Financial Statements

For

Prairie View A&M University

For Fiscal Year Ended

August 31, 2009

State Auditor's Office
John Keel, CPA
State Auditor

Auditor's Review Report

January 22, 2010

Dr. George C. Wright, President
Prairie View A&M University
5th Street Ave. A
L.W. Minor Street
Prairie View, TX 77446

Dear Dr. Wright:

We have reviewed the accompanying Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements of Prairie View A&M University (University) as of and for the fiscal year ended August 31, 2009, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The review was performed in accordance with the Southern Association of Colleges and Schools' (Southern Association) *Criteria for Accreditation*. All information included in these financial statements is the representation of management of the University.

A review consists principally of inquiries of University personnel and analytical procedures applied to financial data. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying statements were prepared to present the financial position, the changes in financial position and the cash flows of the University. These statements are prepared pursuant to criteria of the Southern Association for supplementary special reports by institutions in states that conduct statewide audits.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The University has not presented a management's discussion and analysis section that the Governmental Accounting Standards Board has identified as required supplementary information that is not part of the basic financial statements. However, such required supplementary information for the Texas A&M University System (System) is presented in the System's consolidated annual financial report.

This report is intended for use by the Board of Regents of the System, management of the University, and the Southern Association. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sincerely,

John Keel, CPA
State Auditor

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Prairie View A&M University
Statement of Net Assets
At August 31, 2009
(See Auditor's Review Report on Page 1)

ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 3)	$	58,581,178
Restricted:		
Cash and Cash Equivalents (Note 3)		13,403,620
Legislative Appropriations		7,111,722
Receivables, Net of Allowances:		
Federal		14,366,169
Accounts		997,336
Other		725,478
Due from Other State Entities (Note 7)		28,344,621
Consumable Inventories		175,634
Loans and Contracts		404,776
Other Current Assets		6,792,260
Total Current Assets	$	130,902,794
Non-Current Assets		
Restricted:		
Investments (Note 3)		38,610,333
Investments (Note 3)		45,249,807
Loans and Contracts		461,217
Capital Assets (Note 2):		
Non-Depreciable		19,358,497
Depreciable		364,551,708
Less: Accumulated Depreciation		(151,143,847)
Total Non-Current Assets	$	317,087,715
Total Assets	$	447,990,509
LIABILITIES		
Current Liabilities		
Payables:		
Accounts	$	3,411,230
Payroll		5,151,329
Other		360,709
Interfund Payable(Note 4)		565,342
Due to Other State Entities (Note 7)		1,064,748
Deferred Revenue		23,873,979
Employees' Compensable Leave (Note 4)		362,238

Other Post Employment Benefits (Note 4)		1,670,713
Funds Held for Others (Note 4)		16,838,204
Other Current Liabilities		168,359
Total Current Liabilities	$	53,466,851
Non-Current Liabilities		
Interfund Payable (Note 4)		3,617,104
Employees' Compensable Leave (Note 4)		3,225,983
Other Post Employment Benefits (Note 4)		8,957,369
Other Non-Current Liabilities		20,000
Total Non-Current Liabilities	$	15,820,456
Total Liabilities	$	69,287,307
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$	232,766,358
Restricted for:		
Non-Expendable		
Permanent Funds, True Endowments, Annuities		37,428,901
Expendable		
Capital Projects		951,409
Funds Functioning as Endowments		8,089,952
Other		12,729,681
Unrestricted		86,736,901
Total Net Assets	$	378,703,202

The accompanying Notes to the Financial Statements are an integral part of this statement.

Prairie View A&M University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended August 31, 2009
(See Auditor's Review Report on page 1)

OPERATING REVENUES		
Tuition and Fees - Pledged	$	51,660,642
Discounts and Allowances		(18,999,687)
Professional Fees - Pledged		5,768
Auxiliary Enterprises - Pledged		13,349,733
Other Sales of Goods and Services - Pledged		1,091,978
Discounts and Allowances		(2,529,700)
Federal Revenue		14,266,866
State Grant Revenue		6,975,069
Other Operating Grant Revenue		594,808
Other Operating Revenues		3,291,503
Total Operating Revenues	$	69,706,980
OPERATING EXPENSES		
Salaries and Wages	$	66,724,719
Payroll Related Costs		20,082,979
Professional Fees and Services		15,069,068
Travel		2,386,161
Materials and Supplies		8,559,887
Communications and Utilities		6,075,336
Repairs and Maintenance		9,053,444
Rentals and Leases		1,545,508
Printing and Reproduction		520,310
Federal Pass Thru		15,147
Depreciation and Amortization		12,366,648
Bad Debt Expense		263,089
Interest Expense		2,499
Scholarships		16,281,475
Other Operating Expenses		5,303,635
Total Operating Expenses	$	164,249,905
Operating Income (Loss)	$	(94,542,925)
NONOPERATING REVENUES (EXPENSES)		
Legislative Appropriations	$	61,125,216
Gifts		720,138
Interest and Investment Income (Loss)		2,276,367
Investing Activities Expense		(123,594)

Net Increase (Decrease) in Fair Value of Investments		(7,383,127)
Land Income		2,100
Interest Expense and Fiscal Charges		(134,492)
Claims and Judgments		(30,000)
Other Nonoperating Revenues - Pledged		23,431,046
Other Nonoperating Expenses		(125,122)
Total Nonoperating Revenues (Expenses)	$	79,758,532
Income (Loss) Before Other Revenues, Expenses, Gains (Losses), and Transfers	$	(14,784,393)
OTHER REVENUES, EXPENSES, GAINS (LOSSES), AND TRANSFERS		
Additions to Permanent and Term Endowments	$	728,988
Transfers In from Other State Entities (Note 7)		14,203,054
Transfers Out to Other State Entities (Note 7)		(9,367,158)
Legislative Transfers Out (Note 7)		(6,387,794)
Legislative Appropriations Lapsed		(10,188)
Total Other Revenues, Expenses, Gains (Losses), and Transfers	$	(833,098)
CHANGE IN NET ASSETS	$	(15,617,491)
Net Assets, September 1, 2008	$	394,542,233
Restatements (Note 16)		(221,540)
Net Assets, September 1, 2008, as Restated	$	394,320,693
NET ASSETS, August 31, 2009	$	378,703,202

The accompanying Notes to the Financial Statements are an integral part of this statement.

Prairie View A&M University
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2009
(See Auditor's Review Report on page 1)

CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Tuition and Fees	$	39,043,384
Receipts from Customers		1,103,623
Proceeds from Research Grants and Contracts		17,641,598
Proceeds from Loan Programs		4,887
Proceeds from Auxiliaries		10,848,995
Proceeds from Other Revenues		3,227,267
Payments to Suppliers for Goods and Services		(47,896,417)
Payments to Employees for Salaries		(66,769,641)
Payments to Employees for Benefits		(17,846,795)
Payments for Loans Provided		(61,111)
Payments for Other Expenses		(19,800,784)
Net Cash Provided (Used) by Operating Activities	$	(80,504,994)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from Legislative Appropriations	$	65,601,187
Proceeds from Gifts		720,138
Proceeds from Endowments		728,988
Proceeds of Transfers from Other Entities		12,346,561
Proceeds from Other Sources		23,433,146
Payments for Transfers to Other Entities		(466,620)
Payments for Other Uses		13,660,225
Net Cash Provided (Used) by Non-Capital Financing Activities	$	116,023,625
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Additions to Capital Assets	$	(5,533,610)
Payments of Interest on Capital-Related Debt		(134,492)
Payments for Transfers to Other Entities		(11,958,833)
Net Cash Provided (Used) by Capital and Related Financing Activities	$	(17,626,935)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Interest and Investment Income		2,152,773
Payments to Acquire Investments		(1,280,270)
Net Cash Provided (Used) by Investing Activities	$	872,503
Net Increase (Decrease) in Cash and Cash Equivalents	$	18,764,199

Cash and Cash Equivalents, September 1, 2008	$	53,220,599
Restatements		0
Cash and Cash Equivalents, September 1, 2008, as restated	$	53,220,599
Cash and Cash Equivalents, August 31, 2009	$	71,984,798

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	$	(94,542,925)
Adjustments:		
Depreciation and Amortization	$	12,366,648
Bad Debt Expense		781,461
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		(4,661,779)
(Increase) Decrease in Due from Other Entities		336,921
(Increase) Decrease in Inventories		(86,816)
(Increase) Decrease in Prepaid Expenses		(2,954,826)
(Increase) Decrease in Loans and Contracts		(59,659)
(Increase) Decrease in Other Assets		(243,926)
Increase (Decrease) in Payables		(1,973,809)
Increase (Decrease) in Due to Other Entities		624,702
Increase (Decrease) in Deferred Revenue		5,896,324
Increase (Decrease) in Employees' Compensable Leave		76,644
Increase (Decrease) Other Post Employment Benefits Liability		3,936,046
Total Adjustments	$	14,037,931
Net Cash Provided (Used) by Operating Activities	$	(80,504,994)
Non-Cash Transactions		
Net Increase (Decrease) in Fair Value of Investments	$	(7,383,127)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Prairie View A&M University
Statement of Changes in Unrestricted Net Assets
For the Fiscal Year Ended August 31, 2009

Reserved				
	Encumbrances		$	4,680,648
	Accounts Receivable			1,524,174
	Inventories			175,634
	Advanced Research / Advanced Technology Programs			334,450
	Designated Tuition Set Aside Reserves			452,013
	Available University Funds (AUF)			25,358,945
	Prairie View A&M University OCR & CICP			5,862,845
	Prepaid Expenses			3,814,833
	Texas Public Education Grants			1,943,329
Unreserved				
	Allocated			
		Future Operating Budgets		728,844
		Funds Functioning as Endowment - Unrestricted		330,474
	Unallocated			41,530,712
		Total Unrestricted Net Assets	$	86,736,901

(See Auditor's Review Report on page 1.)

General Introduction

This report has been prepared for the use of the Southern Association of Colleges and Schools (Southern Association) in connection with the review of Prairie View A&M University (University) for accreditation purposes. This report includes a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; a Statement of Cash Flows; and the related Notes to the Financial Statements. In accordance with Southern Association criteria or Governmental Accounting Standards Board requirements, the report also includes a Statement of Changes in Unrestricted Net Assets and a management letter describing issues noted in the review.

Reporting Entity

The University is a component of the Texas A&M University System and an agency of the State of Texas. The University prepares financial statements that are included in the State's *Comprehensive Annual Financial Report,* which is audited by the Texas State Auditor's Office.

Note 1: Summary of Significant Accounting Policies

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. Operating items are distinguished from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents according to GASB No. 9. With the exception of residual cash which results from the management of investment portfolios, the University maintains cash and cash equivalents for the purpose of meeting short-term expenditure requirements. Additionally, cash and cash equivalents includes a money market fund (proprietary fund) owned by the Texas A&M University System. Members participate in this money market account. The fund balance for the University is classified as cash and cash equivalents in the University's financial statement and as an investment on the Texas A&M University System's combined financial statement.

Investments

In accordance with GASB No. 31, the University reports investments at fair market value in the Balance Sheet. Fair market value is defined as the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale.

GASB No. 40, implemented in fiscal year 2005, requires the disclosure of common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Under GASB 40, disclosure of carrying value of investments is no longer required.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Livestock held for educational purposes is recorded at estimated fair market value. The capitalization threshold for personal property is $5,000. The capitalization threshold is $100,000 for buildings/building improvements, facilities and other improvements, software developed for internal use, and leasehold improvements. Infrastructure has a capitalization threshold of $500,000. All land, land improvements, library books/materials, museums/collections, and works of art/historical treasures are capitalized.

According to GASB No. 34 and No. 35, the University is required to depreciate capital assets. Effective fiscal year 2005, the State Comptroller's Office reclassified Professional, Academic and Research Library books and materials from non-depreciable to depreciable. Depreciation is computed using the straight-line method over the estimated useful lives of the assets; generally, 40 to 50 years for buildings, 20 to 25 years for infrastructure, 5 to 7 years for equipment, and 15 years for library books.

Current Assets

In the Balance Sheet, items classified as current are defined as resources expected to be realized or consumed within one year.

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

Voluntary Nonexchange Transaction

Voluntary nonexchange transactions (primarily private donations and pledges) are recognized in accordance with GASB No. 33, adopted by the A&M System on September 1, 2000.

Other Significant Accounting Policies

An Appreciation Reserve was created in fiscal year 1997 for the purpose of providing a consistent and predictable income stream for the System Endowment Fund. The Appreciation Reserve is administered by the A&M System Offices and distributions occur when current income is insufficient to meet the distribution of income in accordance with the System Endowment Fund spending policy.

The financial statements of the University are prepared and presented materially in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. The A&M System members record receivables when revenue is earned but not collected. Deferred revenue is recognized when cash is received prior to revenue recognition.

Note 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2009, is presented below:

	Balance 9/1/2008	Adjustments	Completed Construction In Progress	Additions	Deductions	Balance 8/31/2009
Non-Depreciable Assets:						
Land and Land Improvements	$ 6,323,332	$	$	$	$	$ 6,323,332
Construction in Progress	17,782,808	(140,729)	(6,665,254)	1,584,268		12,561,093
Library Books						0
Other Capital Assets	474,072					474,072
Total Non-Depreciable Assets	$ 24,580,212	$ (140,729)	$ (6,665,254)	$ 1,584,268	$ 0	$ 19,358,497
Depreciable Assets:						
Buildings and Building Improvements	$ 288,003,410	$	$ 5,682,905	$	$	$ 293,686,315
Infrastructure	3,530,668		432,245			3,962,913
Facilities and Other Improvements	31,770,000		550,104	482,279		32,802,383
Furniture and Equipment	21,732,095	45,636		2,516,455	(194,831)	24,099,355
Vehicles, Boats, and Aircraft	2,229,675			293,543		2,523,218
Other Capital Assets	6,820,459			657,065		7,477,524
Total Depreciable Assets at Historical Cost	$ 354,086,307	$ 45,636	$ 6,665,254	$ 3,949,342	$ (194,831)	$ 364,551,708
Less Accumulated Depreciation for:						
Buildings and Building Improvements	$ (90,236,778)	$ (50,466)	$	$ (8,672,032)	$	$ (98,959,277)
Infrastructure	(1,951,545)			(150,980)		(2,102,525)
Facilities and Other Improvements	(27,058,328)			(822,615)		(27,880,943)
Furniture and Equipment	(14,731,946)	(15,615)		(2,158,854)	192,831	(16,713,584)
Vehicles, Boats, and Aircraft	(1,685,842)			(161,773)		(1,847,615)
Other Capital Assets	(3,179,143)	(60,366)		(400,394)		(3,639,903)
Total Accumulated Depreciation	$ (138,843,582)	$ (126,447)	$ 0	$ (12,366,649)	$ 192,831	$ (151,143,847)
Depreciable Assets, Net	$ 215,242,725	$ (80,811)	$ 6,665,254	$ (8,417,307)	$ (2,000)	$ 213,407,861
Capital Assets, Net	$ 239,822,937	$ (221,540)	$ 0	$ (6,833,039)	$ (2,000)	$ 232,766,358

Note 3: Deposits, Investments, and Repurchase Agreements

The Texas Education Code, Title III, Chapter 51.0031 grants authority for a governing board to invest funds under prudent person standards "if a governing board has under its control at least $25 million in book value of endowment funds."

The A&M System's investment policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, corporate asset and mortgage backed securities, equity, international obligations, international equity, certificates of deposit, banker's acceptances, negotiable certificates of deposit, money market mutual funds, mutual funds, repurchase agreements, venture capital, private equity, hedge funds, Real Estate Investment Trusts (REITs), securities lending, derivatives, timber, bank loans, energy and real estate.

Deposits of Cash in Bank

As of August 31, 2009, the carrying amount of deposits was $71,984,798 as follows:

Cash on Hand	$	32,050
Cash in Bank		(21,339)
Reimbursement Due from Treasury		2,816,636
Cash in State Treasury		45,781,934
Cash Equivalents		23,375,517
Total Cash and Cash Equivalents	$	71,984,798

Current Assets Cash and Cash Equivalents	$	58,581,178
Current Assets Restricted Cash and Cash Equivalents		13,403,620
Non-Current Assets Restricted Cash and Cash Equivalents		0
Total Cash and Cash Equivalents	$	71,984,798

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" line items.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The A&M System's policy requires collateral of 102% pledged against all deposits and limits the amounts of funds which may be deposited with any bank to the lesser of $100,000,000 or 10% of total deposits. The policy also requires that deposits in federally insured savings and loan associations, building and loan associations, and state and national banks not exceed the amount insured by the Federal Savings and Loan Insurance Corporation, Federal Deposits Insurance Corporation (FDIC), or their successors. The A&M System regulation applicable to working fund bank accounts requires the Chancellor, or designee, to approve a working fund in any bank in which the A&M System member does not have a proper allocation of securities. The bank balance of a working fund may not, at any time, exceed the FDIC coverage limit.

Incidental amounts of various foreign currencies are held through Bank of New York Mellon, their foreign branches and/or foreign sub-custodian banks. These amounts represent interest and/or dividend payments received in foreign currencies that are not yet converted to U.S. dollars. Such deposits of foreign currency are not insured or collateralized and are subject to custodial risk and the risk of fluctuations in exchange rates.

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposits. The A&M System does not have a deposit policy for foreign currency risk.

Investments

At the direction of the System Board of Regents, University investments and cash equivalents are pooled at the System level. The System is responsible for disclosure of all information on the pooled investments and has included these disclosures in its annual financial report. The University does not have an investment risk policy. As of August 31, 2009, the fair value of the University's share of investments is presented below:

U.S. Government		
U.S. Treasury Securities	$	3,079,057
U.S. Treasury Strips		
U.S. Treasury TIPS		
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)		5,804,023
Corporate Obligations		7,978,333
Corporate Asset and Mortgage Backed Securities		1,842,309
Equity		6,572,259
International Obligations (Govt and Corp)		4,865,711
International Equity		1,298,088
International Other Commingled Funds		15,403,008
Repurchase Agreement		8,783,994
Fixed Income Money Market and Bond Mutual Fund		0
Other Commingled Funds		31,896,174
Commercial Paper		11,693,405
Securities Lending Collateral Investment Pool		3,117,233
Real Estate		
Alternative Investments (including limited partnerships and hedge funds)		4,477,945
Misc (e.g., guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)		424,117
Total Investments	$	107,235,656

Current Assets – Short-Term Investments	$	0
Current Assets – Restricted Short-Term Investments		0
Non-Current Assets – Restricted Investments		38,610,333
Non-Current Assets – Investments		45,249,807
Total Investments	$	83,860,140

The variance between the two schedules represents a money market fund (proprietary fund) owned by the Texas A&M University System. Members participate in this money market account. The fund balance for the University is classified as cash and cash equivalents in the University's financial statement and as an investment on the Texas A&M University System's combined financial statement. Investments included in the first table reflect the true value of University investments, including the University's portion of the money market fund while the second table represents investments as classified on the University's Statement of Net Assets where the money market account is classified as cash and cash equivalents.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The A&M System's policy requires that direct repurchase agreements and security lending transactions be fully collateralized by obligations authorized under the A&M System investment policy and such collateral be held by a third party. As of August 31, 2009, the A&M System's securities lending transactions were not exposed to custodial credit risks because the collateral was held by the A&M System's custodian.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. The A&M System's policy authorizes the utilization of derivatives for the purpose of hedging currency risk, but does not otherwise address foreign currency risk. The exposure to foreign currency risk as of August 31, 2009 is as follows:

Fund Type	GAAP Fund	Foreign Currency	International Obligation (Govt. and Corp.)	International Equity	International Other Commingled Funds	International Alternative Investments
05	9999	U.S. Dollar Denominated Foreign Securities	$ 78,147,591	$ 30,768,532	$ 365,091,857	$ 1,308,192
05	9999	Australian Dollar	$ 7,245,692	$ -	$ -	$ -
05	9999	Canadian Dollar	$ 3,428,158	$ -	$ -	$ -
05	9999	Euro Currency Unit	$ 18,702,798	$ -	$ -	$ 2,150,210
05	9999	New Zealand Dollar	$ 7,807,373	$ -	$ -	$ -
		Total	$ 115,331,612	$ 30,768,532	$ 365,091,857	$ 3,458,402

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The A&M System's investment policy requires that securities have a long-term rating of BB or better and the fixed income portfolio have an overall credit rating of AA or better by a nationally recognized statistical rating organization (NRSRO). Securities using short-term credit ratings must be rated at least A-2, P-2, F-2 or equivalent. As of August 31, 2009, the A&M System's credit quality distribution for securities with credit risk exposure is as follows:

Standard & Poor's
(in thousands)

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	BB	B	CCC	A-1	Unrated
05	9999	U.S. Govt Agency Obligations	114,620								
05	9999	Corporate Obligations	7,335	9,974	81,383	62,028	25,523	2,866			
05	9999	Corporate Asset and Mortgage Backed Securities	30,433	4,588		4,856			716		3,075
05	9999	International Obligations	49,423	12,855	23,317	17,008	4,266	562			7,901
05	9999	Repurchase Agreements (Texas Treasury Safekeeping Trust Co.)	400								
05	9999	Commercial Paper								277,166	
05	9999	Repurchase Agreements	208,204								
05	9999	Fixed Income Money Market and Bond Mutual Fund									5,994
05	9999	Miscellaneous (municipals and CDs)			2,648						7,400

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2009, no more than 5% of the A&M System's total investments are represented by a single issuer. The A&M System's investment policy states that not more than 4.9% of the voting stock of any one corporation shall be owned by the A&M System at any given time, but does not otherwise address concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the A&M System manages its exposure to fair value losses arising from changing interest rates by requiring fixed income managers to maintain duration of +/- 20% of the effective duration of the appropriate index. In addition, the A&M System's policy limits the duration of its short term investment portfolio to a maximum of one year. The A&M System's exposure to interest rate risk is presented using the effective duration method as follows:

Investment Type	Effective Duration		Market Value
U.S. Treasury Securities	1.892	$	72,981,207
U.S. Government Agency Obligations			
Agencies and Other U.S. Government Obligations	0.295	$	21,718,204
CMO Government Agencies	1.440	$	1,586,394
U.S. Government Mortgages	2.356	$	114,266,490
Corporate Obligations			
Corporates and Other Credit	3.881	$	158,076,189
U.S. Private Placements	4.451	$	31,032,394
Corporate Asset and Mortgage Backed Securities			
CMBS	5.613	$	18,608,250
CMO Corporate	1.118	$	13,047,963
Asset Backed Securities	0.422	$	12,011,909
International Obligations	3.994	$	115,331,612
Repurchase Agreements	0.000	$	208,204,429
Repurchase Agreements TTSTC	0.003	$	400,155
Fixed Income Money Market and Bond Mutual Funds	0.147	$	5,994,323
Commercial Paper	0.050	$	277,166,135
Miscellaneous			
Political subdivisions	2.711	$	2,647,668
CDs	0.225	$	7,400,000
Total Fair Value		$	1,060,473,322
Portfolio Effective Duration	1.675		

Securities Lending

The A&M System engages in securities lending transactions for investments included in its two internal investment pools: the Cash Concentration Pool and the System Endowment Fund. Authority to engage in these transactions is granted to the Board of Regents in Texas Education Code, Section 51.0031, and is allowed under the A&M System investment policy. No violations of applicable law, Board policy or contract provisions occurred during fiscal year 2009.

GASB No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, provides guidance for entities reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the Balance Sheet as an asset with a corresponding liability to repay the collateral, and disclosure of related custodial credit risk for any collateral reported on the Balance Sheet.

Securities lending transactions may include both fixed income and equity securities lent by the A&M System and cash, fixed income securities, repurchase agreements, and letters of credit received as collateral from borrowers by the A&M System. The A&M System cannot pledge or sell securities received as collateral without default of the borrower. Market value of the received cash must be at least 102% of the market value of the lent securities at the inception of the transaction. Market values are monitored throughout the transaction, and additional cash or securities are required from the borrower if the market value of the collateral falls below 100%.

Cash collateral received from the borrower is invested in a collective investment portfolio that includes investments with next day liquidity. The portfolio has a liquidity target of 20%, but does not generally match the maturities of investments with the term maturities of the loan agreements. There are no restrictions on loan amounts. The lending agent is not liable with respect to any losses incurred by the A&M System in connection with the securities lending transactions, except to the extent that such losses result from the lending agent's negligence or willful misconduct in its administration of the securities lending contract.

The A&M System had no credit risk related to twenty-two securities lending relationships because the amount the A&M System held as collateral exceeded the amounts the borrowers owed the A&M System. No losses were incurred during the fiscal year as a result of default by a securities lending borrower or agent and no losses were reported in the previous period.

The total market value of securities on loan as of August 31, 2009 was $74,723,984. Cash collateral holdings consisted of $74,801,644 invested in the securities lending collateral investment pool. The corresponding market value of these investments was $73,887,888 as of August 31, 2009 representing a net decrease in fair value of $913,756.

The cash collateral pool experienced a significant decline in market value on holdings of Sigma Finance and subsequently transferred to each pool participant their share of the total Sigma Finance assets and a corresponding payable to the security lending cash collateral pool. The net effect was to transfer the unrealized loss from the securities lending cash collateral pool to each of the participants. The amount transferred to the A&M System was $1,829,553 and as of August 31, 2009 had a market value of $183. The amount of the loss that may be realized is unknown due to pending litigation. As of August 31, 2009, the A&M System's maximum potential loss was $1,829,370.

Derivative Investing

The A&M System investment policy allows investment in certain derivative securities. A derivative security is a financial instrument which derives its value from another security, currency, commodity, or index.

The A&M System entered into forward currency contracts for the purpose of hedging international currency risk on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the A&M System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the A&M System's net equity in the contracts, representing unrealized gain or loss on the contracts as measured by the differences between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in other receivables or payables. Realized and unrealized gains and losses are included in the consolidated Statement of Revenues, Expenses and Changes in Net Assets. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated balance sheet. Risks arise from the possibility counterparties will be unable to meet the terms of their contracts and from movement in currency, securities values and interest rates. The table below summarizes the pending foreign exchange contracts as of August 31, 2009. The "Net Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies less the commitments to buy foreign currencies.

Currency	Net Sell	Unrealized Gain on Foreign Exchange Contracts	Unrealized Loss on Foreign Exchange Contracts
Euro	$ 12,894,520	$ 25,564	$ 128,591
New Zealand Dollar	$ 3,610,478	$ 149,608	$ 511,981
Total	$ 16,504,998	$ 175,172	$ 640,572

The A&M System has invested in U.S. Treasury futures contracts for the purpose of managing the duration of its liquidity portfolio. These instruments are subject to market, credit risk and counterparty risk. The portfolio manager includes derivatives in the portfolio that would not create additional risk as compared to cash instruments. Futures contracts are used as a way to gain the same risk exposure in a more efficient manner. The manager ensures that counterparty risk is well diversified and meets the credit quality criteria established in the account. Futures contracts are marked to market daily and the daily gain or loss difference is settled in cash with the broker. The combined nominal value of open contracts was $1,508,094 as of August 31, 2009, and the associated net liability was $5,250.

The System has invested in mortgage derivatives such as Collateralized Mortgage Obligations (CMOs) and Commercial Mortgage Backed Securities (CMBSs) to enhance fixed income portfolio yields and manage duration. These investments are subject to interest rate risk, as well as economic and geographic risks. The A&M System's investments as of August 31, 2009 included non-government guaranteed CMOs and CMBSs with a fair value of $31,656,213.

Several limited partnerships and a comingled international equity fund in which the A&M System invests may employ the use of forward currency exchange contracts as a hedge in connection with portfolio purchases and sales of securities denominated in foreign currencies. Risks are consistent with those described in the above paragraph regarding direct currency hedging. The contracts are valued at the prevailing forward exchange rate of the underlying currencies and the unrealized gain (loss) is recorded daily. Unrealized gains and losses that represent the difference between the value of the forward contract to buy and the forward contract to sell are included in the net unrealized gain (loss) from the forward contracts. As of August 31, 2009, the A&M System's investment in international funds that may employ forward currency exchange contracts was $163,564,405.

Hedge fund pools are invested in private placements with external managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest both long and short in securities and may utilize leverage in their portfolios. They may also utilize credit default swaps and total return swaps as part of their investment strategies. The funds invested may be subject to a lock-up restriction of one or more years before the investment may be withdrawn from the manager without significant penalty. There are certain risks associated with these private placements, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. When credit default swaps or total return swaps are used, there is additional risk of counterparty non-performance and unanticipated movements in the fair value of the underlying securities. As of August 31, 2009, the A&M System's investment in hedge funds was $365,077,935 including $17,242,059 in a REIT hedge fund and $11,051,591 in a fund that focuses on companies structured as master limited partnerships.

Private investment pools are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain funds may utilize credit default swaps which have additional risk, including the risk of counterparty nonperformance. Collateral in the form of cash or securities may be required to be held in segregated accounts with the fund's custodian. Bi-lateral agreements and daily settlement with counterparties reduce the risk of counterparty nonperformance. As of August 31, 2009, the A&M System has committed $274,850,264 to various private investments, of which $141,929,239 has been funded. The fair value of the investments as of August 31, 2009 was $105,930,654. In addition, the A&M System has invested directly in companies and partnerships to promote research technology. As of August 31, 2009, the fair value of the investments in research technology was $205,495. Associated risks include those applicable to other private investments as well as the risk of enterprise failure.

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

- Non-regulation risk - Some of the A&M System's general partners and investment managers are not registered with the Securities and Exchange Commission or other domestic or international regulators, and therefore are not subjected to regulatory controls.
- Key personnel risk - The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.

- Liquidity risk - Many of the A&M System's investment funds may impose lock-up periods, which would cause the A&M System to incur penalties to redeem its investment or prevent the System from redeeming its shares until a certain period of time has elapsed.
- Limited transparency - As private placement vehicles, these funds may not fully disclose the holdings of their portfolios.
- Investment strategy risk - These funds often employ sophisticated investment strategies and the use of leverage, which could result in the loss of invested capital.

Permanent University Fund

The Permanent University Fund (PUF) is administered by the University of Texas System and is not reflected in the financial statements of the A&M System. Prior to changes in the arbitrage laws, plant funds were appropriated from bond proceeds only after the bonds had been sold and cash was on hand. Currently, receipt of cash may or may not precede appropriations of bond or note proceeds.

The total carrying value of the PUF assets at August 31, 2009, was $9,512,868,601 excluding PUF land grants. By acts of the Legislature and provisions of the State Constitution, the net income of the PUF is divided one-third to the A&M System and two-thirds to the University of Texas System. The A&M System's one-third share of the net revenues was $182,334,973 for the fiscal year ended August 31, 2009, and was credited to the A&M System Available University Fund as reported in Unrestricted Funds.

Note 4: Summary of Long-Term Liabilities

During the year ended August 31, 2009, the following changes occurred in liabilities:

	Balance 9/1/2008	Additions	Deductions	Balance 8/31/2009	Amounts Due Within One Year
Employees' Compensable Leave	3,511,577	88,002	11,358	3,588,221	362,238
Other Post Employment Benefits	6,692,036	4,002,975	66,929	10,628,082	1,670,713
Interfund Payable	4,676,173	14,984	508,711	4,182,446	565,342
Funds Held For Others	3,023,146	13,815,058		16,838,204	16,838,204
Other Miscellaneous Liabilities	229,418	20,000	61,059	188,359	168,359
Total	$ 18,132,350	$ 17,941,019	$ 648,057	$ 35,425,312	$ 19,604,856

Employees' Compensable Leave

Substantially all full-time University employees earn annual leave in the amount of 8 to 21 hours per month depending upon the respective employee's years of state employment. State law permits employees to carry accrued leave forward from one fiscal year to another fiscal year with a maximum of 532 hours for those employees with 35 or more years of state service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of state service who terminate their employment are entitled to payment for all accumulated annual leave.

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his or her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The University's policy is to recognize the cost of sick leave when paid, and the liability is not shown in the financial statements because experience indicates that the expense for sick leave will be minimal. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours appointed to work.

Notes and Loans Payable

Notes payable consists of amounts used to make permanent improvements at the University to provide interim financing for capital improvements and acquisition of equipment and land, to pay interest on the notes, to refund outstanding notes as they mature and to pay the costs of issuing the notes.

The University did not have any notes and loans payable outstanding as of August 31, 2009.

Pollution Remediation Obligation

Prairie View A&M University has no pollution remediation obligations for fiscal year 2009.

Note 5: Bonded Indebtedness

The University may receive proceeds from revenue bonds issued and held by the System to support capital projects of the System and its institutions. These proceeds are recorded as transfers from the System. The University disburses funds to the System for payments of principal and interest related to the University's share of bond proceeds. These disbursements are recorded as transfers to the System. All bonds issued by the System are defined as revenue bonds. As such, the revenues of the System, including the University, are pledged for repayment of the bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and separate accounting requirements imposed by an external party.

No amount of indebtedness related to these bonds has been recorded in the University's financial statements as the System is the party directly liable for these bonds. At August 31, 2009, the University did not have any remaining unpaid share of the bond proceeds.

Note 6: Operating Leases

A summary of operating leases for the year ended August 31, 2009, is presented below:

Year Ended August 31, 2009	Total
2009	0
2010	183,160
2011	0
2012	0
2013	0
2014 - 2018	0
2019 - 2023	0
2024 - 2028	0
2029 - 2033	0
2034 - 2038	0
Total Minimum Future Lease Payments	$ 183,160

Note 7: Interagency Balances / Activity

As of August 31, 2009, amounts to be received or paid between funds and agencies are to be reported as:

- Interfund Receivable or Interfund Payable
- Legislative Transfer In or Legislative Transfer Out

The University made routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Individual balances and activity at August 31, 2009, were as follows:

DUE FROM/TO OTHER STATE ENTITIES

	Entity	Due from Other State Entities	Due to Other State Entities	Purpose
1801	TAMUS	$ 27,690,825	$	$27,360,325.19-FUND 047 AUF; $330,499.83-Revenue Financing System for construction projects
1800	TXDot	77,038		$44,138.03-Fund 5015 - License Plate Funding; $32,899.78-Due from TXDot-sponsored projects
1800	Texas Workforce Commission	42,728		Due from TWC - sponsored projects
1800	Dept. of State Health Services	7,836		Due From DSHS - sponsored projects
1800	University of Houston	15,640		Due from UofH- sponsored projects
1800	Texas Parks & Wildlife	4,886		Due from TPWD - sponsosred projects
1806-1807	Agrilife Research & Agrilife Extension	62,237		1806-$54,270.57-Due from Agrilife Research-sponsored projects; 1807-$7,966.78-Due from Agrilife Extension-sponsored projects
1899	Texas A&M Research Foundation	443,431		Due from TAMRF - sponsored projects
2801	TAMUS		69	Due to SAGO - sponsored projects
2801	TAMUS		227,000	Due to SAGO - Construction project
2899	Texas A&M Research Foundation		48,990	Due to TAMRF-sponsored project
2800	THECB		788,689	$735,168.96-Due to THECB, Performance Incentive Initiative; $53,520.04-Due to the CB - sponsored projects
		$ 28,344,621	$ 1,064,748	

TRANSFERS IN FROM/OUT TO OTHER STATE ENTITIES

	Entity	Transfers In from Other State Entities	Transfers Out to Other State Entities	Purpose
4701	TAMUS	$ 12,150,000	$	FY2009 AUF Allocation from TAMUS
4701	TAMUS	44,218		FY2009 Resource Allocation Program from TAMUS
4710	TAMUS	2,008,836		System Endowment Fund Appreciation Reserve Transfer From TAMUS
5301	TAMUS		(1,867,823)	Transfer to SAGO - for auxiliaries
5301	TAMUS		(3,392,297)	Transfer to SAGO - Debt Service
5615	THECB		(3,820)	Doctoral Set-Asides to THECB
5615	THECB		(462,800)	B on Time Set-asides to THECB
5701	TAMUS		(227,000)	Transfer to SAGO - construction projects
5701	TAMUS		(3,413,418)	Transfer to SAGO - true endowments
		$ 14,203,054	$ (9,367,158)	

LEGISLATIVE TRANSFERS IN/OUT

	Entity	Legislative Transfers In	Legislative Transfers Out	Purpose
5301	TAMUS	$	$ (6,387,794)	Debt service payment
		$ 0	$ (6,387,794)	

Note 8: Contingent Liabilities

At August 31, 2009, various lawsuits and claims involving the University had arisen in the course of conducting University business including a probable loss that may occur from a Department of Education investigation into financial aid awarded to students who attended certain Prairie View A&M University's Dallas area classes. While the ultimate liability with respect to litigation and other claims cannot be reasonably estimated at this time, management is of the opinion that the liability not provided for by insurance or otherwise, if any, for these legal actions will not have a material adverse effect on the University's financial position.

Note 9: Risk Financing and Related Insurance

Risk financing and related insurance is managed centrally at the Texas A&M University System. Information included below is presented from the Texas A&M University System perspective. All unpaid claim liabilities are held on the Texas A&M System books, and are not applicable specifically to Prairie View A&M.

The A&M System is exposed to various risks of loss related to property - fire, windstorm or other loss of capital assets; general and employer liability - resulting from alleged wrongdoings by employees and others; net income - due to fraud, theft, administrative errors or omissions, and business interruptions; and personnel - unexpected expense associated with employee health, termination or death. As an agency of the State of Texas, the A&M System and its employees are covered by various immunities and defenses which limit some of these risks of loss, particularly in liability actions brought against the A&M System or its employees. Remaining exposures are managed by self-insurance arrangements, contractual risk transfers, the purchase of commercial insurance, or a combination of these risk financing techniques.

All commercial insurance policies include retention amounts (deductibles) for which the A&M System is responsible and for which A&M System members maintain funding reserve pools. Ongoing analysis of the risks facing the A&M System results in the continual evaluation of insurance policies purchased. During the past year, insurance coverage has changed. However, these changes do not represent a material increase in risk to the A&M System and losses have not exceeded funding arrangements during the past three years.

The A&M System has self-insured arrangements for coverage in the areas of workers' compensation, group health and dental insurance and certain areas of medical malpractice. Based on the requirements of GASB No. 10, liabilities for claims have been reported where information prior to issuance of the financial statements indicated that it was probable that a liability had been incurred and the amount of the loss could be reasonably estimated.

The workers' compensation plan is considered a funded employer liability pool. The workers' compensation incurred but not reported liability is based on actuarial analysis of all historical claims data. The plan provides claims servicing and claims payments by charging a "cost allocation" assessment to each A&M System member based on a percentage of payroll.

The A&M System implemented a self-insured health and dental plan on September 1, 1994, which is also considered a funded pool. Premiums are determined through an actuarial pricing process that takes place each spring. The A&M System maintains an experience stabilization fund of $24,654,080 that is comprised of excess premiums from previous years and is used to offset losses in a given year. Dental benefits under the plan are limited to $1,500 per individual per year, so the potential for catastrophic loss is not a significant risk.

Self-Insured Health Plan - System member is responsible for performing payroll deductions and retiree billing in order to collect the employee's portion of the premium on a monthly or biweekly basis. In addition, the System member is responsible for funding the applicable employer contribution for eligible employees and retirees. Employee and employer premiums collected by all System members are transferred to the A&M System Office by equity transfer. These premiums are pooled at the System level to pay for claims and administrative expenses associated with the plan. The A&M System maintains a reserve fund for the self-insured health and dental plans with a current balance of $24,654,080 that is comprised of excess premiums from previous years that is used to offset losses in a given year. The plan currently maintains an individual stop-loss policy with an attachment point of $500,000. The A&M System Office is responsible for contracting, compliance, and plan design.

Self-Insured Dental Plan - System member is responsible for performing payroll deductions and retiree billing in order to collect the employee's portion of the premium on a monthly or biweekly basis. The majority of dental premiums are paid by the employee. Individuals who elect not to enroll in an A&M System health plan may certify that they are enrolled in other health coverage and thereby have access to a portion of the employer contribution to pay for dental coverage. Otherwise, there is no employer contribution for the dental program. For those who qualify as described above, the System member is responsible for funding the applicable employer contribution. Employee and employer premiums collected by all System members are transferred to the A&M System Office by equity transfer. These premiums are pooled at the System level to pay for claims and administrative expenses associated with the plan. The A&M System maintains a reserve fund for the self-insured health and dental plans with a current balance of $24,654,080 that is comprised of excess premiums from previous years that is used to offset losses in a given year. Dental benefits under the plan are limited to $1,500 per individual per year, so the potential for catastrophic loss is not a significant risk. The A&M System Office is responsible for contracting, compliance, and plan design.

Note 10: Stewardship, Compliance, and Accountability

For the year ended August 31, 2009, the University is reporting financial information in accordance with requirements set forth by GASB No. 34 and No. 35. Changes to the financial reports of the University are discussed in Note 1. The University has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, the University cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net assets or retained earnings.

Note 11: The Financial Reporting Entity

The A&M System is composed of a series of distinct members, each of which was created to render a specific service for the State within the limits of the A&M System's objectives, and all of which are under the control and direction of the Board of Regents of the A&M System. Prairie View A&M University is a distinct member of the A&M System. Prairie View A&M University has no component units.

Note 12: Restatement of Net Assets

The University had one restatement of net assets as of August 31, 2009:

Net Assets, September 1, 2008	$	394,542,233
Restatements:		
(a) Investment in Plant	$	(221,540)
Total Restatements	$	(221,540)
Net Assets, September 1, 2009, as Restated	$	394,320,693

This restatement was due to assets originally recorded as controlled later reclassified to capitalized.

Note 13: Employee Retirement Plans

Information included in this note is presented from a Texas A&M University System perspective.

The State of Texas has joint contributory retirement plans for substantially all its employees. The contribution amounts for both the employee and the A&M System are set by the Texas Legislature and can change over time. One of the primary plans in which the A&M System participates is administered by the Teacher Retirement System of Texas. The contributory percentages of participant salaries provided by the State and by each participant during the fiscal year were 6.58% and 6.4%, respectively, of annual compensation.

The Teacher Retirement System of Texas does not separately account for each of its component governmental agencies, since the Retirement System bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature.

The retirement expense to the State for the A&M System TRS retirement program was $21,048,104 for the year ended August 31, 2009. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the A&M System. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the Teacher Retirement System's annual financial report.

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 contracts and mutual funds. The contributory percentages of participant salaries during the fiscal year provided by the State and by each participant who was enrolled in the plan on or before August 31, 1995 were 8.5% and 6.65%, respectively. The 8.5% is composed of 6.58% contributed by the State and an additional 1.92% contributed by the A&M System. For participants who enrolled on or after September 1, 1995, the State and participant contributions were 6.58% and 6.65%, respectively. Since these are individual annuity contracts or custodial agreements, the State has no additional or unfunded liability for this program.

The contributions for the A&M System ORP retirement program were as follows:

Optional Retirement Program

		Amount
Employer Contributions	$	42,163,151
Employee Contributions	$	37,183,626
Total	$	79,346,777

Effective January 1, 1999, the A&M System implemented an excess benefit arrangement under Section 415(m) of the Internal Revenue Code (IRC).

Since the A&M System bears no responsibility for retirement commitments beyond contributions, GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, do not apply to these financial statements or disclosures.

The ORP expense to the University was $1,807,657 for the year ended August 31, 2009. Of this amount, $891,478 represents the portion of appropriations made by the State Legislature expended on behalf of the University and $916,179 represents the portion paid from the University's funds.

Note 14: Deferred Compensation Program

Information included in this note is presented from a Texas A&M University System perspective.

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Texas Government Code, Section 609.001. All payroll deductions have been invested in approved plans during the fiscal year. Two deferred compensation plans are available for A&M System employees and are managed at the A&M System level.

The State's 457 Plan complies with IRC Section 457. This plan is referred to as the Texa$aver Deferred Compensation Plan (DCP) and is available to all employees. The DCP is a State plan, and the deductions, purchased investments and earnings attributed to the 457 Plan are the property of the State subject only to the claims of the State's general creditors. Participant's rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the 457 account for each participant. The State has no liability under the 457 Plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

The A&M System also administers a Tax-Deferred Account (TDA) Program, created in accordance with IRC Section 403(b). All employees are eligible to participate. The TDA is a private plan, and the deductions, purchased investments, and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks, or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the A&M System or the State and thus do not have a liability related to this plan.

The 457(f) Deferred Compensation Plan allows the A&M System to defer income for eligible participants without regard to the amount deferred or an adverse impact on other retirement plans in which the participant is enrolled. The plan is structured under Section 457(f) of the Internal Revenue Code of 1986, as amended. It is authorized for use by Texas institutions of higher education in Title 109, Article 6228a-5, Section 3 of Vernon's Texas Civil Statutes. All employees of the A&M System are eligible to participate in this plan subject to the approval of the Board of Regents, the Chancellor, or any Chancellor-designated A&M System member Chief Executive Officer.

The Nonqualified Share Option Plan is designed to allow the transfer of shares of specific mutual funds to designated employees of the A&M System. The plan is structured under Section 83 of the Internal Revenue Code of 1986, as amended. All employees of the A&M System are eligible to participate in this plan subject to the approval of the Board of Regents, the Chancellor, or any Chancellor-designated A&M System member Chief Executive Officer.

Note 15: Donor-Restricted Endowments

Donor-restricted endowments are managed centrally at the Texas A&M University System. Information included in this note is presented from a Texas A&M University System perspective.

The purpose of The Texas A&M University System Endowment Fund (the Fund) is to provide for the collective investment of all endowment and trust funds held by the A&M System or by the Board of Regents of the A&M System in a fiduciary capacity. The Fund is used to provide funding for scholarships, fellowships, professorships, academic chairs and other uses as specified by donors.

Distribution is made quarterly as soon as practicable after the last calendar day of November, February, May, and August of each fiscal year to the endowment and trust funds participating in the Fund during the respective quarter. Income consists of interest earnings, dividends and realized capital gains. The income distribution per unit for each fiscal year will be to distribute, excluding fees, 5% of the 20-quarter average market value per unit as of the end of the previous February.

Chapter 163 of the Texas Property Code (also cited as the Uniform Prudent Management of Institutional Funds Act) grants the University the authority to spend net appropriations.

The amount of net appreciation for donor restricted true endowments is shown in the table below:

Net Appreciation of Donor-Restricted Endowments

Donor-Restricted Endowments	Amounts of Net Appreciation	Reported in Net Assets
True Endowments	$ 78,624,235	Restricted for Expendable

The amount of net appreciation for donor restricted endowments specific to the University is $7,876,995, and is reported as Restricted on the Statement of Net Assets.

Note 16: Post-Employment Health Care and Life Insurance Benefits

Post-employment health care and life insurance benefits are managed centrally by the Texas A&M University System for all system components. Information included in this note is presented from a Texas A&M University System perspective.

Plan Description and Funding Policy

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees in accordance with State statutes. Substantially all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through the group insurance program, and premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expensing the annual premiums. For the year ending August 31, 2009, the employer contributions are presented below.

Employer Contribution Rates

Level of Coverage	Amount
Full-Time Employee/Retiree Only	$ 375.94
Full-Time Employee/Retiree and Spouse	$ 551.53
Full-Time Employee/Retiree and Children	$ 485.69
Full-Time Employee/Retiree and Family	$ 639.33

For the year ended August 31, 2009, benefit plan expenditures totaled $160,035,264. The cost of providing benefits for 6,801 retirees was $37,325,544; and for 22,860 active employees the cost was $122,709,719.

Other Postemployment Benefits (OPEB) are benefits provided to the A&M System's retirees under the A&M System group insurance program. The authority under which the obligations of the plan members and the A&M System are established, and may be amended, is Chapter 1601, *Texas Insurance Code*.

The A&M System and member contribution rates are determined annually by the A&M System based on the recommendations of the A&M System Office of Benefits Administration. The plan rates are based on the plan costs that are expected to be incurred, the funds appropriated for the plans, and the funding policy established by the Texas Legislature in connection with benefits provided through the plan. The A&M System revises benefits plans and rates as necessary to match expected costs with available revenue. The plan is operated on a pay-as-you-go basis and is unfunded.

Because the OPEB plan described herein is not administered through a trust as defined under Paragraph No. 4 of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 43 accounting is not applicable to the A&M System.

For the year ended August 31, 2009, the contributions for the self-funded plan by the state per full-time retired employee are shown in the following table. Because this is year 2 of the calculation, a three-year history does not exist. The retiree contributes any premium over and above state contributions.

Three-Year Schedule of Employer Contributions				
Fiscal Year Ending	Employer Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At End of Fiscal Year
8/31/2009	$ 37,325,544	$116,890,000	32%	$ 219,873,275
8/31/2008	$ 36,284,181	$176,593,000	21%	$ 140,308,819

The OPEB expense reflected in the Statement of Revenues, Expenses and Changes in Net Assets is net of the Employer Contributions, as these costs are included as a portion of Payroll Related Costs expense.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost of the plan is calculated and based on the annual required contribution (ARC). The ARC is the amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of years, not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year for the plan:

Annual OPEB Cost and Net OPEB Obligation	
Annual Required Contribution (ARC)	$ 112,570,000
Interest on Net OPEB Obligation	13,189,000
Adjustment to ARC	(8,869,000)
Annual OPEB Cost	116,890,000
Employer Contributions Made	(37,325,544)
Increase Net OPEB Obligation	79,564,456
Net OPEB Obligation 9/1/2008	140,308,819
Net OPEB Obligation 8/31/2009	$ 219,873,275

Schedule of Funding Progress of the Plan

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The amounts determined for the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The multiyear schedule of funding progress is presented in the following table:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (Unfunded AAL) (a)-(b)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll ((a-b)/c)
9/1/2008	$ -	$ 1,258,563,000	$ (1,258,563,000)	0.0%	$ 1,260,683,042	99.8%
9/1/2007	$ -	$ 1,993,236,000	$ (1,993,236,000)	0.0%	$ 1,140,125,643	174.8%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used in the plan valuation include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional detail about the actuarial assumptions used in the plan valuation is outlined in the following table:

Summary of Actuarial Methods and Assumptions	
Actuarial Valuation Date	September 1, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period of Unfunded Liability	30 years
Actuarial Assumptions:	
Investment Rate of Return	9.4%
Inflation	4.0%
Health Care Trend Rates	8.0% in 2010
	Decreasing to 6.0% in 2014

Medicare Part D

In fiscal 2009 the plan received payments from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D. GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, requires that these on-behalf payments be recorded as revenues and expenses of each plan. In fiscal 2009 the system received $3.8 million of Medicare Part D payments from the federal government.

Note 17: Disaggregation of Receivable and Payable Balances

A summary of accounts receivable and accounts payable balances for the University for the year ended August 31, 2009, is presented below. Receivables/payables defined as 'Other' were further detailed if the balance was 5% or greater of total receivables/payables.

Accounts Receivable:

Current Accounts Receivable		Amount on III-FUND
Federal Receivables		14,366,169
Student Receivables		997,336
Other		725,478
	Total	16,088,983

Other Receivables		Amount
Departmental Receivable-Manual		418,646
Travel Advance Receivable		1,623
Service Department Receivable		456,692
Allowance for Doubtful Accounts		-177,631
Other		26,148
	Total	725,478

Accounts Payable:

Current Accounts Payable		Amount on III-FUND
Accounts Payable		3,411,230
Payroll Payable		5,151,329
Other		360,709
	Total	8,923,268

Note 18: Termination Benefits

Termination benefits are managed centrally at the Texas A&M University System. Information included in this note is presented from a Texas A&M University System perspective. Prairie View A&M has no obligation to pay the A&M System for any termination benefits specifically incurred by Prairie View A&M.

As of August 31, 2009, the A&M System had incurred obligations to pay termination benefits of $78,072.52 in fiscal year 2010. Included in these current liabilities are commitments for severance pay and payroll related costs pertaining to these terminations. Prairie View A&M has no obligation to pay the Texas A&M System for any termination benefits specifically incurred by Prairie View A&M.

For the fully-insured HMO health plans, dental plan, and vision plan, the carrier is responsible for the billing and collection from all COBRA participants. The carrier retains all premiums and is liable for all claims and expenses. Enrollment information for these plans is included below; however, the A&M System does not have premium and expense information related to these plans.

For the self-insured health and dental plans, the carrier performs the billing and collections process for COBRA participants. The carrier then forwards the premium to the A&M System, net of the 2% administrative fee, which is intended to cover costs related to the billing and collection functions. However, since the plan is self-insured, the A&M System is responsible for any claims or administrative costs associated with COBRA participants, and these amounts are included below.

As part of the stimulus funding from the federal government, some of the terminated employees were eligible for the 65% subsidy for COBRA coverage. The Federal Department of Labor agreed to reimburse employers the 65% COBRA reimbursement up to 9 months. This applies to employees who were involuntarily terminated between September 1, 2008 and December 31, 2009. The maximum end of the 9 month payment period will be September 30, 2010.

For fiscal year 2009, the total 65% COBRA funding that TAMU System members received from the Federal Grant was $52,868.51 for fiscal year 2009.

COBRA benefits for the Texas A&M University System for the ended August 31, 2009 are as follows:

Termination Benefits - COBRA

	Self-Insured Medical Plan	Self-Insured Dental Plan	Fully-Insured Medical HMO Plans	Fully-Insured Dental Plan	Fully-Insured Vision Plan
Number of Participants	197	124	47	32	75
Premium Revenue	$ 785,974	$ 53,094			
2 Percent Administrative Fee Revenue	14,781	1,079			
Total COBRA Revenue	800,755	54,173			
Claims Paid	1,678,402	64,682			
Administrative Expenses	22,541	4,576			
Total COBRA Expenses	1,700,943	69,258			
Total Cost to State	$ 900,188	$ 15,085			

State Auditor's Office
John Keel, CPA
State Auditor

January 22, 2010

Dr. George C. Wright, President
Prairie View A&M University
5th Street Ave. A
L.W. Minor Street
Prairie View, TX 77446

Subject: Management Letter Resulting from a Review of Prairie View A&M University's Fiscal Year 2009 Financial Statements

Dear Dr. Wright:

We offer this management letter in conjunction with our review of the financial statements of Prairie View A&M University (University) for the fiscal year ended August 31, 2009. We reviewed the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; the Statement of Cash Flows; and the Notes to the Financial Statements. In the course of our review, which was substantially less in scope than an audit, we did not find that material modifications needed to be made to the financial statements in order for them to be in conformity with generally accepted accounting principles.

We appreciate the assistance provided during this review by the management of the University and Internal Audit. If you have any questions, please call me at (512) 936-9500.

Sincerely,

Sandra Vice

Sandra Vice, CGAP, CIA, CISA
Assistant State Auditor

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