 14.2 - Restatement of Capital Assets**

Description		
Capital Assets, as Reported, August 31, 2010		
Non-Depr/Non Amort Assets	\$	199,721,461.62
Depreciable Assets		1,424,549,203.78
Accumulated Depreciation		(788,593,567.99)
Amortizable Assets		47,146,491.55
Accumulated Amortization		(22,985,429.34)
Total Capital Assets	\$	859,838,159.62
Restatements:		
Non-Depreciable Capital Assets Correction		(187,381.71)
Depreciable Capital Assets Correction		15,206.83
Accumulated Depreciation Correction		(26,341.11)
Total Restatements		(198,515.99)
Capital Assets, September 1, 2010, as Restated	\$	859,639,643.63

**NOTE 15: Contingent Liabilities**

As mentioned in Note 5, various lawsuits and claims involving the System were pending. While the ultimate liability, if any, remains uncertain, management does not expect any possible adverse ruling to have a material effect on System accounts.

The System has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

The System has several contractual agreements with various external housing management entities to construct, maintain, and manage off-campus student housing complexes. Under certain circumstances, the System may have contingent liabilities to these entities. Based on prior experience, previous years' liabilities have been immaterial, and management believes no such liabilities currently exist. Additional information is provided in Note 19.

The System has entered into contractual commitments to fund private investments made by external investment managers. Investments in which a public market does not exist have an inherent uncertainty of valuation. Because of this uncertainty, the estimate of fair value for alternative investments may differ from the values that would have been used had a ready market existed. As displayed in Note 3, the fair value of Externally Managed Investments-Domestic is \$42,089,315.58 and International is \$174,577,059.79. The total amount of unfunded commitment is \$20,955,632.94, composed of \$14,774,507.94-Domestic and \$6,181,125.00-International.

**NOTE 16: Subsequent Events**

The Board of Regents authorized additional Consolidated Revenue and Refunding Bonds to be issued during the 2012 fiscal year in a par amount not to exceed \$315,000,000. The Series 2011-A bonds are for the purpose of financing various construction and renovation projects within the UH System including a University Center, student housing and dining facilities, a parking garage, and facilities at the UH Energy Research Park for the University of Houston, as well as student housing facilities for UH – Victoria. The Series 2011-B bonds are for the purpose of refunding certain outstanding Series 2002-A and Series 2002-B Consolidated Revenue and Refunding Bonds.

As of the date this report was issued, there have been no additional events since August 31, 2011 that had a significant financial impact and require disclosure.

**NOTE 17: Risk Management**

The System is exposed to a variety of civil claims resulting from the performance of its duties. It is System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The System assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently there is the purchase of some commercial insurance, and the System is not involved in any risk pools with other government entities.

The System's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of the agency's claims liabilities during fiscal 2010 and 2011 were:

**Table 17.1 - Balance of Claims Activity**

		Beginning Balance	Increase	Decrease	Ending Balance
2010	\$	345,731.39	\$ 1,483,163.13	\$ 1,426,659.23	\$ 402,235.29
2011	\$	402,235.29	\$ 2,527,390.68	\$ 2,609,217.11	\$ 320,408.86

Liabilities include an amount for estimated future workers' compensation and unemployment claims that have been incurred as of the fiscal year end, but that have not been reported.

**NOTE 18: Management Discussion and Analysis**

The System's financial condition and position are stable and are adequately structured to function within the current national and global economic environment. The System's administrative and management teams realize that universities must be good stewards of the dollars and resources with which they are entrusted. Management strives to make sound financial decisions.

**NOTE 19: The Financial Reporting Entity**

The System is an agency of the State of Texas. While it is affiliated with several separate legal entities these organizations are not considered component units as defined by generally accepted accounting principles. The System has no affiliations classified as related organizations, joint ventures or jointly governed organizations. The System does however maintain related party relationships as reported below.

**Related Parties**

The University of Houston System is affiliated with several foundations and organizations that have been created to benefit certain operations of the System. Those which have a significant relationship with the System are described below. The assets, liabilities, and equities of the various foundations and organizations are not contained in the financial statements of the System.

**University of Houston-System Administration**

The stated purpose of the University of Houston Foundation is for the advancement of the general welfare of the University of Houston, Houston, Texas, as a whole, including, without limitation, all of the colleges and branches or divisions, thereof, wheresoever located, as well as all of the facilities and activities thereof now or hereafter existing or created, not inconsistent with the objectives, operation and management of the University of Houston. The Foundations Board of Trustees consists of nine members. The Foundation remitted \$2,365,662.92 of direct support and \$324,719.39 of indirect support to the System during the year ended August 31, 2011.

**University of Houston-College of Business Administration**

The stated purpose of the University of Houston College of Business Administration Foundation is to solicit, receive, or otherwise acquire real or personal property with the primary objective of improving the quality of education provided by the College of Business Administration; to assist in developing and increasing the facilities

of the College for broader educational opportunities; to apply funds and other resources in procuring quality personnel, materials, and equipment; and to foster professional zeal among the faculty of the College and to promote the general educational interests of such faculty. The Foundation's Board of Trustees consists of fourteen members. The Foundation remitted no direct support and \$ 978,532.89 of indirect support to the System during the year ended August 31, 2011.

#### **University of Houston-Law Foundation**

The stated purpose of the University of Houston Law Foundation is to complement legal education and assist in the orderly development of law and legal institutions through basic and applied research, service and cooperative effort for the benefit of the Law Program, and other programs and schools now or hereafter existing in related fields, of the University of Houston. The Foundation's Board of Trustees consists of fifteen members. The Foundation remitted \$655,587.04 of direct support and no indirect support to the System during the year ended August 31, 2011.

#### **University of Houston-Alumni Organization**

The stated purpose of the University of Houston Alumni Organization is to promote the aims, ideals, and purposes of the founders, officers, and faculty of the University of Houston. The Organization's Board of Trustees consists of fifteen officers and twenty-one at large directors. The Organization remitted no direct support to the System during the year ended August 31, 2011.

#### **University of Houston-Houston Athletics Foundation**

The stated purpose of the Houston Athletics Foundation, Inc. is to assist in the development and implementation of a strategic plan for athletics development including annual fund, major gifts, leadership gifts, and endowments for the University of Houston in compliance with rules and regulations set forth by the National Collegiate Athletic Association and the Board of Regents of the University of Houston System. The Foundation's Board of Directors consists of one officer and twenty eight directors. The Foundation remitted no direct or indirect support to the System during the year ended August 31, 2011.

#### **University of Houston-Foundation for Education and Research in Vision**

The stated purpose of The Foundation for Education and Research in Vision (FERV) is to improve the quality of life for others through promoting education in the field of vision. The organization seeks to encourage the study of human vision by providing resources for student scholarships and loans, research and state of the art equipment. FERV is a not for profit foundation of the University of Houston College of Optometry helping to generate and manage funding for optometric study. The organization submitted \$44,423.46 of indirect support to the University during the year ended August 31, 2011.

#### **University of Houston-The Association for Community Broadcasting**

The stated purpose of the Association for Community Broadcasting (ACB) is to engage in cooperating to sustain and continue a public cultural educational television and radio dedicated to bring the KUHT (Public Television Station Channel 8), KUHF (FM Radio Station 88.7) and KUHA (FM Radio Station 91.7) service area excellence in operation and programming and to further mutual goals for KUHT, KUHF, KHUA and ACB, by providing various and substantial support to KUHT, KUHF, KUHA and the University of Houston. The organization remitted no direct support and \$2,289,563.56 of indirect support to the System during the year ended August 31, 2011.

#### **Privatized Student Housing Facilities**

Several student housing facility projects have been constructed by private external entities in order to enhance the residential life experience of students at various System campuses. The participating entities have financed and constructed housing complexes on System owned property adjacent to university campus. These facilities are operated under ground leases and management agreements with the System for extended time periods. Under the terms of the agreements, cash revenues from rental income, net of operating expenses, are shared with the System. If cash revenues do not attain certain contractually defined thresholds, the System may be liable to the external management entity for the deficiency. In prior fiscal years, contingent liability payments were made by University of Houston. During the 2010 and 2011 fiscal years net cash flows were sufficiently adequate so as not to generate a liability payment. System management believes that current financial and occupancy performance indicates that future years' net cash flows for each residential facility will be sufficient and that future contingent liabilities for the remaining properties will not occur. Repayment of project financing is serviced from revenues generated by the housing projects, and is the sole responsibility of the external entity. The related loans and bonds are not liabilities of the University or component universities, and are not contained in the financial statements of the System. American Campus Communities operates the Cullen Oaks residential facilities at the

University of Houston. Century Development operates the Cambridge Oaks facility at the University of Houston campus and the University Forest facility at the University of Houston-Clear Lake.

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

A negative change in Net Assets did not occur in the Enterprise Fund operations for the fiscal year.

#### **NOTE 21: N/A**

Note 21 is not applicable to the AFR reporting requirements process.

#### **NOTE 22: Donor-Restricted Endowments**

Expenditure of endowed funds is not permitted without the express consent of the donor. The majority of the System's Endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as specified by the donor. In other cases endowment earnings are reinvested.

The Regents of the University of Houston System have established an endowment policy which attempts to balance the long term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable and sustainable level of income to support current needs. Payout is derived from interest, dividends and realized gains net of portfolio management fees. The historical rate of payout has been 4 to 5 percent, with any change to this range to be approved by the Board.

The net appreciation (cumulative and unexpended) on donor restricted endowments presented below in Note 22 is available for authorization and expenditure by the System.

**Table 22 - Net Appreciation of Endowments**

Donor-Restricted Endowments	Amount of Net Appreciation/(Depreciation)	Reported in Net Assets
True Endowments	\$ 14,464,501.00	Restricted Expendable
Term Endowments	35,607.38	Restricted Expendable
Total	<u>\$ 14,500,108.38</u>	

(A fair market value increase of \$20,772,452.36 was recognized for endowments at or above historical cost. A fair market value increase of \$ 14,028,634.42 was recognized for endowments below historical cost.)

#### **NOTE 23: Extraordinary and Special Items**

No items have been identified which should have been presented in the financial statements.

#### **NOTE 24: Disaggregation of Receivable & Payable Balances**

Balances of receivables and payables reported on the Statement of Net Assets may be aggregations of different components. GASB Statement 38, Certain Financial Statement Note Disclosures, requires that the System provide details in the notes to the financial statements when significant components have been obscured by aggregation. The Statement of Net Assets is presented in the classified format, and therefore the current and non-current portions of receivables and payables are separately disclosed. Significant balances in various classifications of receivables and payables are disclosed below.

##### **A. Taxes Receivable**

No reportable balances for this classification.

##### **B. Federal Receivable**

Balances by category type for Federal Receivable are shown in Table 24.

**Table 24 - Federal Receivables**

<u>Federal Receivable Program</u>	<u>Net Receivable</u>
Corporation for National and Community Service	\$ 11,478.68
Department of Agriculture	39,123.05
Department of Commerce	69,900.57
Department of Defense	2,561,019.23
Department of Education	75,245,706.32
Department of Energy	1,615,055.75
Department of Health and Human Services	1,184,785.54
Department of Housing and Urban Development	31,558.32
Department of Homeland Security	162,002.35
Department of the Interior	23,548.78
Department of Justice	87,308.89
Department of Labor	526,478.12
Department of Transportation	9,081.32
Department of Veterans Affairs	104,921.54
Environmental Protection Agency	785,013.40
National Aeronautics and Space Administration	1,163,669.29
National Foundation for the Arts and Humanities	99,055.22
National Science Foundation	3,031,917.22
Small Business Administration	657,187.07
Total Net Federal Receivable	<u>\$ 87,408,810.66</u>
<u>As Reported on the Financial Statements</u>	
Current Federal Receivable	<u>\$ 87,408,810.66</u>
Total Net Federal Receivable	<u>\$ 87,408,810.66</u>

**C. Tax Refunds Payable**

No reportable balances for this classification.

**D. Other Receivables – Current**

No reportable balances for this classification.

**E. Other Payables – Current**

No reportable balances for this classification.

**F. Other Receivables – Non-Current**

No reportable balances for this classification.

**G. Other Payables – Non-Current**

No reportable balances for this classification.

**NOTE 25: Termination Benefits**

The System has no retiring members of the Employees Retirement System of Texas (ERS) eligible for a temporary retirement incentive payment.

**NOTE 26: Segment Information**

The System has no segment activity that requires separate disclosure in the notes to the financial statements. A segment is an identifiable activity, or group of activities, reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.



Unaudited

Schedule 1 - A  
University of Houston System  
Combined Schedule of Expenditures of Federal Awards  
For The Year Ended August 31, 2011

Federal Grantor / Pass Through Grantor / Program Title	Total Pass-Thru To & Expenditures
Note:1 Non-monetary assistance Donation of Federal Surplus Personal Property	
No Activity	\$ 0.00
<b>Total Non-monetary Assistance</b>	<b>0.00</b>
Note 2: Reconciliation	
Federal Revenues	
Federal Grants and Contracts	
Operating	56,950,714.83
Non-operating	116,859,531.20
Federal Pass Through Grants	
Operating	8,842,748.72
Non-operating	6,168,628.36
<b>Total Federal Revenues</b>	<b>188,821,623.11</b>
Reconciling Items	
Additions	
New Student Loans Processed / Adm Costs	
Federal Family Education Loan Program	0.00
Federal Perkins Loan Program	1,075,274.22
Federal Direct Student Loans	302,702,473.00
Health Prof Student Loans - Optometry	0.00
Nursing Faculty Loan Program	8,766.00
ARRA - Nurse Faculty Loan Program	19,242.00
<b>Total Additions</b>	<b>303,805,755.22</b>
Deductions	
Federal grants from Texas A&M Research Foundation	(2,660.01)
Federal grants to Texas A&M Research Foundation	(19,760.78)
Build America Bond	(1,568,336.00)
<b>Total Deductions</b>	<b>(1,590,756.79)</b>
<b>Total Reconciling Items</b>	<b>302,214,998.43</b>
<b>Total Pass Through &amp; Expenditures Per Federal Schedule</b>	<b>\$ 491,036,621.54</b>



Unaudited  
Schedule 1 - A  
University of Houston System  
Combined Schedule of Expenditures of Federal Awards  
For The Year Ended August 31, 2011

Federal Agency	New Loans Processed	Administrative Cost Recovered	Total Loans Processed Administrative Cost Recovered	Loan Receivable Ending Balances
Note 3a: Student Loan Program & Adm Cost Recovered				
Department Of Education				
84.038 Federal Perkins Loan Program				
Perkins Student Loans	\$ 1,075,274.22	\$	\$ 1,075,274.22	\$ 16,547,012.98
84.268 Federal Direct Student Loans				
Direct Student Loans	302,702,473.00		302,702,473.00	
<b>Total Department Of Education</b>	<b>303,777,747.22</b>		<b>303,777,747.22</b>	<b>16,547,012.98</b>
Department Of Health & Human Services				
93.264 Nurse Faculty Loan Program (NFLP)				
Nurse Faculty Loans	8,766.00		8,766.00	
93.408 ARRA - Nurse Faculty Loan Program				
Nurse Faculty Loans	19,242.00		19,242.00	
<b>Total Department of Health &amp; Human Services</b>	<b>28,008.00</b>		<b>28,008.00</b>	
<b>Total Student Loan Program &amp; Adm Cost Recovered</b>	<b>\$ 303,805,755.22</b>	<b>\$</b>	<b>\$ 303,805,755.22</b>	<b>\$ 16,547,012.98</b>

Note: The Perkins Student Loan Program is administered by an outside entity, Affiliated Computer Services (ACS).

Note 3b: Federally Funded Loans Processed and Administrative Cost Recovered  
None processed

Note 4: Governmental Publications

Various University of Houston System libraries participate as a Depository Library in the Government Publications Program, CFDA number 40.001. The University is the legal custodian of Government Publications, which remain the property of the Federal Government. The Publications are not assigned a value by the Government Printing Office. The University System Libraries that participate as a depository library are the University of Houston M.D. Anderson Library, the University of Houston O'Quinn Law Library, and the University of Houston-Clear Lake Alfred R. Neumann Library.

Note 5: Unemployment Insurance Funds  
None received

Note 6: Rebates for the Special Supplemental Food Program for Women, Infants and Children (WIC)  
None received

Note 7: Federal Deferred Revenue  
None received

Note 8: Supplemental Nutrition Assistance Program (SNAP)  
None received



Unaudited

Schedule 1 - B  
University of Houston System  
Combined Schedule of State Grant Pass-Throughs From/To State Agencies  
For The Year Ended August 31, 2011

	Total
Pass Through From	
Department of State Health Services (Agency 537)	
Tobacco Use Prevention and Control	\$ 55,140.47
SHS Child With Special Health Care Needs	150,519.24
<b>Total Department of State Health Services (Agency 537)</b>	<b>205,659.71</b>
Cancer Prevention and Research Institute of Texas (Agency 542)	
Framing Effective Cervical Cancer Messages for Vietnamese American Women	128,901.56
Research Training Award	290,043.52
siRNA/microRNA-conjugated gold nanoparticle dendrons for sensitizing cancer cells to chemotherapy	125,712.79
Ultra-Sensitive Multiplex Detection of Lung Cancer Biomarkers Using Immuno-Magnetic Particles	123,783.74
Administrative Core	34,363.68
C1: Animal Resources Core	35,316.30
P1: Roles of Alternate Nuclear Receptors at Key Steps In Prostate Cancer Progression	68,657.68
<b>Total Cancer Prevention and Research Institute of Texas (Agency 542)</b>	<b>806,779.27</b>
Texas Water Development Board (Agency 780)	
WSC - Research	45,041.26
<b>Total Texas Water Development Board (Agency 780)</b>	<b>45,041.26</b>
Texas Commission on Environmental Quality (Agency 582)	
Texaqs II Field Study	903,247.96
Aquatic Life UAAQ of Dickinson Bayou Trail	6,012.97
Produce Detailed Characterization of Existing and Potential Sources of Pathogen Indicator Bacteria to Armand Bayou	619.00
<b>Total Texas Commission on Environmental Quality (Agency 582)</b>	<b>909,879.93</b>
Texas Education Agency (Agency 701)	
Foundation School Program (FSP) - Formula	1,019,804.00
School Lunch Matching	257.79
Student Success Initiative	(1,931.41)
Technology Allotment	3,802.00
TX Reading, Math & Science Initiative	340.00
<b>Total Texas Education Agency (Agency 701)</b>	<b>1,022,272.38</b>
University of Texas at Arlington (Agency 714)	
College & Career Readiness Initiative Faculty Collaborative Program	2,250.13
<b>Total University of Texas at Arlington (Agency 714)</b>	<b>2,250.13</b>
University of Texas System (Agency 720)	
Joint Admission Medical Program (JAMP)	50,389.00
<b>Total University of Texas System (Agency 720)</b>	<b>50,389.00</b>
University of Texas at Austin (Agency 721)	
Texas High School Completion and Success Projects	224,185.43
Limited English Proficient	15,597.51
Student Success Initiative	155,346.18
<b>Total University of Texas at Austin (Agency 721)</b>	<b>395,129.12</b>

Unaudited

Schedule 1 - B  
University of Houston System  
Combined Schedule of State Grant Pass-Throughs From/To State Agencies  
For The Year Ended August 31, 2011

	Total
Lamar University (Agency 734)	
Tracking Emissions from On-Road Vehicles: Developing Metal Tracers Based on Measurements in the Washburn Tunnel	382.50
Meteorology Modeling with WRF for Houston Air Quality	11,200.10
Subsurface Multiphase Flow Characteristics of Bioalcohol Fuels and Groundwater Quality	20,348.28
Ammonia Formation During Periodic Nox Reduction	1,255.35
Investigation of the Role of Trace Metals in Sulfate Aerosol Foundation	1,066.32
Mitigation of Biological Inorganic Fouling for Waste Stream Reduction in Membrane Filtration	42,055.33
Erosion of Muddy Sediments in the Houston Ship Channel Due to Turbulent Flow: Implications for Transport of Pollutants Attached to Fine Muddy Sediments	17,505.06
Reactive Air Sparging for Simultaneous Removal of MTBE and TBE in Groundwater	10,068.28
Bioelectrical Production in a Microbial Fuel Cell (MFC): Bio-surfactant Production Using Used Vegetable Oil in the Anode and Rapid Contaminant Degradation in the Cathode	25,000.00
Accurate Air Pollution Source Attribution by Improving Mass Consistency/Conservation in Air Quality Modeling	42,011.81
Metals Analysis for Tracking Particulate Matter from Mobile Sources and Petroleum Refining Operation in Houston	107,221.60
<b>Total Lamar University (Agency 734)</b>	<b>278,114.63</b>
Texas Higher Education Coordinating Board (Agency 781)	
Professional Nursing Aid	6,493.00
Nursing & Allied Health	44,973.00
General Academic Enrollment Growth	222,889.66
TEXAS Grant Program	27,096,118.15
Professional Nursing Shortage Reduction Program	(293,978.00)
Promote Participation & Success	12,500.00
Engineering Recruitment Program	21,564.00
Texas Research Incentive Program - HB51	2,141,655.41
College Work Study Program	286,924.97
5th Yr Accounting Students Scholarship Program	293,424.00
College Readiness Initiative	183,067.47
Top 10% Scholarships	2,159,848.00
Work Study Mentorship Program	5,000.00
Ken Ashworth Scholarship Fund	2,000.00
Combat Exemption Prog SB297	2,812.65
Early High School Program HB1479	189,211.09
Certified Edu Aide Program	2,045,501.74
<b>Total Texas Higher Education Coordinating Board (Agency 781)</b>	<b>34,420,005.14</b>
Texas Commission on the Arts (Agency 813)	
Arts Create	35,500.00
Arts Respond	13,865.00
Various Projects	515.00
<b>Total Texas Commission on the Arts (Agency 813)</b>	<b>49,880.00</b>
<b>Total Pass Through From Other Agencies</b>	<b>\$ 38,185,400.57</b>

Unaudited

Schedule 1 - B  
University of Houston System  
Combined Schedule of State Grant Pass-Throughs From/To State Agencies  
For The Year Ended August 31, 2011

	<u>Total</u>
Pass Through To	
Research Training Award	
University of Texas M.D. Anderson Cancer Center (Agency 506)	\$ 56,161.94
University of Texas Medical Branch at Galveston (Agency 723)	105,086.23
University of Texas Health Science Center at Houston (Agency 744)	24,451.06
<u>Total Research Training Award</u>	<u>185,699.23</u>
Master College Readiness Program	
University of Texas at Arlington (Agency 714)	6,978.13
<u>Total Master College Readiness Program</u>	<u>6,978.13</u>
<u>Total Pass Through To Other Agencies</u>	<u>\$ 192,677.36</u>



# Unaudited

## Schedule 2 - A University of Houston System Combined Schedule Of Miscellaneous Bond Information For The Year Ended August 31, 2011

Business-Type Activities Revenue Bonds	Description of Issue	Issued Year	Bonds Issued to Date	Range of Interest Rates	Terms Of Variable Interest Rate	Scheduled Maturities		First Call Date
						First Year	Last Year	
Consolidated Revenue Refunding Bonds Self-supporting Revenue Bonds	Consolidated Revenue Refunding Bonds Series	2002-B	\$ 45,425,000.00	3.000% - 5.250%		2003	2018	2/15/2012
	Consolidated Revenue Refunding Bonds Series	2003	16,490,000.00	2.000% - 5.000%		2006	2017	2/15/2013
	Consolidated Revenue Refunding Bonds Series	2006	48,450,000.00	3.500% - 5.000%		2007	2030	2/15/2015
	Consolidated Revenue & Refunding Bonds Series	2008	175,030,000.00	4.000% - 5.250%		2008	2038	2/15/2019
	Consolidated Revenue & Refunding Bonds Series	2009	108,395,000.00	3.000% - 5.000%		2009	2033	2/15/2019
	Consolidated Revenue & Refunding Bonds Series	2009-A	71,175,000.00	4.000% - 5.000%		2010	2034	2/15/2019
	Consolidated Revenue & Refunding Bonds Series	2010-A	23,305,000.00	4.250% - 6.125%		2011	2035	2/15/2020
	Consolidated Revenue & Refunding Bonds Series	2010-B	79,975,000.00	4.450% - 6.310%		2017	2035	2/15/2020
	Consolidated Revenue & Refunding Bonds Series	2010-C	18,255,000.00	2.000% - 4.000%		2011	2016	None
	Consolidated Revenue Bonds							
Consolidated Revenue Bonds Self-supporting Revenue Bonds	Consolidated Revenue Bonds Series	2002-A	130,955,000.00	2.500% - 4.750%		2003	2022	2/15/2012
	Consolidated Revenue Bonds Series	2005	25,800,000.00	4.000% - 5.000%		2006	2025	2/15/2015
	Consolidated Revenue Bonds Series	2006	35,140,000.00	3.500% - 5.000%		2007	2026	2/15/2015
	Consolidated Revenue Variable Rate Demand Bonds Series	2004	25,000,000.00	VAR - VAR	Weekly	2006	2024	8/15/2004
			<u>\$ 803,395,000.00</u>					





Unaudited

Schedule 2-B  
University of Houston System  
Combined Schedule Of Changes In Bonded Indebtedness  
For The Year Ended August 31, 2011

Business-Type Activities

Description of Issue	Bonds Outstanding 09/01/2010	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2011
General Obligation Bonds					
None					
Revenue Bonds					
Consolidated Revenue Refunding Bonds Series 2002-B	\$ 11,755,000.00	\$	\$ 1,215,000.00	\$	\$ 10,540,000.00
Consolidated Revenue Refunding Bonds Series 2003	10,980,000.00		1,355,000.00		9,625,000.00
Consolidated Revenue Refunding Bonds Series 2006	47,290,000.00		1,665,000.00		45,625,000.00
Consolidated Revenue & Refunding Bonds Series 2008	166,455,000.00		3,850,000.00		162,605,000.00
Consolidated Revenue & Refunding Bonds Series 2009	100,825,000.00		2,890,000.00		97,935,000.00
Consolidated Revenue & Refunding Bonds Series 2009-A	69,750,000.00		2,815,000.00		66,935,000.00
Consolidated Revenue & Refunding Bonds Series 2010-A	23,305,000.00		580,000.00		22,725,000.00
Consolidated Revenue & Refunding Bonds Series 2010-B	79,975,000.00				79,975,000.00
Consolidated Revenue & Refunding Bonds Series 2010-C	18,255,000.00		1,605,000.00		16,650,000.00
Consolidated Revenue Bonds Series 2002-A	90,160,000.00		5,865,000.00		84,295,000.00
Consolidated Revenue Variable Rate Demand Bonds Series 2004	12,310,000.00		1,065,000.00	860,000.00	10,385,000.00
Consolidated Revenue Bonds Series 2005	21,930,000.00		1,005,000.00		20,925,000.00
Consolidated Revenue Bonds Series 2006	30,460,000.00		1,285,000.00		29,175,000.00
Total Revenue Bonds	\$ 683,450,000.00	\$	\$ 25,195,000.00	\$ 860,000.00	\$ 657,395,000.00
Revenue Bonds					
Consolidated Revenue Refunding Bonds Series 2002-B	\$ 1,110,963.88	\$	\$	\$	\$ 1,455,917.51
Consolidated Revenue Refunding Bonds Series 2003	372,221.80				1,477,676.69
Consolidated Revenue Refunding Bonds Series 2006	1,363,035.49				1,812,419.30
Consolidated Revenue & Refunding Bonds Series 2008	5,083,863.34				4,283,653.96
Consolidated Revenue & Refunding Bonds Series 2009	4,289,899.59				3,769,687.03
Consolidated Revenue & Refunding Bonds Series 2009-A	2,270,937.83				69,206,937.83
Consolidated Revenue & Refunding Bonds Series 2010-A	146,915.57				22,871,915.57
Consolidated Revenue & Refunding Bonds Series 2010-B	538,003.76				22,893.77
Consolidated Revenue & Refunding Bonds Series 2010-C	693,733.08				17,343,733.08
Consolidated Revenue Bonds Series 2002-A	308,790.13				84,603,790.13
Consolidated Revenue Variable Rate Demand Bonds Series 2004	58,069.62				10,443,069.62
Consolidated Revenue Bonds Series 2005	63,154.21				20,988,154.21
Consolidated Revenue Bonds Series 2006	1,275,904.16				30,450,904.16
Total Revenue Bonds	\$ 17,575,492.46	\$	\$	\$	\$ 674,970,492.46
					\$ 28,523,914.86

Unaudited  
Schedule 2 - C  
University of Houston System  
Combined Schedule Of Debt Service Requirements  
For The Year Ended August 31, 2011

Business-Type Activities

Description of Issue	Year	Principal	Interest	Total
General Obligations Bonds				
Self-Supporting Bonds				
None		\$	\$	\$
Not Self-Supporting Bonds				
None		\$	\$	\$
Revenue Bonds				
Self-Supporting Bonds				
Consolidated Revenue Refunding Bonds Series 2002-B	2012	\$ 1,285,000.00	\$ 519,618.75	\$ 1,804,618.75
	2013	1,345,000.00	450,581.25	1,795,581.25
	2014	1,420,000.00	378,000.00	1,798,000.00
	2015	1,500,000.00	301,350.00	1,801,350.00
	2016	1,580,000.00	220,500.00	1,800,500.00
	2017 - 2021	3,410,000.00	181,387.50	3,591,387.50
	2022 - 2026			
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 10,540,000.00</u>	<u>\$ 2,051,437.50</u>	<u>\$ 12,591,437.50</u>
Consolidated Revenue Refunding Bonds Series 2003	2012	\$ 1,410,000.00	\$ 446,000.00	\$ 1,856,000.00
	2013	1,480,000.00	373,750.00	1,853,750.00
	2014	1,560,000.00	297,750.00	1,857,750.00
	2015	1,640,000.00	217,750.00	1,857,750.00
	2016	1,725,000.00	133,625.00	1,858,625.00
	2017 - 2021	1,810,000.00	45,250.00	1,855,250.00
	2022 - 2026			
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 9,625,000.00</u>	<u>\$ 1,514,125.00</u>	<u>\$ 11,139,125.00</u>
Consolidated Revenue Refunding Bonds Series 2006	2012	\$ 1,730,000.00	\$ 2,136,518.76	\$ 3,866,518.76
	2013	1,820,000.00	2,047,768.76	3,867,768.76
	2014	1,915,000.00	1,954,393.76	3,869,393.76
	2015	2,015,000.00	1,856,143.76	3,871,143.76
	2016	2,120,000.00	1,752,768.76	3,872,768.76
	2017 - 2021	10,495,000.00	7,196,218.80	17,691,218.80
	2022 - 2026	12,835,000.00	4,435,071.90	17,270,071.90
	2027 - 2031	12,695,000.00	1,173,212.50	13,868,212.50
	2032 - 2036			
	2037 - 2041			
		<u>\$ 45,625,000.00</u>	<u>\$ 22,552,097.00</u>	<u>\$ 68,177,097.00</u>

Unaudited  
Schedule 2 - C  
University of Houston System  
Combined Schedule Of Debt Service Requirements  
For The Year Ended August 31, 2011

Business-Type Activities

Description of Issue	Year	Principal	Interest	Total
Consolidated Revenue & Refunding Bonds Series 2008	2012	\$ 4,050,000.00	\$ 8,071,212.50	\$ 12,121,212.50
	2013	4,250,000.00	7,863,712.50	12,113,712.50
	2014	4,480,000.00	7,645,462.50	12,125,462.50
	2015	4,700,000.00	7,415,962.50	12,115,962.50
	2016	4,945,000.00	7,174,837.50	12,119,837.50
	2017 - 2021	28,435,000.00	32,153,975.00	60,588,975.00
	2022 - 2026	36,825,000.00	23,760,956.25	60,585,956.25
	2027 - 2031	31,930,000.00	14,142,100.00	46,072,100.00
	2032 - 2036	29,135,000.00	7,251,125.00	36,386,125.00
	2037 - 2041	13,855,000.00	701,375.00	14,556,375.00
		<u>\$ 162,605,000.00</u>	<u>\$ 116,180,718.75</u>	<u>\$ 278,785,718.75</u>
Consolidated Revenue & Refunding Bonds Series 2009	2012	\$ 3,525,000.00	\$ 4,626,637.50	\$ 8,151,637.50
	2013	3,655,000.00	4,491,850.00	8,146,850.00
	2014	3,810,000.00	4,342,550.00	8,152,550.00
	2015	3,965,000.00	4,187,050.00	8,152,050.00
	2016	4,125,000.00	4,025,250.00	8,150,250.00
	2017 - 2021	23,870,000.00	16,849,000.00	40,719,000.00
	2022 - 2026	30,670,000.00	10,066,250.00	40,736,250.00
	2027 - 2031	22,035,000.00	2,591,875.00	24,626,875.00
	2032 - 2036	2,280,000.00	115,500.00	2,395,500.00
	2037 - 2041			
		<u>\$ 97,935,000.00</u>	<u>\$ 51,295,962.50</u>	<u>\$ 149,230,962.50</u>
Consolidated Revenue & Refunding Bonds Series 2009-A	2012	\$ 2,950,000.00	\$ 3,078,118.78	\$ 6,028,118.78
	2013	3,095,000.00	2,926,993.76	6,021,993.76
	2014	3,250,000.00	2,768,368.76	6,018,368.76
	2015	3,415,000.00	2,601,743.76	6,016,743.76
	2016	3,590,000.00	2,426,618.76	6,016,618.76
	2017 - 2021	15,700,000.00	9,576,468.71	25,276,468.71
	2022 - 2026	11,035,000.00	7,070,521.92	18,105,521.92
	2027 - 2031	13,810,000.00	4,295,000.00	18,105,000.00
	2032 - 2036	10,090,000.00	773,750.00	10,863,750.00
	2037 - 2041			
		<u>\$ 66,935,000.00</u>	<u>\$ 35,517,584.45</u>	<u>\$ 102,452,584.45</u>
Consolidated Revenue & Refunding Bonds Series 2010-A	2012	\$ 595,000.00	\$ 1,218,451.51	\$ 1,813,451.51
	2013	615,000.00	1,192,739.01	1,807,739.01
	2014	650,000.00	1,165,857.76	1,815,857.76
	2015	680,000.00	1,137,595.26	1,817,595.26
	2016	715,000.00	1,107,951.51	1,822,951.51
	2017 - 2021	4,085,000.00	5,003,913.80	9,088,913.80
	2022 - 2026	5,280,000.00	3,794,557.55	9,074,557.55
	2027 - 2031	6,260,000.00	2,077,637.04	8,337,637.04
	2032 - 2036	3,845,000.00	489,846.91	4,334,846.91
	2037 - 2041			
		<u>\$ 22,725,000.00</u>	<u>\$ 17,188,550.35</u>	<u>\$ 39,913,550.35</u>

Unaudited  
Schedule 2 - C  
University of Houston System  
Combined Schedule Of Debt Service Requirements  
For The Year Ended August 31, 2011

Business-Type Activities

Description of Issue	Year	Principal	Interest	Total
Consolidated Revenue & Refunding Bonds Series 2010-B	2012	\$	\$ 4,480,960.00	\$ 4,480,960.00
	2013		4,480,960.00	4,480,960.00
	2014		4,480,960.00	4,480,960.00
	2015		4,480,960.00	4,480,960.00
	2016		4,480,960.00	4,480,960.00
	2017 - 2021	21,220,000.00	19,972,092.75	41,192,092.75
	2022 - 2026	25,150,000.00	13,961,563.00	39,111,563.00
	2027 - 2031	27,885,000.00	5,966,719.25	33,851,719.25
	2032 - 2036	5,720,000.00	467,681.50	6,187,681.50
	2037 - 2041			
		<u>\$ 79,975,000.00</u>	<u>\$ 62,772,856.50</u>	<u>\$ 142,747,856.50</u>
Consolidated Revenue & Refunding Bonds Series 2010-C	2012	\$ 2,030,000.00	\$ 499,500.00	\$ 2,529,500.00
	2013	3,490,000.00	444,300.00	3,934,300.00
	2014	3,580,000.00	355,700.00	3,935,700.00
	2015	3,705,000.00	227,900.00	3,932,900.00
	2016	3,845,000.00	76,900.00	3,921,900.00
	2017 - 2021			
	2022 - 2026			
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 16,650,000.00</u>	<u>\$ 1,604,300.00</u>	<u>\$ 18,254,300.00</u>
Consolidated Revenue Bonds Series 2002-A	2012	\$ 6,100,000.00	\$ 3,471,512.52	\$ 9,571,512.52
	2013	6,350,000.00	3,222,512.52	9,572,512.52
	2014	6,620,000.00	2,963,112.52	9,583,112.52
	2015	6,905,000.00	2,692,612.52	9,597,612.52
	2016	7,215,000.00	2,410,212.52	9,625,212.52
	2017 - 2021	41,515,000.00	7,070,231.34	48,585,231.34
	2022 - 2026	9,590,000.00	227,762.50	9,817,762.50
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 84,295,000.00</u>	<u>\$ 22,057,956.44</u>	<u>\$ 106,352,956.44</u>
Consolidated Revenue Variable Rate Demand Bonds Series 2004	2012	\$ 1,115,000.00	\$ 442,237.50	\$ 1,557,237.50
	2013	1,170,000.00	390,825.00	1,560,825.00
	2014	1,220,000.00	337,050.00	1,557,050.00
	2015	1,275,000.00	280,912.50	1,555,912.50
	2016	1,335,000.00	222,187.50	1,557,187.50
	2017 - 2021	4,270,000.00	289,125.00	4,559,125.00
	2022 - 2026			
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 10,385,000.00</u>	<u>\$ 1,962,337.50</u>	<u>\$ 12,347,337.50</u>

Unaudited  
Schedule 2 - C  
University of Houston System  
Combined Schedule Of Debt Service Requirements  
For The Year Ended August 31, 2011

Business-Type Activities

Description of Issue	Year	Principal	Interest	Total
Consolidated Revenue Bonds Series 2005	2012	\$ 1,060,000.00	\$ 892,012.50	\$ 1,952,012.50
	2013	1,110,000.00	848,612.50	1,958,612.50
	2014	1,170,000.00	800,087.50	1,970,087.50
	2015	1,230,000.00	749,162.50	1,979,162.50
	2016	1,290,000.00	698,762.50	1,988,762.50
	2017 - 2021	7,530,000.00	2,633,812.50	10,163,812.50
	2022 - 2026	7,535,000.00	770,331.25	8,305,331.25
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 20,925,000.00</u>	<u>\$ 7,392,781.25</u>	<u>\$ 28,317,781.25</u>
Consolidated Revenue Bonds Series 2006	2012	\$ 1,345,000.00	\$ 1,392,568.76	\$ 2,737,568.76
	2013	1,415,000.00	1,323,568.76	2,738,568.76
	2014	1,485,000.00	1,251,068.76	2,736,068.76
	2015	1,560,000.00	1,174,943.76	2,734,943.76
	2016	1,640,000.00	1,094,943.76	2,734,943.76
	2017 - 2021	9,560,000.00	4,122,718.80	13,682,718.80
	2022 - 2026	12,170,000.00	1,513,759.40	13,683,759.40
	2027 - 2031			
	2032 - 2036			
	2037 - 2041			
		<u>\$ 29,175,000.00</u>	<u>\$ 11,873,572.00</u>	<u>\$ 41,048,572.00</u>
Not Self-Supporting Bonds None		\$	\$	\$
Total		<u>\$ 657,395,000.00</u>	<u>\$ 353,964,279.24</u>	<u>\$ 1,011,359,279.24</u>
Summary				
All Bonds Issues, All Series	2012	\$ 27,195,000.00	\$ 31,275,349.08	\$ 58,470,349.08
	2013	29,795,000.00	30,058,174.06	59,853,174.06
	2014	31,160,000.00	28,740,361.56	59,900,361.56
	2015	32,590,000.00	27,324,086.56	59,914,086.56
	2016	34,125,000.00	25,825,517.81	59,950,517.81
	2017 - 2021	171,900,000.00	105,094,194.20	276,994,194.20
	2022 - 2026	151,090,000.00	65,600,773.77	216,690,773.77
	2027 - 2031	114,615,000.00	30,246,543.79	144,861,543.79
	2032 - 2036	51,070,000.00	9,097,903.41	60,167,903.41
	2037 - 2041	13,855,000.00	701,375.00	14,556,375.00
Total as shown above		<u>\$ 657,395,000.00</u>	<u>\$ 353,964,279.24</u>	<u>\$ 1,011,359,279.24</u>

Unaudited

Schedule 2-D  
University of Houston System  
Combined Analysis of Funds Available for Debt Service  
For The Year Ended August 31, 2011

Business-Type Activities  
General Obligation Bonds

Description of Issue	Beginning Balance Available for Debt Service 09/01/2010	Sources of Funds				Total Sources Available
		Pledged Sources		Other Sources		
		Interest Earned on Investments	Other Pledged Sources	Operating Transfers	State's General Revenue	
	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$

	Application of Funds			Total Application of Funds
	Refunded or Extinguished		Other Application of Funds	
	Principal	Interest		
	\$	\$	\$	\$
Total	\$	\$	\$	\$

Ending Balance Available for Debt Service at 08/31/2011	
Required	Actual
\$	\$
\$	\$
Total	

Unaudited

Schedule 2-D  
University of Houston System  
Combined Analysis of Funds Available for Debt Service  
For The Year Ended August 31, 2011

Business-Type Activities  
Revenue Bonds

Pledged and Other Sources and Related Expenditure for FY 2011

Description of Issue	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	a		b		c		d	(a+b-c-d) Net Available for Debt Service
				Total Pledged Sources		Other Sources		Operating Expenses & Expenditures		Capital Outlay	
Consolidated Revenue Refunding Bonds and Consolidated Revenue Bonds (A)	\$	\$ 262.81	\$ 624,083,891.06	\$	624,084,153.87	\$	\$	\$	\$	\$	\$ 624,084,153.87
Total	\$	\$ 262.81	\$ 624,083,891.06	\$	624,084,153.87	\$	\$	\$	\$	\$	\$ 624,084,153.87
(A) Other Pledged Revenues Consist of											
Tuition and Fees			\$ 495,912,558.95								
Investment Income			5,319,090.02								
Sales and Service			97,626,868.09								
Legislative Appropriations			25,225,374.00								
Total as shown above			\$ 624,083,891.06								

(B) Expenditures associated with pledged sources were approximately \$ 446,918,371.14

Description of Issue	Debt Service		Refunded or Extinguished	Interest & Sinking Fund		Reserve Fund	
	Principal	Interest		Minimum	Actual	Minimum	Actual
Consolidated Revenue Refunding Bonds Series 2002-B	\$ 1,215,000.00	585,243.75		\$		\$	
Consolidated Revenue Refunding Bonds Series 2003	1,355,000.00	503,268.53					
Consolidated Revenue Refunding Bonds Series 2006	1,665,000.00	2,213,087.94					
Consolidated Revenue & Refunding Bonds Series 2008	3,850,000.00	8,268,712.50					
Consolidated Revenue & Refunding Bonds Series 2009	2,890,000.00	4,731,675.00					
Consolidated Revenue & Refunding Bonds Series 2009-A	2,815,000.00	3,222,243.77					
Consolidated Revenue & Refunding Bonds Series 2010-A	580,000.00	1,243,420.25					
Consolidated Revenue & Refunding Bonds Series 2010-B		4,514,037.85					
Consolidated Revenue & Refunding Bonds Series 2010-C	1,605,000.00	535,850.00					
Consolidated Revenue Bonds Series 2002-A	5,865,000.00	3,710,812.50					
Consolidated Revenue Variable Rate Demand Bonds Series 2004	1,065,000.00	10,012.33	860,000.00				
Consolidated Revenue Bonds Series 2005	1,005,000.00	933,312.50					
Consolidated Revenue Bonds Series 2006	1,285,000.00	1,451,893.76					
Total	\$ 25,195,000.00	\$ 31,923,570.68	\$ 860,000.00	\$	\$	\$	\$





# Unaudited

## Schedule 2-E

### University of Houston System

#### Combined Schedule Of Defeased Bonds Outstanding

For The Year Ended August 31, 2011

#### Business-Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
General Obligations Bonds		
		\$
Total		\$
Revenue Bonds		
Schedule not used.		\$
Total		\$



Unaudited

Schedule 2-F  
University of Houston System  
Combined Schedule Of Early Extinguishment and Refunding  
For The Year Ended August 31, 2011

Business-Type Activities

Description of Issue	Category	Amount Extinguished Or Refunded	Refunding Issue Par Value	For Refunding Only		Economic Gain / (Loss)
				Cash Flow Increase / (Decrease)		
General Obligations Bonds Schedule not used.		\$	\$	\$		\$
Total		\$	\$	\$		\$
Revenue Bonds						
Consolidated Revenue Variable Rate Demand Bonds Series 2004	Early Extinguishment	\$ 860,000.00	\$	\$		\$
Total		\$ 860,000.00	\$	\$		\$



Unaudited

Schedule 3  
University of Houston System  
Combined Reconciliation Of Cash In State Treasury  
For The Year Ended August 31, 2011

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund No. 0225 (UH - 730)	\$ 7,352,227.18	\$	\$ 7,352,227.18
Local Revenue Fund No. 0229 (UHCL - 759)	8,375,036.94		8,375,036.94
Local Revenue Fund No. 0233 (UHV - 765)	2,091,145.96		2,091,145.96
Local Revenue Fund No. 0268 (UHD - 784)	453,812.14		453,812.14
<u>Total Cash in State Treasury</u>	<u>\$ 18,272,222.22</u>	<u>\$</u>	<u>\$ 18,272,222.22</u>

