



UNIVERSITY OF HOUSTON SYSTEM

Office of the Treasurer
P.O. Box 988
Houston, TX 77001-0988

February 8, 2008

TO: All Nationally Recognized Municipal Securities
Information Repositories and the Texas State Information
Depository

The enclosed Continuing Disclosure Report is being filed by the BOARD OF REGENTS OF THE UNIVERSITY OF HOUSTON SYSTEM in compliance with its respective contractual undertakings to provide annual reports of financial information and operating data, as required by Rule 15c2-12 of the Securities and Exchange Commission, regarding its obligations issued since August 1, 1997 with CUSIP Prefix No. 914301.

**BOARD OF REGENTS OF
THE UNIVERSITY OF HOUSTON SYSTEM**

A blue ink signature of Raymond S. Bartlett, written in a cursive style.

Raymond S. Bartlett
Treasurer

Enclosure

SCHEDULE 1 - Outstanding Parity Debt Obligations

The following table sets forth the Parity Debt Obligations outstanding as of February 29, 2008

Parity Debt Obligations	Par Amount Outstanding as of February 29, 2008
Consolidated Revenue Bonds, Series 1998	1,785,000
Consolidated Revenue Bonds, Series 1999	22,100,000
Consolidated Revenue Bonds, Series 2000	2,330,000
Consolidated Revenue Bonds, Series 2002A	101,250,000
Consolidated Revenue Refunding Bonds, Series 2002B	18,990,000
Consolidated Revenue Refunding Bonds, Series 2003	13,560,000
Consolidated Revenue Variable Rate Demand Bonds, Series 2004	22,330,000
Consolidated Revenue Bonds, Series 2005	23,795,000
Consolidated Revenue and Refunding Bonds, Series 2006 ⁽¹⁾	80,900,000
Consolidated Revenue Commercial Paper Notes, Series A ⁽²⁾	-
Total Parity Debt Obligations	\$ 287,040,000

⁽¹⁾ A portion of the proceeds of the bonds was used to refund and defease a portion of the Series 1997 Bonds and the Series 2000 Bonds.

⁽²⁾ Authorized up to a principal amount of \$50 million.

SCHEDULE 2 - Pledged Revenues and Fund Balances

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Tuition & Fees	\$ 202,213,426	\$ 252,740,917	\$ 292,358,589	\$ 308,458,169	\$ 335,798,054
Investment Income	4,931,382	3,254,526	4,222,670	9,859,437	13,162,748
Sales & Services	36,156,165	37,896,685	38,490,179	38,780,013	42,996,007
Federal Interest Grant	-	-	-	-	-
Bond Proceeds	-	-	25,800,000	35,140,000	-
Legislative Appropriations ⁽¹⁾	12,515,090	9,634,334	9,634,334	13,820,166	14,433,503
Subtotal Pledged Revenues	\$ 255,816,063	\$ 303,526,462	\$ 370,505,772	\$ 406,057,786	\$ 406,390,312
Pledgeable Unappropriated Fund & Reserve Balances ⁽²⁾	119,559,007	97,170,835	106,557,772	130,502,598	154,006,281
Total Pledged Revenue & Fund Balances	\$ 375,375,070	\$ 400,697,297	\$ 477,063,544	\$ 536,560,384	\$ 560,396,593

⁽¹⁾ Represents amounts appropriated by the State Legislature to reimburse the Board for payment of portions of the debt service on certain outstanding parity debt obligations.

⁽²⁾ In addition to current year pledged revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year's debt service.

SCHEDULE 3 - Exemptions and Waivers

The following table sets forth the total number of students who were either exempt from paying all or a portion of the tuition charges and/or other fees (which includes Pledged Tuition) or for whom the payment of student use and service fees (which includes the former Pledged General Fee) was waived for the fall semester of the fiscal years indicated.

<u>Fall Semester Fiscal Year Ended August 31</u>	<u>Total Number of Students Granted Exemptions and Waivers</u>	<u>Number of Students Granted Exemptions and Waivers as % of Total Headcount</u>
1996	1,956	4.16%
1997	2,077	4.37%
1998	2,306	4.79%
1999	2,164	4.42%
2000	2,159	4.32%
2001	2,138	4.25%
2002	2,321	4.43%
2003	2,536	4.62%
2004	2,564	4.56%
2005	2,336	4.11%
2006	2,363	4.13%
2007	2,409	4.29%
2008	2,698	4.75%

SCHEDULE 4 - Historical Headcount Enrollment and Semester Credit Hours ⁽¹⁾

The following table shows the historical headcount enrollment at each component university and the number of semester credit hours taken by the students at each component university for the fall semester of the fiscal years indicated.

Fall Semester Fiscal Year Ended August 31 ⁽²⁾	University of Houston		UH-Clear Lake		UH-Downtown		UH-Victoria		Totals	
	Headcount	Credit	Headcount	Credit	Headcount	Credit	Headcount	Credit	Headcount	Credit
	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours	Enrollment	Hours
1999	32,296	349,296	6,806	54,633	8,386	82,560	1,512	10,531	49,000	497,020
2000	32,651	353,809	7,114	58,172	8,712	86,341	1,526	10,756	50,003	509,078
2001	32,123	353,130	7,580	61,970	8,951	88,245	1,700	11,802	50,354	515,147
2002	33,007	366,319	7,738	64,027	9,704	95,770	1,927	14,207	52,376	540,323
2003	34,443	383,357	7,753	62,532	10,528	103,252	2,183	15,935	54,907	565,076
2004	35,066	390,753	7,776	63,590	10,974	110,914	2,411	17,704	56,227	582,961
2005	35,180	393,258	7,785	64,058	11,408	114,305	2,418	17,909	56,791	589,530
2006	35,344	398,106	7,853	65,305	11,484	116,017	2,491	18,116	57,172	597,544
2007	34,334	390,848	7,706	64,082	11,449	115,450	2,652	19,385	56,141	589,765
2008	34,663	393,594	7,532	63,070	11,793	119,236	2,784	20,350	56,772	596,250

⁽¹⁾ These figures include students who were either exempt from paying tuition and other fees or for whom the payment of the Pledged Tuition was waived by the Board as allowed by law and the Master Resolution.

⁽²⁾ Enrollment during the spring semesters and during each term of each summer session is generally less than the previous fall semester enrollment.

SCHEDULE 5 - Full-Time Equivalent Enrollment⁽¹⁾

The following table shows the historical amount of the "full-time equivalent" students at each of the component universities for the fall semester of the fiscal years indicated.

Fall Semester Fiscal Year Ended Aug. 31	University of Houston	UH-Clear Lake	UH-Downtown	UH-Victoria	Totals
1999	24,600	3,986	5,475	760	34,821
2000	24,892	4,227	5,756	779	35,654
2001	24,815	4,498	5,921	859	36,093
2002	25,683	4,647	6,444	1,040	37,814
2003	27,157	4,561	6,993	1,157	39,868
2004	27,683	4,669	7,419	1,303	41,074
2005	27,849	4,680	7,638	1,305	41,472
2006	28,130	4,771	7,746	1,335	41,982
2007	27,421	4,658	7,707	1,422	41,208
2008	27,639	4,593	7,945	1,517	41,694

⁽¹⁾ Full-time equivalent enrollment is calculated by assuming that an undergraduate student is enrolled for fifteen semester credit hours, a master's candidate is enrolled for twelve semester credit hours, and a doctoral candidate is enrolled for nine semester credit hours.

SCHEDULE 6 - Condensed Statement of Net Assets

The following table reflects the condensed Statement of Net Assets of the System as of August 31st of each year.

	<u>FY 2003⁽¹⁾</u>	<u>FY 2004⁽¹⁾</u>	<u>FY 2005⁽¹⁾</u>	<u>FY 2006⁽¹⁾</u>	<u>FY 2007⁽¹⁾</u>
Assets:					
Current Assets	\$ 394,316,042	\$ 385,419,912	\$ 360,330,077	\$ 347,349,400	\$ 342,692,373
Non-Current Investments	472,823,797	475,893,667	502,687,397	564,195,092	642,805,127
Other Non-Current Assets	18,867,269	39,616,792	32,207,833	32,061,362	48,986,883
Capital Assets, net	475,483,220	498,309,367	508,728,799	539,389,094	560,800,470
Total Assets	1,361,490,328	1,399,239,738	1,403,954,106	1,482,994,949	1,595,284,853
Liabilities:					
Current Liabilities	(156,789,272)	(200,756,637)	(191,078,155)	(197,488,469)	(228,480,498)
Non-Current Liabilities	(279,388,836)	(292,320,836)	(302,102,975)	(323,258,928)	(303,617,181)
Total Liabilities	(436,178,108)	(493,077,473)	(493,181,130)	(520,747,397)	(532,097,679)
Net Assets:					
Invested in Capital Assets, Net of Related Debt	303,025,724	274,242,674	240,934,812	254,154,181	262,722,667
Restricted	414,797,659	413,670,253	345,362,909	394,403,510	428,090,742
Unrestricted	207,488,835	218,249,338	324,475,255	313,689,863	372,373,765
Net Assets	\$ 925,312,218	\$ 906,162,265	\$ 910,772,976	\$ 962,247,554	\$ 1,063,187,174

(1) For more detailed information, see Appendix A - Financial Reports of the System - Statement of Net Assets as of August 31, 2007.

SCHEDULE 7 - Combined Statement of Revenues, Expenses and Changes in Net Assets

The following table presents the Statement of Revenues, Expenses and Changes in Net Assets of the System for fiscal years ending August 31. Only a portion of the revenues shown in the following table may be legally used by the Board to pay debt service on the Parity Debt Obligations and no inference should be drawn that all of such revenues constitute Pledged Revenues.

	FY 2003 ⁽¹⁾	FY 2004 ⁽¹⁾	FY 2005 ⁽¹⁾	FY 2006 ⁽¹⁾	FY 2007 ⁽¹⁾
Operating Revenues					
Net Student Tuition and Fees	\$ 171,453,342	\$ 212,903,273	\$ 245,133,999	\$ 255,872,144	\$ 285,283,840
Net Sales and Services of Auxiliary Enterprises	35,812,189	37,896,685	38,490,179	38,780,013	42,996,007
Net Other Sales and Services	7,250,596	17,198,962	17,906,355	18,747,353	20,894,248
Federal Grant Revenues	71,175,602	80,085,995	89,436,137	94,773,588	91,586,304
Federal Pass-Through Revenues(net of administrative costs)	33,831,206	8,291,936	6,809,144	6,550,291	6,765,805
State Grant Revenues (net of refunds to grantors)	8,873,664	7,875,195	10,860,014	8,789,391	9,341,149
State Pass-Through Revenues	11,758,027	11,161,796	13,131,465	13,223,273	12,633,162
Other Grants and Contracts	19,088,264	18,460,738	14,794,647	15,176,424	13,854,868
Other Operating Revenue		224,152	2,665,160	1,691,227	835,528
Total Operating Revenues	359,242,890	394,098,732	439,227,098	453,603,702	484,190,911
Operating Expenses					
Instruction	214,892,594	209,735,532	223,454,590	241,490,359	243,314,239
Research	84,572,210	74,469,317	80,264,517	75,564,069	74,952,195
Public Service	26,236,310	28,084,104	29,222,222	34,032,798	34,605,751
Academic Support	66,456,162	84,841,827	96,029,272	102,961,681	113,975,340
Student Services	24,768,286	28,291,877	29,054,537	29,781,643	31,871,801
Institutional Support	95,011,981	60,432,713	67,680,439	70,531,035	73,074,768
Operations and Maintenance of Plant	33,031,553	40,690,906	48,239,562	53,218,634	50,443,967
Scholarships and Fellowships	28,095,543	45,992,158	45,539,363	44,651,057	47,960,867
Auxiliary Enterprises	58,087,742	59,457,342	63,439,239	63,015,534	71,615,553
Depreciation and Amortization	23,806,563	26,035,038	29,893,107	27,648,020	35,674,598
Total Operating Expenses	654,958,944	658,030,814	712,816,848	742,894,831	777,489,079
Operating Income (Loss)	(295,716,054)	(263,932,082)	(273,589,748)	(289,291,126)	(293,298,168)
Nonoperating Revenues (Expenses)					
Legislative Revenue	226,099,366	227,230,706	230,016,174	250,342,036	254,135,704
Gifts	36,114,248	27,996,504	29,638,899	32,559,488	43,159,548
Investment Income	25,140,704	36,781,486	50,056,111	78,751,621	49,694,885
Interest Expense and Fiscal Charges	(12,633,712)	(12,652,440)	(12,981,015)	(13,805,066)	(13,771,856)
Gain (Loss) on Sale of Capital Assets	(6,265)	(8,494)	(3,985)	-	6,500
Net Increase (Decrease) in Fair Value of Investments	11,282,814	1,052,824	8,389,609	(22,143,741)	31,631,518
Other Nonoperating Revenues (Expenses)	(20,768,886)	(76,314,284)	(34,249,769)	(27,379,208)	(12,596,331)
Total Nonoperating Revenues (Expenses)	265,228,269	204,086,302	270,866,024	298,325,129	352,259,968
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(30,487,785)	(59,845,780)	(2,723,724)	9,034,003	58,961,800
Other Revenues, Expenses, Gains, Losses and Transfers					
HEAF Appropriation Revenue	36,952,989	36,952,989	36,952,989	35,459,008	35,459,008
Additions to Permanent and Term Endowments	5,893,217	5,046,111	8,992,022	9,947,173	9,278,667
Extraordinary Items	-	-	-	-	-
Legislative Transfer In/Out	734,915	-	4,329,653	(1,747,727)	(2,253,072)
Legislative Appropriations Lapsed	(314,370)	(876,895)	(265,307)	(1,217,880)	(25,669)
Transfers in/out from Other Agencies	7,472,763	(426,376)	-	-	-
Total Other Revenues, Expenses, Gains, Losses & Transfers	50,739,514	40,695,829	50,009,357	42,440,574	42,458,934
Total Changes in Net Assets	\$ 20,251,729	\$ (19,149,951)	\$ 47,285,633	\$ 51,474,577	\$ 101,420,734
Beginning Net Assets	905,060,489	925,312,218	906,162,267	910,772,976	962,247,552
Restatements of Beginning Net Assets	-	-	(42,674,924)	-	(481,112)
Beginning Net Assets as Restated	905,060,489	925,312,218	863,487,343	910,772,976	961,766,440
Ending Net Assets	\$ 925,312,218	\$ 906,162,267	\$ 910,772,975	\$ 962,247,552	\$ 1,063,187,174

(1) For more detailed information, see the Financial Reports of the System - Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2007.

SCHEDULE 7A - Historical Summary Combined Statement of Current Fund Revenues and Expenditures

The following table sets forth an Historical Summary Combined Statement of Current Fund Revenues and Expenditures for Fiscal Years 1999 through 2001 computed in accordance with the accounting principles in existence before the New Financial Reporting Model was developed. Only a portion of the revenues shown in the following table were legally available to the Board to pay debt service on the Parity Debt Obligations and no inference should be drawn that all of such revenues constituted Pledged Revenues.

	Fiscal Year 2001
Revenues:	
Tuition and Fees	
Tuition	\$ 70,636,126
Designated Tuition	42,260,878
Student Service Fees	12,313,990
Other Fees	35,334,460
Remissions and Exemptions	12,254,270
State Appropriations - General Revenue	207,429,441
State Appropriations - H.E.A.F.	36,952,989
Federal Grants and Contracts	65,504,130
State Grants and Contracts	8,128,046
Local Gifts, and Grants and Contracts	304,868
Private Gifts, Grants and Contracts	39,520,059
Investment Income	13,267,023
Endowment Revenue ⁽¹⁾	13,261,073
Sales and Services	
Educational Activities	20,100,139
Auxiliary Enterprises	33,702,857
Other Sources	554,978
Total Current Funds Revenues	<u>\$ 611,525,327</u>
Expenditures:	
Educational and General	
Instruction	\$ 184,066,047
Research	64,506,760
Public Service	26,212,713
Academic Support	59,870,954
Student Services	17,315,393
Institutional Support	60,684,113
Physical Plant	34,754,914
Scholarships and Fellowships	61,048,705
Total Educational and General	<u>\$ 508,459,599</u>
Auxiliary Enterprises	54,049,557
Total Current Funds Expenditures ⁽²⁾	<u>\$ 562,509,156</u>

⁽¹⁾ **Endowment Revenue** - Substantially all endowment revenue is restricted, and as such may be reported only to the extent of related expenditures (AICPA Industry Audit Guide for Colleges and Universities). The actual revenue earned, net of fees and amortization expense, is as follows:

FY01: 33,303,904

Actual revenue earned may differ from amounts previously reported due to a change in the Uniform Investment of Institutional Funds.

⁽²⁾ **Total Current Fund Expenditures** - Does not include mandatory transfers for debt service. These amounts were:

FY01: 18,881,667

SCHEDULE 8 - Investment of Non-Endowed Funds

The following table sets forth the University of Houston System's allocation of investments of its non-endowed funds as of December 31, 2007

Cash and Cash Equivalents ⁽¹⁾	44.8%
Fixed Income (U.S. Treasuries and Agencies, MBS, CMO, Municipals, Corporates)	47.1%
Equities	5.2%
Absolute Return & Hedge Equities	1.7%
Real Estate Securities (REITs)	0.2%
Inflation Hedges	1.0%
Alternative Investments	0.0%
Book Value	\$280,380,570
Market Value	283,073,778
Total Unrealized Gain/(Loss)	\$ 2,693,208
Total Unrealized Gain/(Loss) as % of Book Value	0.96%

SCHEDULE 9 - Current Tuition Rates

The following table shows the current tuition rates charged at System institutions. Pursuant to the State Legislature and Board action, tuition has become the primary source of credit for the Bonds and the Outstanding Parity Debt Obligations.

	2005-2006 Academic Year		2006-2007 Academic Year		2007-2008 Academic Year	
	Tuition Rates ⁽¹⁾		Tuition Rates ⁽¹⁾		Tuition Rates ⁽¹⁾	
	(per semester credit hour)		(per semester credit hour)		(per semester credit hour)	
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>
Undergraduate Students	⁽²⁾ \$ 127	\$ 403	142	417	155	433
Law Students	317	563	329	574	345	593
Pharmacy Students	227	503	239	514	255	533
Optometry Students	277	553	289	564	305	583
Other Graduate Students:						
University of Houston	177	453	189	464	205	483
UH-Clear Lake	167	419	201	476	186	464
UH-Downtown	148	389	156	397	170	413
UH-Victoria	158	384	179	401	179	407

⁽¹⁾ All tuition rates include amounts that were categorized in previous years as the Pledged General Fee prior to the fiscal year 1998. The Designated Tuition for the 2007-2008 academic year is \$104.60, \$86, \$85, and \$78.50 per semester credit hour for the University of Houston, the University of Houston-Clear Lake, the University of Houston-Downtown and the University of Houston-Victoria, respectively.

⁽²⁾ Undergraduate tuition rate is for the UH main campus

FY 2007

UNIVERSITY OF HOUSTON SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis section of the University of Houston System's Annual Financial Report has been prepared to provide an overview of the activities and the financial position of the University of Houston System (the System) for the fiscal year ended August 31, 2007. This presentation is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. This analysis should be read in conjunction with the System's basic financial statements and the notes to the statements.

BACKGROUND

The University of Houston System (UHS) serves the nation's fourth largest metropolitan area and the upper Texas Gulf Coast, and is part of the state-supported system of higher education in Texas. The System is comprised of four universities and a supporting System Administration. The four universities are University of Houston (UH), University of Houston – Clear Lake (UHCL), University of Houston – Downtown (UHD), and University of Houston – Victoria (UHV); all of which are located along the Texas Gulf Coast. The University of Houston is a nationally recognized doctoral degree-granting, comprehensive research university, and the University of Houston – Downtown, a four-year undergraduate university, is beginning limited expansion into graduate programs. The University of Houston – Clear Lake and the University of Houston – Victoria are both upper division and master's-level institutions. The System has also established teaching centers that offer instructional opportunities at facilities at the UH System at Sugar Land, and the UH System at Cinco Ranch in Katy. Houston and the upper Gulf Coast region represent approximately one fourth of the state's population and economy. The area is also one of the most ethnically diverse parts of the state, with UH and UHD two of the most diverse universities nationally.

The mission of the System and its universities is to educate students, create new knowledge, and foster an interactive relationship with the communities served. The System universities are the primary providers of graduate and undergraduate services for Houston and the Upper Texas Gulf Coast region. In recent years, the universities have built multi-disciplinary research programs in areas such as materials science, the biosciences, and the computational sciences, all of which align with major regional and state industries – energy, biotechnology, aerospace, and computers. In doing so, each of the System's universities has created programs of international repute that contribute greatly to the regional and state economies. The System serves over 56,000 students and employs approximately 12,000 individuals.

UH System Distance Education is a partnership of the four institutions of the System. Going beyond the traditional campus boundaries, UH, UHCL, UHD, and UHV cooperate in providing high-quality educational opportunities to the community. This collaboration delivers more than forty degree programs taught by university faculty via face-to-face instruction and electronic technologies at off-campus sites, including UHS at Cinco Ranch, UHS at Sugar Land, selected community college campuses, corporations, and organizations. A number of programs can be pursued completely through videotape and online delivery. All courses are junior, senior, and graduate level and carry all the same workloads, prerequisites, and requirements as on-campus courses. The University of Houston System universities have won national awards in distance education and are a leader among Texas universities in distance education enrollments. UH

System Distance Education provides maximum access to higher education opportunities for residents throughout the Gulf Coast region.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for fiscal year 2007 have been prepared in accordance with accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB). These include Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The requirements focus on the preparation of financial statements that present financial operations in the aggregate, rather than accountability by individual fund group. These standards were adopted by the State of Texas and the System during the 2002 fiscal year. All financial statements for fiscal years 2002 through 2007 have been prepared in accordance with these rules.

Governmental Accounting Standards Board Statement No. 35 requires the System to include three financial statements in the annual financial report. They are (1) the Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets, and (3) the Statement of Cash Flows. The information contained in the financial statements of the University of Houston System is part of and included in the State of Texas Comprehensive Annual Financial Report. The financial statements of the System are presented for the fiscal year ended August 31, 2007, with financial data for the fiscal year ended August 31, 2006, provided for comparative purposes. Prior year totals have been reclassified, when necessary, to reflect current year changes in reporting procedures and to enhance comparability of reported totals.

The format of the statewide financial statements presents a more comprehensive perspective of the state's financial activities. The state's activities are divided into three types for presentation in the primary financial statements. They are Governmental Activities, Business-type Activities, and Component Units. The financial operations of the University of Houston System are considered a business-type activity because the System's universities charge a fee, in the form of tuition, to customers in order to pay for a majority of the cost of the services provided. Under this classification, the System's financial statements conform to the guidelines and presentation formats prescribed for Proprietary Funds.

As required by GASB reporting standards, the System reports accumulated depreciation on its capital assets. Additionally, the System recognizes a current year charge for depreciation expense. Revenues and expenses are classified as either operating or non-operating in the financial statements. The statements provide a measurement of entity-wide operations. Significant portions of the System's recurring resources are classified as non-operating by GASB Statement No. 35. Substantially all state appropriations are treated as non-operating revenues.

Tuition and fee revenues are reported net of any scholarship discounts and allowances. A scholarship allowance is the difference between the stated charge for services provided by the System and the amount that is paid by the student or third parties making payments on behalf of the student. Funds received to satisfy student tuition and fee charges are reported as revenue only once. Institutional resources provided to students as financial aid are reported as scholarship allowances in amounts up to and equal to amounts owed by the students to the System. This accounting procedure is known as tuition discounting.

STATEMENT OF NET ASSETS

The first schedule presented is the Statement of Net Assets. The statement reflects the System's assets and liabilities using the full accrual basis of accounting, and represents financial position as of the conclusion of the fiscal year. This is a point in time financial presentation and presents a

snapshot view of the financial status as of August 31, 2007. Comparative data for the previous fiscal year has also been presented as of August 31, 2006. Assets and liabilities are presented as either current or non-current to provide an indication of their anticipated liquidation. Net Assets is equal to Assets minus Liabilities. Unrestricted Net Assets are available to the System for any lawful purpose. Unrestricted Net Assets often have constraints on resources, which are imposed by management, but can be removed or modified. On August 31, 2007, the University of Houston System's Assets totaled \$1.595 billion, and Liabilities totaled \$532 million, resulting in a Net Asset valuation of \$1.063 billion. This represents an increase in net assets of \$101 million.

The Statement of Net Assets enables the reader of the financial statements to determine the assets available for use in the continuing operations of the institutions. Also, the reader will be able to determine the amounts owed to vendors, investors, and lending institutions. Net Assets are presented in three major categories: invested in capital assets, net of debt; restricted net assets; and unrestricted net assets. The invested in capital assets category identifies the equity in property, plant, and equipment owned by the System. Restricted net assets are presented in two sub categories: non-expendable and expendable. Non-expendable restricted net assets are available only for endowed investment purposes. Expendable net assets are available for expenditure but must be expended for the purposes specified by the external donor/provider of the assets. Unrestricted net assets are available for any lawful purpose of the institution. Although not subject to the stipulations of external requirements, a significant portion of the System's unrestricted net assets are committed to various future operating budgets related to academic, research, and capital programs and projects. These commitments are summarized in the accompanying table.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The next statement comprising the primary financial statements is the Statement of Revenues, Expenses, and Changes in Net Assets. This schedule identifies operating and non-operating revenues received by the System. Additionally, both the operating and non-operating expenses incurred by the System during the fiscal year are displayed. Finally, any other gains and losses or other forms of revenue and expense are reported.

During the 2007 fiscal year the System recognized operating revenues of \$484 million and operating expenses of \$777 million. After recognizing non-operating activities and other gains and losses, the System realized a net increase in net assets of \$101 million. During the prior fiscal year, the System experienced an increase in net assets of \$51 million.

Operating revenues are received and recognized as a result of providing services to the component universities' customers. Operating expenses are the costs necessary to provide those services and to fulfill the mission of the System. Operating expenses are displayed in the Statement using the functional method of classification. The functional, or programmatic, classification method presents operating expenses in a manner that reflects the System's commitments in fulfilling its mission of instruction, research, and public service, as well as the requirements of supporting and maintaining its administrative and physical structure. A supplemental Schedule of Operating Expenses displays operating expenses comparing the functional classification and the natural classification methods. The natural method of presentation displays the operating expenses in a manner that categorizes the objects of expenditure within various cost centers. Non-operating revenues are those received for which no services are directly provided. State appropriations are classified as non-operating revenue because they are provided by the Legislature to the System without the Legislature directly receiving goods or services for those revenues. As previously mentioned, significant portions of the System's recurring resources are classified as non-operating. Net resources from other than operating revenues totaled \$421 million for fiscal year 2007.

STATEMENT OF CASH FLOWS

The third primary statement included in the financial statements is the Statement of Cash Flows. This schedule explains the change during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The Statement of Cash Flows should be used in conjunction with related disclosures and information in the other financial statements. The statement can provide relevant information about an entity, such as the ability to generate future net cash flows, the ability to meet obligations when due, or reasons for differences between operating income and associated cash receipts and payments. The statement is comprised of five sections. The first section recognizes the cash flows from operating activities as well as the net cash used by operating activities. The second section identifies the cash flows from non-capital financing activities. The third section reflects the cash flows from capital and related financing activities. The next section details the cash flows from investing activities. The final section reconciles net cash used to the operating loss or income reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The cash and cash equivalents balance at the conclusion of the 2007 fiscal year totaled \$208 million, which reflected a net increase in cash of \$23 million.

CAPITAL ASSETS

Critical to maintaining the quality of academic, research, and service programs, as well as residential life, is the development and renewal of the System's capital assets. The System's institutions continue the implementation of their long-range capital plans, with a prudent combination of renovation and modernization of older facilities, along with new construction.

At the end of the 2007 fiscal year, the System had \$561 million of capital assets, net of accumulated depreciation. These assets included land, buildings, infrastructure and improvements, furniture and equipment, library books, and works of art. Several major capital construction projects are in various stages of completion, and the cumulative investment in these assets is reported as construction in progress. Capital assets, net of accumulated depreciation, at August 31, 2006, totaled \$539 million.

Fiscal year 2007 continued the trend of bringing major changes to UH System facilities. At the University of Houston, design and construction have begun on Michael J. Cemo Hall. Along with a state of the art auditorium, with a seating capacity of 450, two 70-seat classrooms, and faculty offices, the multi-story building will house several departments providing vital services for students. Construction is also under way on the UH graduate and professional students loft apartments and retail complex. This facility will be the university's first campus housing designed exclusively for graduate and professional students. The University of Houston – Clear Lake has received approval to develop a branch campus and facilities in Pearland. The University of Houston – Downtown opened the Shea Street Building, a new academic building that provides critical instructional space and student services for UH students and its College of Business. Final construction continues on the building and the adjacent parking garage facility. At the University of Houston – Victoria, construction plans are being implemented for a new academic building in Sugar Land to meet growing demands at the multi-institutional teaching facility. UHV is also designing and developing plans for a Regional Economic Development Building and a Nursing/Allied Health facility. Completion of each of these projects will provide enhanced and significant benefits to the System's students and other constituencies. The System maintains a goal of improving the physical condition of the campuses, while at the same time, preserving their condition and maximizing their utilization.

DEBT ADMINISTRATION

The System complements the management of its financial resources with the prudent use of debt to finance capital projects. Detailed information concerning the System's long-term debt is found in the Notes to the Financial Statements.

The University of Houston System is authorized by statute to issue long term debt in the form of revenue bonds. Each series of revenue bonds issued is backed by a pledged revenue source specified in the bond resolution. Additionally, each issue is designed to be self supporting from the primary revenue source. A portion of debt service is funded by biennial State appropriations. At August 31, 2007, the University of Houston System had \$313 million of long term bonded debt outstanding, \$20 million of which will be retired during the 2008 fiscal year.

No additional bonded indebtedness was authorized or issued during the 2007 fiscal year. The State Legislature appropriated additional funds to pay debt service during the 2008-2009 biennium for planned Consolidated Revenue Bonds. Authorization and issuance of additional long-term debt is anticipated to occur during the fourth quarter of the 2008 fiscal year.

During fiscal year 2007, the System established a commercial paper program that will permit the issuance of commercial paper notes which may not exceed, in the aggregate, the principal amount of \$50 million. It is anticipated that commercial paper, when issued, will provide interim financing for the costs of various capital projects within the System.

ECONOMIC OUTLOOK

While it is true that the UH System universities strive to make the most of available funds, the needs of our constituencies and the goals we have established for serving them necessitate greater resources than our universities currently possess. By 2015, demographic forecasts predict the Houston metropolitan area will add another 1.4 million persons, 800,000 of which will be of Hispanic descent. Accommodating a corresponding level of enrollment growth at our universities will require tremendous investments in faculty, staff, facilities and other infrastructure.

The General Appropriations Act adopted by the 80th Texas Legislature in May, 2007, resulted in overall increased funding for the 2008-2009 biennium, ranging from resources for capital improvements to support for twenty-first century research. All the universities in our system will benefit from our legislators' vision and commitment. The universities have received increases in formula funding support for core functions such as instruction, salaries, operations, scholarships, and advising services. UHD received the largest increase, an additional \$3.6 million, for the next biennium. Tier one/flagship funding is provided for research enhancements that will result in the creation of more flagship universities in Texas, including the University of Houston. UH will receive almost \$7.5 million each year of the biennium from the Research Development Fund, which supports research infrastructure. Modest amounts were provided for UH-Clear Lake, UH-Downtown, and UH-Victoria. Higher Education Funds are used to maintain and improve facilities, and purchase equipment and library books. These funds are an absolute necessity for UHS to provide its students with modern classrooms and its faculty with suitable facilities in which to conduct research. Across the state, HEF appropriations increased \$87.5 million annually. UH, with some 90 buildings and 34,000 students, will receive the largest amount of any UH System university, an increase of \$11.7 million each year during the next biennium. The Legislature increased TEXAS Grants by \$93 million statewide for the biennium, and Work-Study programs increased from \$10 million to \$15 million. These student financial aid measures have a direct impact on the System's ability to keep tuition rates as low as possible for the current and upcoming academic years, thereby ensuring access to higher education for many of our students.

As part of its strategic plan, the University of Houston System has identified accountability and administrative efficiency as one of its strategic principles. Related initiatives on which our universities are working include direct deposits for vendor payments and employee reimbursements, to cut down on the number of paper checks issued, new energy conservation measures, and more inclusive HUB procedures. The UH System will also continue implementing and upgrading its financial, human resources, and student information systems. A major benefit of these new systems will be the availability of accurate, timely, and consistent management information, which is critical to administrative efficiency.

In November 2007, the Board of Regents unanimously appointed Dr. Renu Khator chancellor of the UH System and president of the University of Houston. Dr. Khator, who has been serving as provost and senior vice president at the University of South Florida, will take office in January 2008. She becomes the third person to hold the dual title of UH System chancellor and UH president. She follows Arthur Smith, who retired in 2003, and Jay Gogue, who became president of Auburn University, his alma mater, during the summer of 2007.

The System is not aware of any known facts or decisions that are expected to have a significant effect on the financial position or results of operations during the 2008 fiscal year. Although it is not possible to predict ultimate results, management believes the University of Houston System's financial condition and position are strong. The System's administrative and management teams realize that universities must be good stewards of the dollars with which they are entrusted. The University of Houston System is committed to this principle. Accomplishing the System's goals and mission is predicated on the effective management of resources, which the University of Houston System strives to achieve.

**UNIVERSITY OF HOUSTON
SYSTEM**

**UNAUDITED COMBINED ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2007

UNIVERSITY OF HOUSTON SYSTEM

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UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON

JIM C. MCSHAN

Interim Vice Chancellor, Administration and Finance
UH System

Interim Vice President, Administration and Finance
University of Houston

November 13, 2007

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the University of Houston System for the year ended August 31, 2007, in compliance with Texas Government Code Annotated §2101.011 and in accordance with the requirements established by the Comptroller of Public Accountants.

Due to the statewide requirements embedded in the Governmental Accounting Standards Board Statement No.34, *Basic Financial Statements-And Managements 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.

If you have any questions regarding this Annual Report or the Schedule of Expenditures of Federal Awards please contact Mr. David Ellis at (713)743-8754.

Sincerely,

Jim C. McShan

Learning. Leading.™

University of Houston System
Organizational Data
August 31, 2007

Board of Regents

Morgan Dunn O'Connor, Victoria	Term Expires August 31, 2005*
Leroy L. Hermes, Houston	Term Expires August 31, 2007*
Michael J. Cemo, Houston	Term Expires August 31, 2007*
Raul A. Gonzalez, Austin	Term Expires August 31, 2007*
Christopher Sharpe, UHD Student Regent	Term Expires February 1, 2008
Dennis D. Golden, O.D, Houston	Term Expires August 31, 2009
Lynden B. Rose, Houston	Term Expires August 31, 2009
Calvin W. Stephens, Dallas	Term Expires August 31, 2009
Welcome W. Wilson, Sr., Houston	Term Expires August 31, 2011
Jim P. Wise, Houston	Term Expires August 31, 2011

*Will remain on Board until a replacement is appointed.

Officers of the Board (Fiscal Year 2007):

Leroy L. Hermes, Chair
Michael J. Cemo, Vice Chair
Calvin W. Stephens, Secretary

Officers of the Board (Fiscal Year 2008):

Welcome W. Wilson, Sr., Chair
Calvin W. Stephens, Vice Chair
Jim P. Wise, Secretary

Administrative Officers

John M. Rudley	Interim Chancellor
Donald J. Foss	Senior Vice Chancellor for Academic Affairs and Provost
Jim McShan	Interim Vice Chancellor for Administration and Finance
Elwyn C. Lee	Vice Chancellor, Student Affairs
Grover S. Campbell	Vice Chancellor, Governmental Relations
Donald Bix	Vice Chancellor for Research
Michael Rierson	Vice Chancellor for University Advancement
Dona Cornell	Vice Chancellor for Legal Affairs and General Counsel
John M. Rudley	Interim President University of Houston
William A. Staples	President-Clear Lake
Max Castillo	President-Downtown
Tim Hudson	President -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, 2007. 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 Managements 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, 2007

	<u>Total 2007</u>
Assets	
Current Assets	
Cash and Cash Equivalents	
Cash on Hand	\$ 173,047.64
Cash in Bank	(58,313,857.31)
Cash in Transit/Reimburse from Treasury	255,212.40
Cash in State Treasury	18,845,866.77
Cash Equivalents	185,008,342.82
Short Term Investments	14,886,563.69
Restricted:	
Cash and Cash Equivalents	
Cash on Hand	500.00
Cash in Bank	23,442,505.09
Legislative Appropriations	56,552,065.15
Receivables:	
Federal Receivables	30,227,635.19
Interest and Dividends	1,789,243.64
Accounts Receivable	14,272,213.11
Gifts	17,379,410.46
Other Receivables	1,144,786.34
Due From Other Agencies	890,954.40
Consumable Inventories	534,101.35
Merchandise Inventories	2,498,331.05
Deferred Charges	23,850,352.56
Loans and Contracts	9,255,099.14
<hr/>	
Total Current Assets	<hr/> 342,692,373.49 <hr/>
Non-Current Assets	
Restricted:	
Cash and Cash Equivalents	
Cash in Bank	39,070,335.58
Loans and Contracts	9,916,546.76
Investments	642,805,127.12
Capital Assets:	
Non-Depreciable:	
Land and Land Improvements	60,818,951.69
Construction in Progress	22,392,589.51
Other Capital Assets	2,534,209.06
Depreciable:	
Building and Building Improvements	781,524,545.12
Less Accumulated Depreciation	(442,835,128.29)
Infrastructure	43,297,217.46
Less Accumulated Depreciation	(35,619,253.69)
Facilities and Other Improvements	68,284,900.89
Less Accumulated Depreciation	(35,007,222.34)
Furniture and Equipment	164,991,047.91
Less Accumulated Depreciation	(124,375,696.84)
Vehicles, Boats and Aircraft	3,490,420.74
Less Accumulated Depreciation	(2,613,338.37)
Other Capital Assets	116,635,472.15
Less Accumulated Depreciation	(62,718,244.69)
<hr/>	
Total Non-Current Assets	<hr/> 1,252,592,479.77 <hr/>
<hr/>	
Total Assets	<hr/> <hr/> 1,595,284,853.26 <hr/> <hr/>

Unaudited

University of Houston System
Combined Statement of Net Assets
August 31, 2007

	<u>Total 2007</u>
Liabilities	
Current Liabilities	
Payables:	
Accounts Payable	36,948,580.40
Federal Payable	412,818.71
Payroll Payable	30,936,236.85
Other Payable	2,586,641.80
Due to Other Agencies	5,977.84
Deferred Revenues	122,526,147.99
Notes and Loans Payable	26,775.02
Revenue Bonds Payable	19,597,739.13
Claims and Judgments Payable	254,947.98
Employees' Compensable Leave	9,202,915.35
Funds Held for Others	5,981,717.34
	<hr/>
Total Current Liabilities	228,480,498.41
	<hr/>
Non-Current Liabilities	
Revenue Bonds Payable	292,935,356.68
Claims and Judgments Payable	15,505.02
Employees' Compensable Leave	10,666,318.85
	<hr/>
Total Non-Current Liabilities	303,617,180.55
	<hr/>
Total Liabilities	532,097,678.96
	<hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	262,722,666.99
Restricted for:	
Debt Retirement	29,755.69
Capital Projects	593,880.27
Funds Held as Permanent Investments	
Nonexpendable	
Endowment Funds	340,735,705.12
Other Restricted	86,731,400.88
Unrestricted	372,373,765.35
	<hr/>
Total Net Assets	\$ 1,063,187,174.30

Unaudited

University of Houston System
 Combined Statement of Revenues, Expenses and Changes in Net Assets
 For The Year Ended August 31, 2007

	<u>Total 2007</u>
Operating Revenues	
Sales of Goods and Services (PR-Chgs for Services)	
Tuition and Fees	\$ 335,798,054.49
Discounts and Allowances	(50,514,214.48)
Auxiliary Enterprise	42,996,006.56
Other Sales of Goods and Services	20,894,248.09
Federal Revenue-Operating (PR-OP Grants/Contributions)	91,586,304.42
Federal Pass Through Revenue (PR-OP Grants/Contributions)	6,765,804.47
State Grant Revenue (PR-OP Grants/Contributions)	9,341,148.69
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	12,633,162.40
Other Grants and Contracts-Operating (PR-OP Grants/Contributions)	13,854,868.43
Other Operating Revenues (PR-Chgs for Services)	835,527.58
<hr/>	<hr/>
Total Operating Revenues	<u>484,190,910.65</u>
Operating Expenses	
Instruction	243,314,239.40
Research	74,952,194.59
Public Service	34,605,751.25
Academic Support	113,975,339.80
Student Services	31,871,801.33
Institutional Support	73,074,768.34
Physical Plant	50,443,966.56
Scholarships & Fellowships	47,960,866.95
Auxiliary Enterprises	71,615,552.52
Depreciation and Amortization	35,674,598.18
<hr/>	<hr/>
Total Operating Expenses	<u>777,489,078.92</u>
Operating Income (Loss)	<u>(293,298,168.27)</u>
Non-Operating Revenues (Expenses)	
Legislative Revenue (GR)	211,725,384.00
Additional Appropriations (GR)	42,410,319.94
Gifts (PR-OP Grants/Contributions)	43,159,548.39
Interest and Investment Income (PR-Chgs for Services)	49,694,884.93
Interest Expense and Fiscal Charges	(13,771,856.47)
Gain (Loss) on Sale of Capital Assets (GR)	6,500.00
Net Incr (Decr) in Fair Value of Investments (PR-OP Grants/Contrib)	31,631,518.43
Other Non-Operating Revenue (Expenses) (PR-Chgs for Services)	(12,596,330.68)
<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	<u>352,259,968.54</u>

Unaudited

University of Houston System
Combined Statement of Revenues, Expenses and Changes in Net Assets
For The Year Ended August 31, 2007

	<u>Total 2007</u>
<u>Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers</u>	<u>58,961,800.27</u>
Other Revenues, Expenses, Gains, Losses and Transfers	
Capital Appropriation (HEAF)	35,459,008.00
Additions to Permanent and Term Endowments	9,278,667.10
Transfers-Out	(2,253,071.92)
Legislative Appropriations Lapsed	(25,668.87)
<u>Total Other Rev, Exp, Gains, Losses and Transfers</u>	<u>42,458,934.31</u>
<u>Change In Net Assets</u>	<u>101,420,734.58</u>
<u>Net Assets, Beginning</u>	<u>961,766,439.72</u>
<u>Net Assets, Ending</u>	<u>\$ 1,063,187,174.30</u>

Unaudited

University of Houston System
 Combined Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2007

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$	\$	\$ 966,899.98	\$ 34,609.61	\$
Salaries and Wages	184,338,870.32	39,819,651.77	14,942,781.13	67,540,453.10	17,972,759.32
Payroll Related Costs	38,721,567.03	6,886,493.98	3,429,180.74	13,790,140.15	4,478,309.06
Professional Fees and Services	3,223,301.14	4,266,839.86	2,707,307.10	4,475,427.81	1,631,107.95
Federal Pass-Through Expenses	34,111.02	2,129,175.96	258,743.60		484,221.59
Travel	2,091,801.30	3,475,355.63	761,715.16	2,543,228.97	310,482.89
Materials and Supplies	5,622,258.18	5,452,628.84	1,286,487.29	9,751,689.54	1,432,625.31
Communication and Utilities	1,826,358.29	759,532.25	2,125,903.18	5,130,729.57	1,105,832.85
Repairs and Maintenance	275,249.52	456,166.21	294,849.91	2,218,222.03	670,023.05
Rentals and Leases	1,124,282.84	1,202,723.32	4,411,241.91	1,889,797.03	448,134.04
Printing and Reproduction	558,609.39	279,057.27	607,660.61	1,042,136.09	740,425.42
Depreciation and Amortization					
Interest	49,985.20	25,449.51	162,451.56	26,737.65	820,915.99
Scholarships	1,411,534.89	761,771.64	138,983.75	1,394,685.19	656,938.12
Claims and Judgments			9,327.00		
Other Operating Expenses	4,036,310.28	9,437,348.35	2,502,218.33	4,137,483.06	1,120,025.74
Total Operating Expenses	\$ 243,314,239.40	\$ 74,952,194.59	\$ 34,605,751.25	\$ 113,975,339.80	\$ 31,871,801.33

Unaudited

University of Houston System
 Combined Matrix of Operating Expenses Reported by Function
 For The Year Ended August 31, 2007

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total 2007
\$	\$	\$	\$	\$	\$
44,901,321.56	13,470,727.49	1,100,882.04	1,889,540.60		2,891,050.19
12,047,109.52	5,053,187.02	67,652.97	27,138,163.28		411,225,610.01
6,507,354.36	5,896,535.69	981,306.92	6,750,824.19		91,224,464.66
			9,843,488.40		39,532,669.23
					2,906,252.17
789,765.78	65,800.84	179,005.17	2,707,152.13		12,924,307.87
2,709,352.09	2,289,856.95	157,622.96	5,213,008.40		33,915,529.56
1,541,349.70	20,325,467.26	7,764.72	9,368,912.69		42,191,850.51
1,210,164.74	1,903,779.24	5,384.46	2,422,988.60		9,456,827.76
2,454,830.64	1,050,110.90	792.62	825,176.50		13,407,089.80
788,176.18	25,269.58	26,993.66	584,011.95		4,652,340.15
				35,674,598.18	35,674,598.18
1,145,872.47	(2,887.80)	509.60	227,444.75		2,456,478.93
83,490.72		45,617,658.42	398,742.88		50,463,805.61
903,648.50			1,000.00		913,975.50
(2,007,667.92)	366,119.39	(184,706.59)	4,245,098.15		23,652,228.79
<u>\$ 73,074,768.34</u>	<u>\$ 50,443,966.56</u>	<u>\$ 47,960,866.95</u>	<u>\$ 71,615,552.52</u>	<u>\$ 35,674,598.18</u>	<u>\$ 777,489,078.92</u>

Unaudited

University of Houston System
 Combined Statement of Cash Flows
 For The Year Ended August 31, 2007

	<u>Total 2007</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 42,972,057.60
Proceeds from Tuition & Fees	290,526,972.23
Proceeds from Research Grants & Contracts	98,734,553.61
Proceeds from Loan Programs	10,136,531.14
Proceeds from Auxiliaries	41,479,489.70
Proceeds from Other Revenues	22,473,943.75
Payments to Suppliers for Goods and Services	(156,697,290.14)
Payments to Employees for Salaries	(413,017,497.27)
Payments to Employees for Benefits	(89,141,924.96)
Payments for Loans Provided	(10,044,492.85)
Payments for Other Expenses	(91,582,914.73)
<hr/>	
Net Cash Provided (Used) by Operating Activities	(254,160,571.92)
Cash Flows from Noncapital Financing Activities	
Proceeds from State Appropriations	253,312,571.37
Proceeds from Gifts	29,537,791.37
Proceeds from Endowments	29,370,274.49
Proceeds of Transfers from Other Funds	21,391,633.40
Proceeds from Other Financing	(60,726.30)
Payments for Transfers to Other Funds	(52,436,879.26)
Payments for Other Uses	(21,770,476.57)
<hr/>	
Net Cash Provided by Noncapital Financing Activities	259,344,188.50
Cash Flows from Capital and Related Financing Activities	
Proceeds from the Sale of Capital Assets	1,191,566.03
Proceeds from Debt Issuance	(6,646.76)
Proceeds from Other Financing Activities	2,282,184.63
Proceeds from Capital Contributions	41,522,037.55
Payments for Additions to Capital Assets	(34,942,315.56)
Payments of Principal on Debt	(19,294,604.54)
Payments of Interest on Debt Issuance	(13,831,350.02)
Payments of Other Costs on Debt Issuance	(1,867,815.98)
<hr/>	
Net Cash Provided by Capital and Related Financing Activities	(24,946,944.65)
Cash Flows from Investing Activities	
Proceeds from Interest Income	2,834,296.37
Proceeds from Investment Income	76,223,299.92
Payments to Acquire Investments	(35,990,292.90)
<hr/>	
Net Cash Provided (Used) by Investing Activities	43,067,303.39
Net Increase (Decrease) in Cash and Cash Equivalents	23,303,975.32
Cash and Cash Equivalents, September 1, 2006	185,177,977.67
Restatements to Beginning Cash and Cash Equivalents	
<hr/>	
Cash and Cash Equivalents, August 31, 2007	\$ 208,481,952.99

Unaudited

University of Houston System
 Combined Statement of Cash Flows
 For The Year Ended August 31, 2007

	<u>Total 2007</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
<u>Operating Income (Loss)</u>	<u>\$ (293,298,168.27)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Amortization and Depreciation	35,674,598.18
Bad Debt Expense	133,337.31
Operating Income and Cash Flow Categories: Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	925,995.26
(Increase) Decrease in Inventories	(682,010.89)
(Increase) Decrease in Prepaid Expenses	(5,124,840.19)
(Increase) Decrease in Loans and Contracts	92,038.29
(Increase) Decrease in Other Assets	29,693.69
Increase (Decrease) in Payables	(4,817,468.28)
Increase (Decrease) in Deferred Income	10,439,540.21
Increase (Decrease) in Compensated Absence Liability	1,201,311.57
Increase (Decrease) in Benefits Payable	2,189,034.47
Increase (Decrease) in Other Liabilities	(923,633.27)
<u>Total Adjustments</u>	<u>39,137,596.35</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ (254,160,571.92)</u>
Non-Cash Transactions	
Depreciation	\$ 31,925,022.03
Acquisition (Disposal) of Capital Assets	(18,748,188.83)
Library Books Withdrawn	(1,105,811.00)
Amortization of Bond Interest	3,416,406.27
Pledged Gifts	14,737,854.26
Unrealized Gain (Loss) on Investments	31,614,776.70
<u>Non-Cash Transactions</u>	<u>\$ 61,840,059.43</u>

UNIVERSITY OF HOUSTON SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2007

NOTE 1: Summary of Significant Accounting Policies

Entity

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

The University 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 University includes within this report all components as determined by an analysis of their relationship to the University 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 University'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 University'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 17.

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 University 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 University 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 University has the following types of transactions between funds:

1. Transfers - Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.
2. 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.
3. 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.
4. 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 University's interfund activities and balances are presented in Note 8.

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2007, is presented in Table 2.

Table 2 - Capital Assets

	University of Houston System		
	Balance 9/1/2006	Adjustments	Completed CIP
Business-Type Activities:			
Non-Depreciable Assets			
Land & Land Improvements	\$ 60,815,361.84	\$	\$
Construction in Progress	17,713,501.78	(71,619.06)	(39,322,851.58)
Other Capital Assets	2,534,239.06	(30.00)	(88,856.55)
Total Non-Depreciable Assets	81,063,102.68	(71,649.06)	(39,411,708.13)
Depreciable Assets			
Buildings & Building Improvements	741,875,020.11		39,649,525.01
Infrastructure	43,297,217.46		14,000.00
Facilities & Other Improvements	68,284,900.89		(205,813.54)
Furniture & Equipment	161,454,187.15	(504,700.75)	(103,622.40)
Vehicles, Boats & Aircraft	3,276,771.12		
Other Capital Assets	109,507,335.80	(845,269.67)	
Total Depreciable Assets at Historical Costs	1,127,695,432.53	(1,349,970.42)	39,654,089.07
Less Accumulated Depreciation:			
Buildings & Building Improvements	(420,515,955.00)	(72,799.92)	
Infrastructure	(34,989,028.07)		
Facilities & Other Improvements	(33,089,678.69)		
Furniture & Equipment	(120,813,050.71)	(69,933.24)	
Vehicles, Boats & Aircraft	(2,411,801.00)		
Other Capital Assets	(57,549,927.66)		
Total Accumulated Depreciation	(669,369,441.13)	(142,733.16)	
Depreciable Assets, Net	458,325,991.40	(1,492,703.58)	39,354,089.07
Business Type Activities - Capital Assets, Net	\$ 539,389,094.08	\$ 1,564,352.64	\$ (57,619.06)

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University of Houston System				
Inc-Int-Agy Transfers	Dec-Int-Agy Transfers	Additions	Deletions	Balance 8/31/2007
\$	\$	\$ 3,589.85	\$	\$ 60,818,951.69
		44,073,558.37		22,392,589.51
		88,856.55		2,534,209.06
		44,166,004.77		85,745,750.26
				781,524,545.12
		(14,000.00)		43,297,217.46
		205,813.54		68,284,900.89
716,609.26	(346,567.64)	10,783,128.11	(7,007,985.82)	164,991,047.91
		265,114.65	(51,465.03)	3,490,420.74
		8,288,084.00	(314,677.98)	116,635,472.15
716,609.26	(346,567.64)	19,528,140.30	(7,374,128.83)	1,178,223,604.27
		(22,246,373.73)		(442,835,128.29)
		(630,219.62)		(35,619,247.69)
		(1,917,543.64)		(35,007,222.33)
(540,438.48)	341,627.16	(9,872,080.40)	6,578,178.83	(124,375,696.84)
		(253,002.40)	51,465.03	(2,613,338.37)
		(5,318,892.59)	150,575.56	(62,718,244.69)
(540,438.48)	341,627.16	(40,238,112.02)	6,780,219.42	(703,168,878.21)
176,170.78	(4,940.48)	(20,709,971.72)	(593,909.41)	475,054,726.06
\$ 176,170.78	\$ (4,940.48)	\$ 23,456,033.05	\$ (593,909.41)	\$ 560,800,476.32

NOTE 3: Deposits, Investments, & Repurchase Agreements

Deposits of Cash in Bank

As of August 31, 2007, the carrying amount of deposits was \$4,198,983.36 as presented below.

Government and Business Type Activities

Cash In Bank-Carrying Value	\$ 4,198,983.36
Less certificates of deposit included in carrying value and reported as Cash Equivalent	0.00
Less uninvested securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	0.00
Less Securities Lending CD Collateral included in carrying value and reported as securities lending collateral.	0.00
	<hr/>
Cash in Bank per Annual Financial Report	<u>\$ 4,198,983.36</u>
Proprietary Funds Current Assets Cash in Bank	\$ (58,313,857.31)
Proprietary Funds Current Assets Restricted Cash in Bank	24,437,605.19
Proprietary Funds Non-Current Assets Restricted Cash in Bank	<u>38,075,235.48</u>
Cash in Bank per Annual Financial Report	<u>\$ 4,198,983.36</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, 2007, the total bank balance was as follows.

Governmental and Business-Type Activities	\$ 3,259,842
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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 University 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 bank balances that were exposed to custodial credit risks are as follows. The University has no deposits that are at risk of recovery with the failure of a depository financial institution.

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposit. Foreign bank accounts were liquidated in 2007. Therefore, there is no exposure to foreign currency risk as of August 31, 2007.

Investments

As of August 31, 2007, fair value of investments is as presented below.

Governmental and Business-Type Activities	Fair Value
U.S. Government	
U.S. Treasury Securities	\$ 45,274,143.93
U.S. Treasury Strips	
U.S. Treasury TIPS	
U. S Government Obligations(Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	36,459,488.22
U.S. Government Obligations (Texas Treasury Safekeeping Trust Co)	
Corporate Obligations	60,476,590.97
Corporate Assets and Mortgage Backed Securities	
Equities	188,449,181.40
International Equities	139,846,709.70
International Obligations	
Repurchase Agreements	6,590,129.54
Repurchase Agreements (Texas Treasury Safekeeping Trust)	
Fixed Income Money Market and Bond Mutual Funds	195,289,701.80
Other Comingled Funds	35,069,561.39
Other Comingled Funds (TexPool)	8,296,433.66
Commercial Paper	9,490,938.87
Securities Lending Collateral Investment Pool	
Real Estate	17,076,887.00
Alternative Investments	91,124,709.00
Misc. (Political subdivisions, bankers acceptance, negotiable CD's)	9,255,558.15
	<hr/>
Total Investments	<u>\$ 842,700,033.63</u>
Reconciliation of Investments per Financial Statements	
Proprietary Fund Current Assets Restricted Short-Term Investments	\$ 199,894,906.51
Proprietary Fund Non-Current Assets Restricted Short-Term Investments	<u>642,805,127.12</u>
Investments per Financial Statements	<u>\$ 842,700,033.63</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 University 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, 2007, the University had no investment securities with credit risk exposure. Below is a schedule of credit risk related to the University's investments.

Investments as rated by Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA
05	9999	U.S. Government Obligations	\$ 47,579,387.09	\$ 16,025,322.84
		U.S. Government Agency Obligations	44,531,095.89	
		Corporate Obligations	13,110,849.01	33,125,678.14
		Misc Investments	3,747,480.20	1,011,480.00

Standard and Poor's (con't.)

Fund Type	GAAP Fund	Investment Type	A	BBB	NR
05	9999	Corporate Obligations	\$ 5,217,926.28	\$ 1,645,145.60	\$ 16,025,322.84
		Repurchase Agreement			6,590,129.54
		Fixed Income MM & Bond			
		Mutual Funds			238,115,569.18
		Misc Investments			4,496,597.95

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2007, 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 University, 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 University and the University 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 University 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 University had no investments in reverse repurchase agreements.

Securities Lending

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

In securities lending transactions, the University 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 University 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 University. 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 University's resources. The borrower will pay a loan premium or fee for the securities loan, thus generating income for the University.

Securities lending is authorized by state statutes. The University 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 University to pledge or sell collateral securities without borrower default. At year-end, the University has no credit risk exposure to borrowers because the amounts the University owes to borrowers exceed the amounts the borrowers owe the University. Contracts with the lending agents require them to indemnify the University 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.

Derivative Investing

The University did not hold any collateralized mortgage obligations at fiscal year-end. These securities are purchased to provide an incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated that these securities will provide future cash inflows on a time schedule that approximately matches the outflows associated with the University's liabilities. These highly marketable securities are rated AAA by the major rating agencies.

The University does not enter into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterpart to perform.

NOTE 4: Short-Term Debt

The University holds a short term note payable the proceeds of which were used to complete renovations of Hofheinz Pavillion. The following changes in Table 4 below occurred during the year ended August 31, 2007:

Table 4 Short Term Liabilities

Business Type Activity	Balance 9/1/2006	Additions	Reductions	Balance 8/31/2007
Note Payable	\$65,144.94	\$	\$ 38,369.91	\$26,775.02
Total	\$65,144.94	\$	\$ 38,369.91	\$26.775.02

NOTE 5: Summary of Long Term Liabilities

Changes In Long-Term Liabilities

During the year ended August 31, 2007, the following changes, presented in Table 5, occurred in liabilities.

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

Table 5 Long Term Liabilities

Business Type Activities	Balance 09-01-2006	Additions	Reductions	Balance 08-31-2007
Revenue Bonds Payable	\$ 332,115,834.94	\$	\$ 19,582,739.13	\$ 312,533,095.81
Claims and Judgments	369,315.78	1,273,768.02	1,372,630.80	270,453.00
Compensable Leave	18,667,922.63	9,904,395.29	8,703,083.72	19,869,234.20
Total	\$ 350,783,757.57	\$ 10,544,722.27	\$ 28,926,149.83	\$ 332,402,330.01

Table 5 Long Term Liabilities (con't.)

Business Type Activities	Balance 08-31-2007	Amount Due Within 1 year	Amounts Due Thereafter
Revenue Bonds Payable	\$ 312,533,095.81	\$ 19,597,739.13	\$ 292,935,356.68
Claims and Judgments	270,453.00	254,947.98	15,505.02
Compensable Leave	19,869,234.20	9,202,915.35	10,666,318.85
Total (as above)	\$ 332,402,330.01	\$ 29,247,852.77	\$ 303,617,180.55

Notes and Loans Payable

The University reported no notes or loans payable at the end of the year ended August 31, 2007.

Claims and Judgments

At August 31, 2007, various lawsuits and claims involving the University were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against the University 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 University accounts.

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 2005. 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.

Lump sum payments made to employees, who separated from state service during the 2007 fiscal year, for accrued vacation and compensatory leave, totaled \$1,562,494.06.

NOTE 6: Capital Leases

The University may enter into long-term leases for financing the purchase of certain fixed assets. Such leases are classified as capital leases for accounting purposes and, therefore, are recorded at the present value of the future minimum lease payments at the inception of the lease. There were no outstanding capital lease payments payable at August 31, 2007.

NOTE 7: Operating Lease Obligations

Included in the Expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

<u>Fund Type</u>	<u>Amount</u>
Proprietary Fund	\$ 4,826,670.34

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

Year Ended August 31, 2007	
2008	\$ 3,887,642.30
2009	2,916,472.83
2010	1,932,379.63
2011	966,375.09
2012	483,002.27
2013-2017	241,593.77
2018-2022	<u>120,796.89</u>
Total Minimum Future Lease Rental Payments	<u>\$ 10,548,262.78</u>

NOTE 8: Interfund Balances / Activities

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 University 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, 2007, are shown in Table 8 below.

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

		Legislative Transfers In		Legislative Transfers Out	Purpose
GENERAL REVENUE(01)					
Appd Fund 001, D23, Fund 001, Agency 730,					
Transfer In from/Out to:					
University of Houston Appd Fund 001, D23, Fund 001, Agency 730,	\$	76,996.00	\$	207,812.00	Shared Approp Approved by UH Board of Regents
Appd Fund 001, D23, Fund 001, Agency 759, D23, Fund 001	\$	207,812.00	\$	76,996.00	Shared Approp Approved by UH Board of Regents
UH Clear Lake					
UH Downtown					
UH Victoria					
Total Legislative Transfers in/out	\$	284,808.00	\$	284,808.00	

NOTE 9: 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 15.

NOTE 10: Continuance Subject to Review

The University 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 11: Risk Financing and Related Insurance

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

The University 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 University is not involved in any risk pools with other government entities.

The University'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.

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. Additional information about claims and judgments payable is provided in Note 5.

NOTE 12: Segment Information

The University 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 an other 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.

NOTE 13: 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 1998**

- 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, specifically energy conservation projects.
- Issued 1-1-98.
- \$14,565,000; all bonds authorized have been issued.
- Source of revenue for debt service - Tuition, state appropriations, and various other revenues and balances that may be legally available for payment of debt obligations.

• **Consolidated Revenue Bonds, Series 1999**

- 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, specifically projects at the University of Houston, University of Houston - Downtown, University of Houston - Victoria, and the University of Houston multi-institutional teaching center in Fort Bend County.
- Issued 1-1-99.
- \$33,350,000; all bonds authorized have been issued.

- 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 2007 from Legislative appropriation).

• **Consolidated Revenue Bonds, Series 2000**

- To construct a recreation and wellness facility at the University of Houston.
- Issued 9-1-00.
- \$52,070,000; all bonds authorized have been issued.
- 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 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.
- Issued 9-1-02.
- \$130,955,000; all bonds authorized have been issued.
- 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 2007, partially from Legislative appropriation).

• **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.
- Issued 6-16-04.
- \$25,000,000; all bonds authorized have been issued.
- 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 2007, from Legislative appropriation).

• **Consolidated Revenue Bonds, Series 2005**

- To construct a parking garage facility at the University of Houston.
- Issued 4-01-05.
- \$25,800,000; all bonds authorized have been issued.
- 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.

General Obligation Bonds

At August 31, 2007, the University had no bonds payable classified as General Obligation Bonds.

Refunding Bonds

• **Consolidated Revenue 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.
- Issued 11-1-02.
- \$45,425,000; all bonds authorized have been issued.
- 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 2-15-03.
- 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 University'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.

NOTE 14: Subsequent Events

On July 16, 2007, University of Houston System Chancellor/President Dr. Jay Gogue resigned to become President of Auburn University. Dr. John Rudley was appointed Interim Chancellor/President. On November 5, 2007, Dr. Renu Kator was appointed by the Board of Regents as succeeding Chancellor/President of University of Houston System.

NOTE 15: Related Parties

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

- **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 Foundation's Board of Trustees consists of nine members. The Foundation remitted \$4,731,902.06 of direct support and \$306,327.45 of indirect support to the System during the year ended August 31, 2007.

- **University of Houston**

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 \$915,834.81 of direct support and \$563,776.40 of indirect support to the System during the year ended August 31, 2007.

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 \$914,913.71 of direct support and \$1,826,953.61 of indirect support to the System during the year ended August 31, 2007.

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, 2007.

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 support to the System during the year ended August 31, 2007.

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) and KUHF (FM Radio Station 88.7) service area excellence in operation and programming and to further mutual goals for KUHT, KUHF and ACB, by providing various and substantial support to KUHT, KUHF and the University of Houston. The organization remitted \$2,856,000.00 of direct support and \$1,648,559.90 of indirect support to the System during the year ended August 31, 2007.

• **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 the university campus. These facilities are operated under grounded 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 University. If cash revenues do not attain certain contractually defined thresholds, the University may be liable to the external management entity for the deficiency. In previous fiscal years, contingent liability payments were made for \$55,850 in 2005 and \$138,405 in 2006, both in relation to the University of Houston's Bayou Oaks facility. During the 2007 fiscal year, net cash flows were sufficiently adequate, so as not to generate a liability payment. University 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 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 System or component universities, and are not contained in the financial statements of the System. American Campus Communities operates the Bayou Oaks and 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 project at the University of Houston-Clear Lake.

NOTE 16: Stewardship, Compliance and Accountability

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

NOTE 17: The Financial Reporting Entity and Joint Ventures

The Financial Reporting Entity

The University of Houston System is an agency of the State of Texas, and its financial records reflect compliance with applicable state statutes and regulations. The System was established by House Bill No. 188, Sixty-Fifth Legislature, Regular Session, effective September 1, 1977. Components of the System are System Administration (1977), University of Houston (1963), Clear Lake (1973), Downtown (1974), and Victoria (1973). The System is governed by an appointed nine member Board of Regents.

Although the University is affiliated with several separate legal entities, as previously disclosed, these organizations are not considered component units as defined by generally accepted accounting principles. Therefore, the account balances and financial transactions of these organizations are not included in the University's financial statements.

NOTE 18: Restatement Of Fund Balances/Retained Earnings

During fiscal year 2007, no adjustments were made which required restatement of the amounts in fund balances and fund equity.

NOTE 19: Employees Retirement Plans

The State has joint contributory retirement plans for substantially all its employees. The University 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 in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity or mutual fund contracts. Since these are individual investment product contracts, the state has no additional or unfunded liability for this program.

NOTE 20: 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 University 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 21: Donor-Restricted Endowments

Amounts reported as net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure are disclosed in Table 21. Effective September 1, 1995, the Board of Regents adopted an endowment income payout policy whereby the payout rate is based on a percentage of the fiscal year end market value averaged over rolling three year periods. If an endowment were in existence less than three years, the average is based on the number of years in existence.

Table 21-Endowments

Donor Restricted Endowments	Amount of Net Appreciation/ (Depreciation)	Reported in Net Assets
Endowments	\$ 1,874,576.94	Restricted for Non-Expendable
Total	<u>\$ 1,874,576.94</u>	

NOTE 22: Management Discussion and Analysis

The System is continuing the development and implementation of integrated financial, human resources, and student information systems that were purchased from PeopleSoft. The implementation of these systems increases the availability of accurate and timely management information.

The University of Houston System's financial condition and position are strong. The University's administrative and management teams realize that universities must be good stewards of the dollars with which they are entrusted. Management strives to make sound financial decisions.

**NOTE 23: Post Employment Health Care and Life Insurance Benefits
(UT, A&M and ERS only)**

Provisions of this requirement only apply to the following agencies: University of Texas, Texas A&M University and Employees Retirement System.

NOTE 24: Special or Extraordinary Items

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

NOTE 25: 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 University 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 25.1.

Table 25.1 Federal Receivables

Federal Receivable Program	Net Receivable
Department of Agriculture	\$ 147,760.58
Department of Commerce	363,803.48
Department of Defense	6,068,410.41
Department of Education	8,245,748.19
Department of Energy	2,020,415.75
Department of Health and Human Services	5,724,459.98
Homeland Security	635,533.95
Department of Justice	43,362.47
Department of Labor	56,227.48
Department of the Interior	166,258.96
Department of Transportation	96,638.05
Department of Veteran's Affairs	48,604.37
Environmental Protection Agency	454,691.44
National Aeronautics and Space Administration	1,425,342.38
National Foundation for the Arts and Humanities	358,675.39
National Science Foundation	3,480,567.91
Securities and Exchange Commission	164,474.30
Small Business Administration	119,572.76
U.S. Agency for International Development	7,087.34
	<hr/>
Total Net Federal Receivable	\$ 30,227,635.19
	<hr/>
As Reported on the Financial Statements:	
Current Federal Receivable	\$ 30,227,635.19
	<hr/>
Total Net Federal Receivable	\$ 30,227,635.19
	<hr/>

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 26: Termination Benefits

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

Unaudited
Schedule 1 - A
University of Houston System
Schedule of Expenditures Of Federal Awards
For The Year Ended August 31, 2007

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
Total Non-monetary Assistance	0.00
Note 2: Reconciliation	
Federal Revenues	
Federal Grants and Contracts	91,586,304.42
Federal Pass Through Grants	
From Other State Agencies	6,765,804.47
Indirect Cost Recoveries	
Federal Grants	0.00
Federal Pass Through From State Agencies	0.00
Total Federal Revenues	98,352,108.89
Reconciling Items	
Additions	
Pass Through To State Entities & Other Entities	0.00
Non-monetary Assistance	
Donation-Federal Surplus Property	0.00
New Student Loans Processed / Adm Costs	
Federal Family Education Loan Program	190,881,285.46
Federal Perkins Loan Program	2,883,509.70
Health Prof Student Loans - Optometry	0.00
Total Additions	193,764,795.16
Deductions	
Federal Perkins Program Disb-Institute Share	0.00
Total Deductions	0.00
Total Reconciling Items	193,764,795.16
Total Pass Through & Expenditures Per Federal Schedule	\$ 292,116,904.05

Unaudited

Schedule 1 - A
 University of Houston - System
 Schedule of Expenses Of Federal Awards
 For The Year Ended August 31, 2007

Federal Agency	New Loans Processed	Administrative Cost Recovered	Total Loans Processed Administrative Cost Recovered	Loan Receivable Ending Balances
Note 3: Student Loan Program & Adm Cost Recovered				
Department Of Education				
84.032 Federal Family Education Program				
Loan - Non-monetary Loans	\$ 190,881,285.46	\$	\$ 190,881,285.46	\$
84.038 Federal Perkins Loan Program				
Perkins Student Loans	2,883,509.70	82,003.87	2,965,513.57	9,916,546.76
<u>Total Department Of Education</u>	<u>193,764,795.16</u>	<u>82,003.87</u>	<u>193,846,799.03</u>	<u>9,916,546.76</u>
Department Of Health & Human Services				
93.342 Health Profession Student Loans				
Optometry Loans				159,671.40
<u>Total Department of Health & Human Services</u>				<u>159,671.40</u>
<u>Total Student Loan Program & Adm Cost Recovered</u>	<u>\$ 193,764,795.16</u>	<u>\$ 82,003.87</u>	<u>\$ 193,846,799.03</u>	<u>\$ 10,076,218.16</u>

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

Unaudited

Schedule 1 - B
 University of Houston System
 Schedule of State Grant Pass-Throughs From/To State Agencies
 For The Year Ended August 31, 2007

	<u>Total</u>
Pass Through From	
Coordinating Board (Agency 781)	
Texas Grant Program	\$ 11,226,848.00
College Work Study Program	260,113.25
5th Year Accounting Scholarships Program	49,127.00
Texas Workforce Development Program	(39,176.65)
<u>Total Coordinating Board (Agency 781)</u>	<u>11,496,911.60</u>
Texas Education Agency (Agency 701)	
Foundation School Program	855,551.00
Foundation School Program Technology Allotment	3,476.00
Student Success Initiatives	3,363.30
<u>Total Texas Education Agency (Agency 701)</u>	<u>862,390.30</u>
Texas Attorney General's Office (Agency 302)	
Crime Victim Assistance Grants	43,339.92
<u>Total Texas Attorney General (Agency 302)</u>	<u>43,339.92</u>
Lamar University (Agency 734)	
Texas Air Research Center	150,794.54
Texas Hazardous Waste Research Center	79,726.04
<u>Total Lamar University (Agency 734)</u>	<u>230,520.58</u>
<u>Total Pass Through From Other Agencies</u>	<u>\$ 12,633,162.40</u>
Pass Through To	
None Reported	
<u>Total Pass Through To Other Agencies</u>	<u>\$ 0.00</u>

Unaudited

Schedule 2 - A
 University of Houston System
 Combined Schedule Of Miscellaneous Bond Information
 For The Year Ended August 31, 2007

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	2006	48,450,000.00	3.500% - 5.000%		2007	2030	2/15/2015
	Consolidated Revenue Refunding Bonds Series	2003	16,490,000.00	2.000% - 5.000%		2006	2017	2/15/2013
Consolidated Revenue Bonds Self-supporting Revenue Bonds	Consolidated Revenue Bonds Series	1998	14,565,000.00	4.100% - 5.500%		2000	2009	8/15/2007
	Consolidated Revenue Bonds Series	2000	52,070,000.00	5.250% - 7.000%		2003	2030	2/15/2010
	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 Bonds Series	1997	5,150,000.00	4.500% - 6.500%		1998	2017	8/15/2007
	Consolidated Revenue Bonds Series	1999	33,350,000.00	4.500% - 5.000%		2000	2019	2/15/2009
	Consolidated Revenue Bonds Series	2002-A	130,955,000.00	2.500% - 4.750%		2003	2022	2/15/2012
	Consolidated Revenue Variable Rate Demand Bonds Series	2004	25,000,000.00	VAR - VAR	Weekly	2006	2024	8/15/2004
			<u>\$ 432,395,000.00</u>					

Unaudited

Schedule 2-B
University of Houston System
Combined Schedule Of Changes In Bonded Incurredness
For The Year Ended August 31, 2007

Business-Type Activities

Description of Issue	Bonds Outstanding 09/01/2006	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2007
General Obligation Bonds					
None					
Revenue Bonds					
Consolidated Revenue Refunding Bonds Series 2002-B	\$ 30,220,000.00	\$	\$ 5,470,000.00	\$	\$ 24,750,000.00
Consolidated Revenue Refunding Bonds Series 2003	15,970,000.00		1,185,000.00		14,785,000.00
Consolidated Revenue Refunding Bonds Series 2006	48,450,000.00		90,000.00		48,360,000.00
Consolidated Revenue Bonds Series 1997	240,000.00		240,000.00		
Consolidated Revenue Bonds Series 1998	5,110,000.00		1,620,000.00		3,490,000.00
Consolidated Revenue Bonds Series 1999	25,045,000.00		1,435,000.00		23,610,000.00
Consolidated Revenue Bonds Series 2000	4,350,000.00		975,000.00		3,375,000.00
Consolidated Revenue Bonds Series 2002-A	111,615,000.00		5,100,000.00		106,515,000.00
Consolidated Revenue Variable Rate Demand Bonds Series 2004	23,700,000.00		1,090,000.00		22,610,000.00
Consolidated Revenue Bonds Series 2005	25,485,000.00		825,000.00		24,660,000.00
Consolidated Revenue Bonds Series 2006	35,140,000.00		1,105,000.00		34,035,000.00
Total Revenue Bonds	\$ 325,325,000.00	\$	\$ 19,135,000.00	\$	\$ 306,190,000.00
Revenue Bonds					
Consolidated Revenue Refunding Bonds Series 2002-B	\$ 1,794,633.92	\$	\$	\$	\$ 26,544,633.92
Consolidated Revenue Refunding Bonds Series 2003	642,928.56				15,427,928.56
Consolidated Revenue Refunding Bonds Series 2006	1,692,712.69				50,052,712.69
Consolidated Revenue Bonds Series 1997					
Consolidated Revenue Bonds Series 1998					1,705,000.00
Consolidated Revenue Bonds Series 1999					1,510,000.00
Consolidated Revenue Bonds Series 2000					1,045,000.00
Consolidated Revenue Bonds Series 2002-A	426,424.45				106,941,424.45
Consolidated Revenue Variable Rate Demand Bonds Series 2004	76,651.90				22,686,651.90
Consolidated Revenue Bonds Series 2005	81,866.57				24,741,866.57
Consolidated Revenue Bonds Series 2006	1,627,877.72				35,662,877.72
Total Revenue Bonds	\$ 6,343,095.81	\$	\$	\$	\$ 312,533,095.81
					\$ 19,597,739.13
					\$ 5,930,917.51
					1,292,676.69
					427,419.30
					1,705,000.00
					1,510,000.00
					1,045,000.00
					5,294,408.58
					284,645.57
					869,678.09
					1,237,993.39

Unaudited
Schedule 2 - C
University of Houston System
Combined Schedule Of Debt Service Requirements
For The Year Ended August 31, 2007

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	2008	\$ 5,760,000.00	\$ 1,148,175.00	\$ 6,908,175.00
	2009	6,080,000.00	837,375.00	6,917,375.00
	2010	1,155,000.00	647,456.25	1,802,456.25
	2011	1,215,000.00	585,243.75	1,800,243.75
	2012	1,285,000.00	519,618.75	1,804,618.75
	2013 - 2017	7,505,000.00	1,485,881.25	8,990,881.25
	2018 - 2022	1,750,000.00	45,937.50	1,795,937.50
	2023 - 2027			
	2028 - 2032			
		<u>\$ 24,750,000.00</u>	<u>\$ 5,269,687.50</u>	<u>\$ 30,019,687.50</u>
Consolidated Revenue Refunding Bonds Series 2006	2008	\$ 345,000.00	\$ 2,278,706.26	\$ 2,623,706.26
	2009	355,000.00	2,266,456.26	2,621,456.26
	2010	370,000.00	2,253,306.26	2,623,306.26
	2011	1,665,000.00	2,213,068.76	3,878,068.76
	2012	1,730,000.00	2,136,518.76	3,866,518.76
	2013 - 2017	10,105,000.00	9,254,968.80	19,359,968.80
	2018 - 2022	10,595,000.00	6,668,968.80	17,263,968.80
	2023 - 2027	13,460,000.00	3,821,253.14	17,281,253.14
	2028 - 2032	9,735,000.00	670,387.50	10,405,387.50
		<u>\$ 48,360,000.00</u>	<u>\$ 31,563,634.54</u>	<u>\$ 79,923,634.54</u>
Consolidated Revenue Bonds Series 1998	2008	\$ 1,705,000.00	\$ 120,718.76	\$ 1,825,718.76
	2009	1,785,000.00	39,046.88	1,824,046.88
	2010			
	2011			
	2012			
	2013 - 2017			
	2018 - 2022			
	2023 - 2027			
	2028 - 2032			
		<u>\$ 3,490,000.00</u>	<u>\$ 159,765.64</u>	<u>\$ 3,649,765.64</u>
Consolidated Revenue Bonds Series 2000	2008	\$ 1,045,000.00	\$ 199,675.00	\$ 1,244,675.00
	2009	1,125,000.00	123,725.00	1,248,725.00
	2010	1,205,000.00	42,175.00	1,247,175.00
	2011			
	2012			
	2013 - 2017			
	2018 - 2022			
	2023 - 2027			
	2028 - 2032			
		<u>\$ 3,375,000.00</u>	<u>\$ 365,575.00</u>	<u>\$ 3,740,575.00</u>

Unaudited
Schedule 2 - C
University of Houston System
Combined Schedule Of Debt Service Requirements
For The Year Ended August 31, 2007

Business-Type Activities

Description of Issue	Year	Principal	Interest	Total
Consolidated Revenue Bonds Series 2005	2008	\$ 865,000.00	\$ 1,045,312.50	\$ 1,910,312.50
	2009	910,000.00	1,009,812.50	1,919,812.50
	2010	955,000.00	972,512.50	1,927,512.50
	2011	1,005,000.00	933,312.50	1,938,312.50
	2012	1,060,000.00	892,012.50	1,952,012.50
	2013 - 2017	6,160,000.00	3,742,387.50	9,902,387.50
	2018 - 2022	7,915,000.00	2,314,631.25	10,229,631.25
	2023 - 2027	5,790,000.00	443,750.00	6,233,750.00
	2028 - 2032			
			<u>\$ 24,660,000.00</u>	<u>\$ 11,353,731.25</u>
Consolidated Revenue Bonds Series 2006	2008	\$ 1,150,000.00	\$ 1,585,681.26	\$ 2,735,681.26
	2009	1,190,000.00	1,544,731.26	2,734,731.26
	2010	1,235,000.00	1,500,750.01	2,735,750.01
	2011	1,285,000.00	1,451,893.76	2,736,893.76
	2012	1,345,000.00	1,392,568.76	2,737,568.76
	2013 - 2017	7,825,000.00	5,855,343.80	13,680,343.80
	2018 - 2022	10,050,000.00	3,632,468.80	13,682,468.80
	2023 - 2027	9,955,000.00	993,190.64	10,948,190.64
	2028 - 2032			
			<u>\$ 34,035,000.00</u>	<u>\$ 17,956,628.29</u>
Consolidated Revenue Refunding Bonds Series 2003	2008	\$ 1,225,000.00	\$ 633,762.50	\$ 1,858,762.50
	2009	1,270,000.00	589,987.50	1,859,987.50
	2010	1,310,000.00	544,937.50	1,854,937.50
	2011	1,355,000.00	503,268.75	1,858,268.75
	2012	1,410,000.00	446,000.00	1,856,000.00
	2013 - 2017	8,215,000.00	1,068,125.00	9,283,125.00
	2018 - 2022			
	2023 - 2027			
	2028 - 2032			
		<u>\$ 14,785,000.00</u>	<u>\$ 3,786,081.25</u>	<u>\$ 18,571,081.25</u>
Consolidated Revenue Bonds Series 1997	2008	\$	\$	\$
	2009			
	2010			
	2011			
	2012			
	2013 - 2017			
	2018 - 2022			
	2023 - 2027			
	2028 - 2032			
		<u>\$</u>	<u>\$</u>	<u>\$</u>

Unaudited
Schedule 2 - C
University of Houston System
Combined Schedule Of Debt Service Requirements
For The Year Ended August 31, 2007

Business-Type Activities

Description of Issue	Year	Principal	Interest	Total
Consolidated Revenue Bonds Series 1999	2008	\$ 1,510,000.00	\$ 1,097,640.00	\$ 2,607,640.00
	2009	1,585,000.00	1,028,002.50	2,613,002.50
	2010	1,660,000.00	952,915.00	2,612,915.00
	2011	1,730,000.00	872,402.50	2,602,402.50
	2012	1,810,000.00	788,327.50	2,598,327.50
	2013 - 2017	10,405,000.00	2,532,917.50	12,937,917.50
	2018 - 2022	4,910,000.00	248,500.00	5,158,500.00
	2023 - 2027			
	2028 - 2032			
		<u>\$ 23,610,000.00</u>	<u>\$ 7,520,705.00</u>	<u>\$ 31,130,705.00</u>
Consolidated Revenue Bonds Series 2002-A	2008	\$ 5,265,000.00	\$ 4,377,012.52	\$ 9,642,012.52
	2009	5,445,000.00	4,162,812.52	9,607,812.52
	2010	5,645,000.00	3,941,012.52	9,586,012.52
	2011	5,865,000.00	3,710,812.52	9,575,812.52
	2012	6,100,000.00	3,471,512.52	9,571,512.52
	2013 - 2017	34,625,000.00	13,398,953.22	48,023,953.22
	2018 - 2022	43,570,000.00	5,187,490.70	48,757,490.70
	2023 - 2027			
	2028 - 2032			
		<u>\$ 106,515,000.00</u>	<u>\$ 38,249,606.52</u>	<u>\$ 144,764,606.52</u>
Consolidated Revenue Variable Rate Demand Bonds Series 2004	2008	\$ 280,000.00	\$ 1,011,150.00	\$ 1,291,150.00
	2009	975,000.00	982,912.50	1,957,912.50
	2010	1,020,000.00	938,025.00	1,958,025.00
	2011	1,065,000.00	891,112.50	1,956,112.50
	2012	1,115,000.00	842,062.50	1,957,062.50
	2013 - 2017	6,395,000.00	3,390,862.50	9,785,862.50
	2018 - 2022	8,015,000.00	1,776,937.50	9,791,937.50
	2023 - 2027	3,745,000.00	170,437.50	3,915,437.50
	2028 - 2032			
		<u>\$ 22,610,000.00</u>	<u>\$ 10,003,500.00</u>	<u>\$ 32,613,500.00</u>
Not Self-Supporting Bonds None		\$	\$	\$
Total		<u>\$ 306,190,000.00</u>	<u>\$ 126,228,914.99</u>	<u>\$ 432,418,914.99</u>

Unaudited

Schedule 2-D
 University of Houston System
 Combined Analysis Of Funds Available For Debt Service
 For The Year Ending August 31, 2007

Business-Type Activities
 General Obligation Bonds

Description of Issue	Beginning Balance Available for Debt Service 09/01/2006	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
	Principal	Interest	Refunded or Extinguished	
	\$	\$	\$	\$
Total	\$	\$	\$	\$

Ending Balance Available for Debt Service at 08/31/2007	Required	Actual
		\$
Total	\$	\$

Unaudited

Schedule 2-D

University of Houston System
 Combined Analysis Of Funds Available For Debt Service
 For The Year Ending August 31, 2007

Business-Type Activities
 Revenue Bonds

Description of Issue	Pledged and Other Sources and Related Expenditure for FY 2007							Net Available for Debt Service
	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	Total Pledged Sources	Other Sources	Operating Expenses & Expenditures	Capital Outlay	
Consolidated Revenue Refunding Bonds and Consolidated Revenue Bonds (A)	\$	\$ 90,053.78	\$ 405,653,674.77	\$ 405,743,728.55	\$	\$	\$	\$ 405,743,728.55
Total	\$	\$ 90,053.78	\$ 405,653,674.77	\$ 405,743,728.55	\$	\$	\$	\$ 405,743,728.55
(A) Other Pledged Revenues Consist of								
Tuition and Fees		\$	335,798,054.49					
Investment Income			12,426,110.72					
Sales and Service			42,996,006.56					
Legislative Appropriations			14,433,503.00					
Total as shown above			\$ 405,653,674.77					

(B) Expenditures associated with pledged sources were approximately \$ 316,261,152.15

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	\$ 5,470,000.00	\$ 1,439,543.75	\$	\$	\$	\$	\$
Consolidated Revenue Refunding Bonds Series 2003	1,185,000.00	672,875.00					
Consolidated Revenue Refunding Bonds Series 2006	90,000.00	2,286,993.75					
Consolidated Revenue Bonds Series 1995							
Consolidated Revenue Bonds Series 1997	240,000.00	7,800.01					
Consolidated Revenue Bonds Series 1998	1,620,000.00	203,843.75					
Consolidated Revenue Bonds Series 1999	1,435,000.00	1,163,902.50					
Consolidated Revenue Bonds Series 2000	975,000.00	270,375.00					
Consolidated Revenue Bonds Series 2002-A	5,100,000.00	4,570,990.60					
Consolidated Revenue Variable Rate Demand Bonds Series 2004	1,090,000.00	860,109.32					
Consolidated Revenue Bonds Series 2005	825,000.00	1,079,112.50					
Consolidated Revenue Bonds Series 2006	1,105,000.00	1,698,027.89					
Total	\$ 19,135,000.00	\$ 14,253,574.07	\$	\$	\$	\$	\$

Unaudited

Schedule 2-E
University of Houston System
Combined Schedule Of Defeased Bonds Outstanding
For The Year Ended August 31, 2007

Business-Type Activities	Year Refunded	Par Value Outstanding
Description of Issue		
General Obligations Bonds		\$
Total		\$
Revenue Bonds		
Consolidated Revenue Bonds Series 2000	2006	44,430,000.00
Total		\$ 44,430,000.00

Unaudited

Schedule 2-F
 University of Houston System
 Combined Schedule Of Early Extinguishment and Refunding
 For The Year Ended August 31, 2007

Description of Issue	Category	Amount Extinguished Or Refunded	Refunding Issue Par Value	For Refunding Only		Economic Gain / (Loss)
				Increase / (Decrease)	Cash Flow Increase / (Decrease)	
Business-Type Activities						
General Obligations Bonds Schedule not used.		\$	\$	\$		\$
Total		\$	\$	\$		\$
Revenue Bonds Schedule not used.		\$	\$	\$		\$
Total		\$	\$	\$		\$

Unaudited
Schedule 3
University of Houston System
Combined Reconciliation Of Cash In State Treasury
For The Year Ended August 31, 2007

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund No 0225 (UH - 730)	\$ 11,179,083.37	\$	\$ 11,179,083.37
Local Revenue Fund No 0229 (UHC - 759)	4,309,583.28		4,309,583.28
Local Revenue Fund No 0233 (UHV - 765)	403,980.61		403,980.61
Local Revenue Fund No 0268 (UHD - 784)	2,953,219.51		2,953,219.51
<u>Total Cash in State Treasury</u>	<u>\$ 18,845,866.77</u>	<u>\$</u>	<u>\$ 18,845,866.77</u>