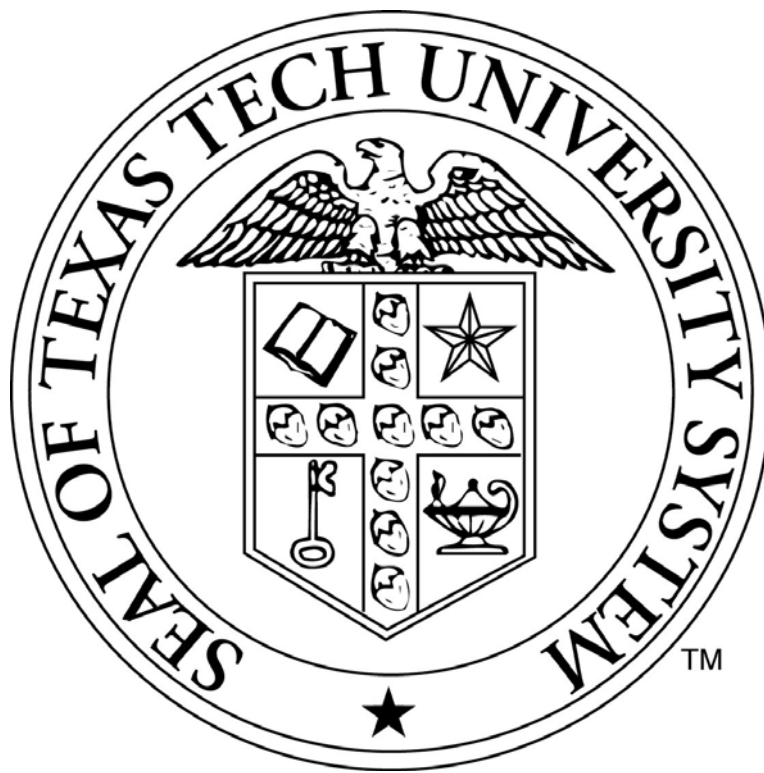


# **TEXAS TECH UNIVERSITY SYSTEM ADMINISTRATION**



## **ANNUAL FINANCIAL REPORT FISCAL YEAR 2002**

**ANNUAL FINANCIAL REPORT**

**OF**

**TEXAS TECH UNIVERSITY  
SYSTEM ADMINISTRATION**

FOR THE YEAR ENDED AUGUST 31, 2002

**LUBBOCK, TEXAS**

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November 12, 2002

Honorable Rick Perry  
Governor of Texas

Honorable Carole Keeton Rylander  
Comptroller of Public Accounts

Mr. John Keel  
Director, Legislative Budget Board

Mr. Lawrence F. Alwin, CPA  
State Auditor

To Agency Heads Addressed:

The Financial Report of Texas Tech University System Administration, with which this letter is bound, is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2002. The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the System for the year ended August 31, 2002.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of the System to provide a summary of the System's financial records.

Sincerely,

David R. Smith, M.D.  
Chancellor

DRS:nh

November 12, 2002

Chancellor David R. Smith  
Texas Tech University System Administration  
Lubbock, Texas 79409

Dear Chancellor Smith:

Submitted herein is the Annual Financial Report of Texas Tech University System Administration for the fiscal year ended August 31, 2002, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the significant changes related to 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 be in compliance with GAAP. 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, please contact me at 742-3255.

Sincerely,

Sharon Williamson, CPA  
Director of Tax Compliance and Reporting

Rebecca Hyde  
Director of Student and University Financial Services

Approved:

Jim Brunjes  
Chief Financial Officer

---

SSW:nh

# Texas Tech University System Administration

## Board Of Regents

Carin Barth .....	Term Expires January 31, 2005 .....	Houston
C. Robert Black.....	Term Expires January 31, 2007 .....	Horseshoe Bay
E. R. Brooks .....	Term Expires January 31, 2005 .....	Granbury
J. Robert Brown .....	Term Expires January 31, 2007 .....	El Paso
John W. Jones.....	Term Expires January 31, 2003 .....	Brady
Nancy E. Jones.....	Term Expires January 31, 2003 .....	Abilene
David R. Lopez .....	Term Expires January 31, 2007 .....	Austin
Brian C. Newby.....	Term Expires January 31, 2005 .....	Fort Worth
J. Michael Weiss.....	Term Expires January 31, 2003 .....	Lubbock

## Officers of the Board

J. Robert Brown .....	Chair
Nancy E. Jones.....	Vice Chair
Ben Lock.....	Secretary

## Fiscal Officers

David R. Smith, M.D. ....	Chancellor
Jim Brunjes .....	Senior Vice Chancellor and Chief Financial Officer

# **FINANCIAL STATEMENTS**

UNAUDITED

Texas Tech University System Administration  
Statement of Net Assets  
August 31, 2002

ASSETS

Current Assets

Unrestricted Cash and Cash Equivalents	
Cash in Bank	\$ (145,261)
Reimbursement Due From State Treasury	586,204
Unrestricted Short-Term Investments	2,909,039
Legislative Appropriations	1,075,698
Accounts Receivable	
Interest Receivable	23,324
Other Receivables	805
Prepaid Expenses	1,978
	<hr/>
Total Current Assets	4,451,787

Noncurrent Assets

Investments	1,537,727
Capital Assets	
Furniture and Equipment (net of \$3,343 accumulated depreciation)	68,465
Vehicles (net of \$660 accumulated depreciation)	19,135
	<hr/>
Total Noncurrent Assets	1,625,327

Total Assets	<hr/> <hr/> \$ 6,077,114
--------------	--------------------------

LIABILITIES

Current Liabilities

Accounts Payable	1,274,429
Compensable Leave	130,862
	<hr/>
Total Current Liabilities	1,405,291

Noncurrent Liabilities

Compensable Leave	392,586
	<hr/>
Total Noncurrent Liabilities	392,586

Total Liabilities	<hr/> \$ 1,797,877
-------------------	--------------------

NET ASSETS

Invested in Capital Assets	87,600
Unrestricted	4,191,637
	<hr/>
Total Net Assets	4,279,237

Total Liabilities and Net Assets	<hr/> <hr/> \$ 6,077,114
----------------------------------	--------------------------

See Accompanying Notes To Financial Statements



UNAUDITED

Texas Tech University System Administration  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended August 31, 2002

Operating Revenues	
Sales and Services of Educational Activities	\$ 155,096
Total Operating Revenues	<u>155,096</u>
Operating Expenses	
Institutional Support	17,414,041
Depreciation and Amortization	<u>4,003</u>
Total Operating Expenses	<u>17,418,044</u>
Operating Income (Loss)	<u>(17,262,948)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	2,014,901
Interest Income	734,606
Private Gifts	950
Net Increase in Fair Value of Investments	21,365
Other Nonoperating Revenues (Expenses)	<u>2,979,650</u>
Total Nonoperating Revenues (Expenses)	<u>5,751,472</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(11,511,476)
Other Revenues, Expenses, Gains, Losses and Transfers	
Transfers from Components	<u>15,790,713</u>
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>15,790,713</u>
Total Change in Net Assets	<u>\$ 4,279,237</u>
Beginning Net Assets (September 1, 2001)	0
Ending Net Assets (August 31, 2002)	<u>\$ 4,279,237</u>

See Accompanying Notes to Financial Statements

UNAUDITED

Texas Tech University System Administration  
Matrix of Operating Expenses by Natural Classification  
For the Year Ended August 31, 2002

Function	Salaries And Wages	Professional Fees And Services	Travel	Printing and Reproduction
Institutional Support Depreciation and Amortization	\$ 11,148,040.93	\$ 890,773.10	\$ 343,805.90	\$ 242,112.52
Total Operating Expenses	<u>11,148,040.93</u>	<u>890,773.10</u>	<u>343,805.90</u>	<u>242,112.52</u>

Function	Materials And Supplies	Communications And Utilities	Repairs And Maintenance	Rentals And Leases
Institutional Support Depreciation and Amortization	757,366.54	232,647.95	181,841.37	213,710.86
Total Operating Expenses	<u>757,366.54</u>	<u>232,647.95</u>	<u>181,841.37</u>	<u>213,710.86</u>

Function	Scholarships	Depreciation	Other Operating	Grand Total
Institutional Support Depreciation and Amortization	92,259.71	4,003.00	3,311,482.09	17,414,040.97
Total Operating Expenses	<u>\$ 92,259.71</u>	<u>\$ 4,003.00</u>	<u>\$ 3,311,482.09</u>	<u>\$ 17,418,043.97</u>

UNAUDITED

Texas Tech University System Administration  
Statement of Cash Flows  
For the Year Ended August 31, 2002

Cash Flows from Operating Activities

Cash Inflows:

Collections of Sales and Services of Educational Activities	\$ 155,096
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Cash Outflows:

Payments to Employees	11,148,041
Payments for Other Operating Activities	<u>4,442,016</u>

Net Cash Used for Operating Activities	<u>(15,434,961)</u>
--	---------------------

Cash Flows from Noncapital Financing Activities

Cash Inflows:

Proceeds from State Appropriations	2,014,901
Proceeds from Transfers from Other Components	15,790,713
Proceeds from Noncapital Gifts and Grants	<u>950</u>

Net Cash Provided by Noncapital Financing Activities	<u>17,806,564</u>
--	-------------------

Cash Flows from Capital and Related Financing Activities

Cash Outflows:

Payments for Purchases of Capital Assets	<u>91,603</u>
--	---------------

Net Cash Used by Capital and Related Financing Activities	<u>(91,603)</u>
---	-----------------

Cash Flows from Investing Activities

Cash Inflows:

Proceeds from Interest and Dividends on Investments	734,606
---	---------

Cash Outflows:

Payments for Purchases of Investments	<u>2,573,663</u>
---------------------------------------	------------------

Net Cash Provided by Investing Activities	<u>(1,839,057)</u>
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TOTAL NET CASH FLOWS	<u>\$ 440,943</u>
----------------------	-------------------

Beginning Cash and Cash Equivalents (September 1, 2001)	0
---	---

Ending Cash and Cash Equivalents (August 31, 2002)	<u>\$ 440,943</u>
--	-------------------

Components of Ending Cash and Cash Equivalents (August 31, 2002)

Cash in Bank	(145,261)
Reimbursements Due from State Treasury	586,204

Ending Cash and Cash Equivalents (August 31, 2002)	<u>\$ 440,943</u>
--	-------------------

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(17,262,948)
----------------	--------------

Adjustments:

Depreciation Expense	4,003
(Increase) Decrease in Receivables	24,129
(Increase) Decrease in Prepaid Expenses	1,978
Increase (Decrease) in Payables	<u>1,797,877</u>

Net Cash Used for Operating Activities	<u>(15,434,961)</u>
--	---------------------

## **POLICIES AND NOTES**

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

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

#### **Entity**

The Texas Tech University System Administration 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 Texas Tech University System Administration is the executive arm of the Texas Tech University System.

The Texas Tech University System Administration has no component units which should be included within this report.

Due to the significant changes related to 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 statements to be in compliance with generally accepted accounting principles (GAAP). 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.

#### **Fund Structure**

For financial reporting purposes, the Texas Tech University System Administration is considered a special-purpose government engaged only in business-type activities.

#### **Basis of Accounting**

The accounting records of the Texas Tech University System Administration are maintained using a modified accrual basis. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB 34/35.

#### **Budget and Budgetary Accounting**

Budgets are used at the Texas Tech University System Administration. Many of these budgets are based on legislative appropriations.

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

##### **Assets**

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

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Also included in this category are demand deposits in banks, local funds held by the state, and state reimbursements in transit.

##### **Investments**

The Texas Tech University System Administration accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements

August 31, 2002

### ***NOTE 1: Summary of Significant Accounting Policies (continued)***

#### Restricted Assets

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

#### Inventories

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.

#### Capital Assets

Furniture, equipment, and vehicles with a cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds for buildings, building improvements, facilities and other improvements are \$100,000. The capitalization threshold for infrastructure is \$500,000. These assets are capitalized at cost. Donated assets are reported at fair value on the acquisition date. Depreciation is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

#### Other Receivables

Other receivables include year-end revenue accruals not included in any other receivable category.

### **Liabilities**

#### Accounts Payable

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

#### Other Payables

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

#### 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 noncurrent in the statement of net assets.

### **Net Assets**

The difference between fund assets and liabilities is 'Net 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.

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

### ***NOTE 1: Summary of Significant Accounting Policies (continued)***

#### 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 moved or modified.

#### ***Interfund Transactions and Balances***

The Texas Tech University System Administration is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds. Interfund transactions are defined as financial interactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

### ***NOTE 2: Capital Assets***

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system.

Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as either (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, or (8) Facilities and Other Improvements. Several categories changed recently. In prior years, fixed assets were reported as either (1) Land, (2) Buildings, (3) Construction in Progress, (4) Improvements Other Than Buildings, (5) Equipment, or (6) Library Books and Materials. The changes to fixed asset balances are summarized below.

Texas Tech University System Administration						
	Balance 09/01/01	Adjustments	Reclassifications	Additions	Deletions	Balance 08/31/02
Business-type Activities						
Depreciable Assets						
Furniture and Equipment				\$71,808		\$71,808
Vehicle, Boats, and Aircraft				19,795		19,795
Total depreciable assets at historical costs				91,603		91,603
Less Accumulated Depreciation for:						
Furniture and Equipment				(3,343)		(3,343)
Vehicle, Boats, and Aircraft				(660)		(660)
Total Accumulated Depreciation				(4003)		(4003)
Depreciable Assets, Net				87,600		87,600
Business-type Activities Capital Assets, net				\$87,600		\$87,600

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

### ***NOTE 3: Deposits, Investments, and Repurchase Agreements***

The Texas Tech University System Administration is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

#### **Deposits of Cash in Bank**

- A. The carrying amount of \$(145,260.88) for Cash in Bank (including restricted assets) is presented below.
- B. The bank balance of the Texas Tech University System Administration has been classified according to the following risk categories.
  1. Category 1 – Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity
  2. Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the governmental entity's name
  3. Category 3 – Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name).

Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
\$0.00	\$0.00	\$0.00	\$0.00	\$(145,260.88)

Consisting of the following:	
Demand Deposits	\$(146,035.88)
Imprest Funds	775.00
Total Deposits Carrying Amounts	\$(145,260.88)

#### **Investments**

The fair values of investments as of the balance sheet date (including both short-term and long-term) are shown below. Investments are categorized to give an indication of the level of risk assumed by the agency at year-end. The three categories are:

**Category 1:** Investments that are insured or registered, or for which the securities are held by the agency, or its agent in the agency's name.

**Category 2:** Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the agency's name.

**Category 3:** Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the agency's name.



# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

### **NOTE 3: Deposits, Investments, and Repurchase Agreements (continued)**

Type of Security	Category			Fair Value
	1	2	3	
U.S. Government and Agency Obligations	\$81,982.60			\$ 81,982.60
U.S. Government and Agency Mortgage Obligations	326,821.78			326,821.78
Collateralized Mortgage Obligations	2,314,460.79			2,314,460.79
Repurchase Agreements	407,434.84			407,434.84
Totals	\$3,130,700.01			\$3,130,700.01

Uncategorized Investments:

Texpool	\$1,316,065.96
Total Investments	\$4,446,765.97

#### **Reverse Repurchase Agreements**

The Texas Tech University System Administration, 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 Agency and the Agency 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 Agency arises when a broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. There were no significant violations of legal or contractual provisions during the year.

#### **Derivative Investing**

Included in the U.S. Government and Agency Securities category of these "pooled" funds are investments in certain conservative mortgage derivative securities. A derivative security is an investment product which may be a security or contract which derives its value from another security, currency, commodity or index.

The schedule below provides certain information of the different types of mortgage derivatives included in the Texas Tech University System Administration's portfolio.

Mortgage Derivative Securities	
Type	Carrying Value
Planned Amortization Class Securities	\$2,314,460.79
Total	\$2,314,460.79

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

### **NOTE 4: Summary of Long Term Liabilities**

#### **Changes in Long-Term Liabilities**

During the year ended August 31, 2002, the following changes occurred in liabilities.

#### **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. The liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long Term Liability Category	Balance 09/01/2001	Increases	Decrease	Balance 08/31/2002	Current Portion
Compensable Leave	\$0	\$523,448	\$0	\$523,448	\$130,862
Total	\$0	\$523,448	\$0	\$523,448	\$130,862

### **NOTE 5: Capital Leases**

The Texas Tech University System Administration has no capital leases.

### **NOTE 6: Operating Leases**

The Texas Tech University System Administration has no operating leases.

### **NOTE 7: Interfund Balances/Activities**

The Texas Tech University System Administration has no interfund balances or activity.

### **NOTE 8: Employees Retirement Plans**

The State has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the Texas Tech University System Administration participates is administered by the Teacher Retirement System of Texas. The contributory percentages of participant salaries currently provided by the State and by each participant are 6.0 percent and 6.4 percent, respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component governmental agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the Retirement System's annual financial report.

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 and custodial mutual fund contracts. The contributory percentages of participant salaries provided by the State and each

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

### ***NOTE 8: Employees Retirement Plans (continued)***

participant for employees hired before September 1, 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.00% from the ORP's appropriation and 2.5% from other funding sources. The 6.00% contribution is mandatory with the other contributions being at the discretion of the governing board. The governing board has approved the additional contributions for employees of the Texas Tech University System Administration. The contributory percentages on salaries for participants entering the program after August 31, 1995, are 6.00% and 6.65% by the State and each participant, respectively. Since these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement expense to the State for the Texas Tech University System Administration was \$411,527 for the fiscal year ended August 31, 2002. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the Texas Tech University System Administration.

### ***NOTE 9: 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 TEX. GOV'T. CODE ANN., §609.001. Two 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, GASB Statement Number 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB Statement Number 2 and amends GASB Statement Number 31. GASB Statement Number 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of the Internal Revenue Code Section 457, establishing reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage, that statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (B)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans are also required to comply with this requirement by January 1, 1999. There is currently one Texas Tech University System Administration participant in this plan.

### ***NOTE 10: Contingent Liabilities***

At August 31, 2002, no lawsuits or claims involving the Texas Tech University System Administration were pending.

### ***NOTE 11: Continuance Subject to Review***

The Texas Tech University System Administration is not subject to the Texas Sunset Act.

### ***NOTE 12: Risk Financing and Related Insurance***

The Texas Tech University System Administration has self-insured arrangements for coverage in the areas of worker's compensation and unemployment compensation. The Worker's Compensation plan for the fiscal year was funded

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements

August 31, 2002

### ***NOTE 12: Risk Financing and Related Insurance (continued)***

by a 1.0 percent charge on gross payroll for non-educational and general funds. The Unemployment Compensation Fund is funded by interest earnings on the fund.

### ***NOTE 13: Segment Information***

The Texas Tech University System Administration has no reportable segments.

### ***NOTE 14: Bonded Indebtedness***

The Texas Tech University System Administration has no bonded indebtedness.

### ***NOTE 15: Subsequent Events***

The Texas Tech University System Administration experienced no material subsequent events.

### ***NOTE 16: Related Parties – Relationship with Texas Tech University System Administration***

The Texas Tech University System Administration has no related parties to report.

### ***NOTE 17: Stewardship, Compliance and Accountability***

The Texas Tech University System Administration has no material stewardship, compliance, and accountability issues.

### ***NOTE 18: The Financial Reporting Entity and Joint Ventures***

#### **The Financial Reporting Entity**

The Texas Tech University System Administration is the executive arm of the Texas Tech University System. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System Administration. The Texas Tech University System Administration has no component units to disclose.

### ***NOTE 19: Restatement of Net Assets***

The Texas Tech University System Administration began reporting separately in fiscal year 2002 and therefore has no beginning balance.

### ***NOTE 20: Donor-Restricted Endowments***

The Texas Tech University System Administration has no endowments.

# Texas Tech University System Administration

## Annual Financial Report

Notes to the Financial Statements  
August 31, 2002

### **NOTE 21: Pledged/Non-Pledged Revenues and Discounts and Allowances**

Texas Tech University System Administration Pledged/Non-Pledged Revenues and Discounts and Allowances				
Revenue Source	Gross Receipts Pledged	Gross Receipts Non-Pledged	Discounts/ Allowances	Net Receipts
Other Sales of Goods and Services		\$155,096		\$155,096
Total		\$155,096		\$155,096

### **NOTE 22: Management Discussion and Analysis (Material Changes to AFR)**

The Texas Tech University System is composed of three independent State Institutions/Agencies: the Texas Tech University System Administration, Texas Tech University and Texas Tech University Health Sciences Center. A composite financial report for the Texas Tech University System has now been reported for three fiscal years, 2000, 2001, and 2002.

Prior to fiscal year 2001, the System Offices were funded jointly by Texas Tech University and Texas Tech University Health Sciences Center. All revenues and expenditures were reflected within the Texas Tech University Annual Financial Report.

For fiscal year 2002, an independent identity, i.e. State of Texas Agency, was established for the Texas Tech University System Administration. Thus, this is the initial financial report for the Texas Tech University System Administration. The Texas Tech University System Administration is funded by direct appropriations, directly recorded revenues, and transfers from Texas Tech University and Texas Tech University Health Sciences Center.

# **SCHEDULES**

UNAUDITED

Texas Tech University System Administration  
Schedule 1A - Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 1B - Schedule of State Grant Pass-Throughs from/to State Agencies  
For the Year Ended August 31, 2002

Schedule Not Applicable



UNAUDITED

Texas Tech University System Administration  
Schedule 2A - Miscellaneous Bond Information  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 2B - Changes in Bond Indebtedness  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 2C - Debt Service Requirements  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 2D - Analysis of Funds Available for Debt Service  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 2E - Defeased Bonds Outstanding  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 3 - Reconciliation of Cash in State Treasury  
For the Year Ended August 31, 2002

Schedule Not Applicable

UNAUDITED

Texas Tech University System Administration  
Schedule 4 - Higher Education Assistance Fund  
For the Year Ended August 31, 2002

Schedule Not Applicable