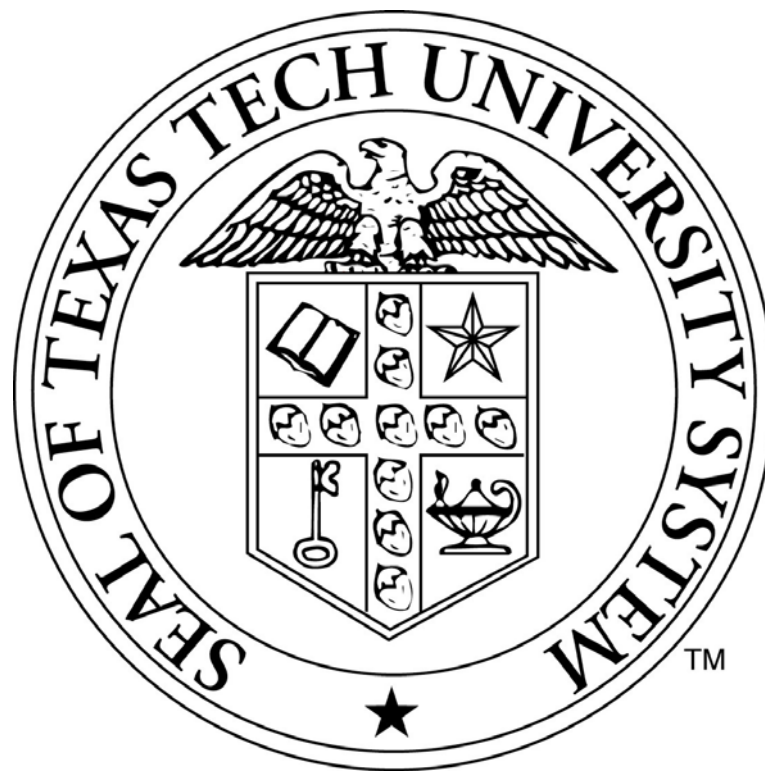


# TEXAS TECH UNIVERSITY SYSTEM



## CONSOLIDATED ANNUAL FINANCIAL REPORT

FISCAL YEAR 2003

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2003

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY SYSTEM

DAVID R. SMITH, M.D.  
Chancellor

Box 42013  
Lubbock, Texas 79409-2013  
(806) 742-0012  
FAX (806) 742-8050

November 17, 2003

Honorable Rick Perry  
Governor of Texas

Honorable Carole Keeton Strayhorn  
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, 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, 2003. 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, 2003.

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,

A handwritten signature in cursive script, appearing to read "David R. Smith".

David R. Smith, M.D.

DRS:nh



TEXAS TECH UNIVERSITY

Office of Assistant Vice President for Fiscal Affairs  
and Comptroller

Box 41102  
Lubbock, Texas 79409-1102  
(806) 742-3255  
Fax (806) 742-0066

November 17, 2003

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

Dear Chancellor Smith:

Submitted herein is the Annual Financial Report of Texas Tech University System for the fiscal year ended August 31, 2003, 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

## 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 ..... Dallas  
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  
Brian C. Newby ..... Term Expires January 31, 2005 ..... Fort Worth  
J. Michael Weiss\* ..... Term Expires January 31, 2003 ..... Lubbock

\*The terms for these regents were set to expire on January 31, 2003. Regents continue to serve until replacements are appointed by the Governor. No replacements had been named as of August 31, 2003.

## Officers of the Board

C. Robert Black..... Chair  
Brian C. Newby ..... Vice Chair  
Ben Lock ..... Secretary

## Fiscal Officers

David R. Smith, M.D. .... Chancellor  
Jim Brunjes ..... Senior Vice Chancellor and Chief Financial Officer  
Jon Whitmore ..... TTU President  
M. Roy Wilson, M.D., M.S. .... TTUHSC President

# FINANCIAL STATEMENTS

Texas Tech University System  
Statement of Net Assets (Unaudited)  
August 31, 2003

ASSETS

<b>Current Assets:</b>		
Cash and Cash Equivalents (Note 1)	\$	97,053,237
Short-Term Investments		79,331,831
Restricted:		
Cash and Cash Equivalents (Note 1)		29,985,056
Short Term Investments		29,637,849
Legislative Appropriations		52,027,135
Accounts Receivable, net:		
Federal Receivables		7,741,328
Interest and Dividends		1,748,338
Patient Accounts Receivable		12,015,824
Student Receivables		1,246,138
Contract Accounts Receivable		6,861,840
Gift Receivables		11,669,060
Accounts Receivable		4,326,637
Other Receivables		418,304
Due From Other Agencies (Note 7)		5,520,042
Prepaid Expenses		13,608,868
Consumable Inventories		1,034,748
Merchandise Inventories		2,948,977
Loans and Notes Receivable, net		8,348,777
Other Current Assets		10,825
Total Current Assets		<u>365,534,814</u>

Non-Current Assets:

Restricted:		
Cash and Cash Equivalents (Note 1)		34,331,013
Short-Term Investments		12,195,224
Investments		175,170,269
Loans and Notes Receivable, net		3,454,192
Gift Receivables		51,615,103
Investments		333,763,071
Capital Assets (Note 2)		
Non-Depreciable		235,580,992
Depreciable		998,011,712
Accumulated Depreciation		(555,192,481)
Total Non-Current Assets		<u>1,288,929,095</u>

Total Assets \$ 1,654,463,909

LIABILITIES

<b>Current Liabilities:</b>		
Accounts Payable	\$	52,790,284
Liabilities Payable from Restricted Assets		42,943,669
Accrued Liabilities (Note 4)		321,967
Unclaimed Property Due to State Treasury (Note 4)		49,036
Deferred Revenues		63,873,836



Texas Tech University System  
Statement of Net Assets (Unaudited)  
August 31, 2003

Employees' Compensable Leave (Note 4)	5,056,612
Claims Payable (Note 4)	4,192,468
Notes and Loans Payable	23,604,000
Bonds Payable (Note 4)	14,660,000
<b>Funds Held for Others</b>	<b>8,616,524</b>
Other Current Liabilities	772,447
<b>Total Current Liabilities</b>	<b><u>216,880,843</u></b>
 Non-Current Liabilities:	
<b>Unclaimed Property Due to State Treasury (Note 4)</b>	<b>62,442</b>
Interfund Payable (Note 7)	1,610,627
Employees' Compensable Leave (Note 4)	18,215,995
Claims Payable (Note 4)	37,732,216
Bonds Payable (Note 4)	275,690,000
<b>Other Non-Current Liabilities</b>	<b><u>2,150,987</u></b>
 Total Non-Current Liabilities	 <u>335,462,267</u>
 Total Liabilities	 <b>\$ <u>552,343,110</u></b>
 NET ASSETS	
<b>Invested in Capital Assets, Net of Related Debt</b>	<b>393,055,115</b>
Restricted:	
Nonexpendable:	
Endowments	254,415,243
Expendable:	
<b>Capital Projects</b>	<b>22,725,202</b>
Higher Education Assistance Fund	35,505,649
Other	111,948,393
Unrestricted (Note 1)	284,471,197
<b>Total Net Assets</b>	<b><u>1,102,120,799</u></b>
 Total Liabilities and Net Assets	 <b>\$ <u><u>1,654,463,909</u></u></b>

See Accompanying Notes To Financial Statements

Texas Tech University System  
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)  
For the Year Ended August 31, 2003

Operating Revenues	
Tuition and Fees	\$ 38,517,554
Tuition and Fees - Pledged	104,929,316
less Discounts and Allowances	(30,819,807)
Professional Fees	59,521,828
Sales and Services of Auxiliary Enterprises - Pledged	62,544,032
Other Sales and Services	5,175,112
Other Sales and Services - Pledged	6,247,353
Federal Grants and Contracts	50,869,424
Federal Grants and Contracts - Pledged	2,325,720
Federal Grant Pass-Throughs	2,540,641
State Grants and Contracts	86,469,927
State Grants and Contracts - Pledged	647,382
State Grant Pass-Throughs	12,189,861
Local Governmental Grants and Contracts	62,884,058
Local Governmental Grants and Contracts - Pledged	287,234
Nongovernmental Grants and Contracts	48,593,749
Nongovernmental Grants and Contracts - Pledged	3,090,946
Total Operating Revenues	<u>516,014,330</u>
Operating Expenses (Note 23)	
Instruction	310,838,106
Research	61,489,864
Public Service	109,935,592
Academic Support	97,148,341
Student Services	23,970,100
Institutional Support	49,142,355
Operations and Maintenance of Plant	45,265,596
Scholarships and Fellowships	7,909,068
Auxiliary Enterprises	65,354,233
Depreciation and Amortization	28,168,963
Total Operating Expenses	<u>799,222,218</u>
Operating Income (Loss)	<u>(283,207,888)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	242,285,905
Federal Grant Revenues	(18,021)
Private Gifts	19,988,836
Private Gifts - Pledged	22,663,960
Investment Income	19,510,858
Investment Income - Pledged	4,786,358
Interest Expense on Capital Asset Financing	(14,163,137)
Loss on Sale and Disposal of Capital Assets	(7,647,059)
Net Increase in Fair Value of Investments	27,372,841
Other Nonoperating Revenues (Expenses)	18,579,997
Other Nonoperating Revenues (Expenses) - Pledged	821,147
Total Nonoperating Revenues (Expenses)	<u>334,181,685</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	50,973,797
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	28,696,881
Capital Contributions	879,067
Lapsed Appropriations	(353)
Legislative Transfer In (SORM)	1,223,218
Transfers In from Other Agencies	5,733,723
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>36,532,536</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ 87,506,333</u>
Beginning Net Assets (September 1, 2002)	1,021,711,955
Restatements of Beginning Net Assets (Note 17)	<u>(7,097,489)</u>
Ending Net Assets (August 31, 2003)	<u>\$ 1,102,120,799</u>

See Accompanying Notes to Financial Statements

Texas Tech University System  
Statement of Cash Flows (Unaudited)  
For the Year Ended August 31, 2003

Cash Flows from Operating Activities	
Tuition and Fees	\$ 111,589,091
Grants and Contracts	264,423,031
Collections from Patients	67,184,409
Collections of Student Loans	1,546,995
Sales and Services of Auxiliary Enterprises	59,320,073
Other Sales and Services	11,446,343
Other Operating Activities	4,675,984
Payments to Suppliers	(180,282,469)
Payments to Employees	(468,500,271)
Payments for Loans Issued to Students	(1,011,099)
Payments for Other Operating Activities	(124,206,163)
Net Cash Used By Operating Activities	<u>(253,814,076)</u>
Cash Flows from Noncapital Financing Activities	
State Appropriations	253,781,915
Noncapital Gifts and Grants	26,599,447
Transfers In From Other State Agencies	5,733,723
Proceeds from Agency Transactions	386,579
Other Noncapital Financing Activities	9,052,537
Net Cash Provided by Noncapital Financing Activities	<u>295,554,201</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Capital Debt Issuance	13,691,000
Capital Appropriations	28,696,881
Capital Gifts and Grants	879,067
Purchases of Capital Assets	(109,369,921)
Principal Paid on Capital Debt	(15,262,000)
Interest Paid on Capital Debt	(14,676,372)
Other Capital Related Activities	(969,997)
Net Cash Used by Capital and Related Financing Activities	<u>(97,011,342)</u>
Cash Flows from Investing Activities	
Proceeds from Investment Sales and Maturities	259,542,071
Interest and Dividends Received	33,421,349
Purchases of Investments	(326,432,392)
Net Cash Used by Investing Activities	<u>(33,468,972)</u>
TOTAL NET CASH FLOWS	
	<u>\$ (88,740,189)</u>
Cash & Cash Equivalents - September 1, 2002	2,193,884
Restatement to Beginning Cash & Cash Equivalents (Note 17)	247,915,611
Cash & Cash Equivalents	
September 1, 2002 Restated	<u>250,109,495</u>
Ending Cash & Cash Equivalents - August 31, 2003	<u>\$ 161,369,306</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	(283,207,888)
Adjustments:	
Depreciation Expense	28,168,963
Bad Debt Expense	(88,576)
(Increase) Decrease in Accounts Receivables	2,279,951
(Increase) Decrease in Loans and Notes Receivable	(2,763,938)
(Increase) Decrease in Inventory	(190,955)
(Increase) Decrease in Prepaid Expenses	(127,997)
Increase (Decrease) in Accounts Payables	15,279,091
Increase (Decrease) in Accrued Liabilities	(730,296)
Increase (Decrease) in Deferred Revenue	(7,789,052)
Increase (Decrease) in Compensable Leave	798,477
Increase (Decrease) in Claims Payable	(5,646,565)
Increase (Decrease) in Other Liabilities	204,709
Net Cash Used for Operating Activities	<u>(253,814,076)</u>

## POLICIES AND NOTES

TEXAS TECH UNIVERSITY SYSTEM

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

Components of the Texas Tech University System include Texas Tech University, Texas Tech University Health Sciences Center and Texas Tech University System Administration. The Texas Tech University System includes within this report all components as determined by an analysis of their relationship to the Texas Tech University System as described below for blended component units.

Blended Component Units

The Texas Tech University Foundation and the Texas Tech University Research Foundation are not-for-profit 501(c)(3) organizations, exempt from income taxes. The Texas Tech University Foundation was founded to financially support the Texas Tech University System. The Texas Tech University Research Foundation was founded to support the research activities of the University. Based on the application of the GASB Standard No. 14 criteria, The Texas Tech Foundation and the Texas Tech Research Foundation have been blended into these financial statements because of the significance of their financial relationship with the System.

Texas Tech Physician Associates is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas (the State). TTPA was created by TTUHSC for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The board consists of eight directors appointed by TTUHSC.

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.

Basis of Accounting

The accounting records of the Texas Tech University System are maintained using a modified accrual basis of accounting. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB Statements 34 and 35. For financial reporting purposes, the Texas Tech University System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System'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 has been incurred.

Cash and Cash Equivalents

For the purpose of financial statement reporting, cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Included in this category are demand deposits in banks,

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Texas Tech University System– Notes to the Financial Statements (continued)

local funds held by the state, state reimbursements in transit, repurchase agreements and Texpool investments.

The System records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value. Investment pool cash equivalents are recorded at fair value.

Cash and Cash Equivalents as reported on the Statement of Net Assets

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	\$ 81,361	\$ 4,745		\$ 86,106
Cash in Bank	3,152,233	(2,609,764)	(11,855,054)	(11,312,585)
Reimbursement Due from State Treasury	445,992	294,507		740,499
Cash in State Treasury	7,714,453			7,714,453
Repurchase Agreements	32,448,245	12,121,367	5,061,273	49,630,885
Texpool Investments	53,210,953	20,174,201	41,124,794	114,509,948
<b>Total Cash and Cash Equivalents</b>	<b>\$ 97,053,237</b>	<b>\$ 29,985,056</b>	<b>\$ 34,331,013</b>	<b>\$ 161,369,306</b>

Investments

Texas Tech University System accounts for its investments at fair market 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.

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.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories such as maintenance supplies, housing supplies, janitorial supplies, office supplies, and telecommunications supplies. Inventories are valued at cost, generally utilizing the last-in, first-out method.

Receivables

Accounts receivable consist of tuition and fees charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts.

Federal receivable includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures disbursed by the System’s grants and contracts department.

Gift receivables are accounted for at their estimated net realizable value. The estimated net realizable value consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support specifically identified System programs and initiatives.

Interest and income receivable consists of amounts due from investment holdings, cash management pools, and cash invested in various short-term investment items.

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

## Texas Tech University System – Notes to the Financial Statements (continued)

## Prepaid Expenses

Disbursements for insurances, subscriptions, prepaid postage, prepaid travel costs and similar services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods.

## Loans and Notes Receivable

These receivables are student loans receivable that consist of amounts due from the Federal Perkins Loan Program, and from other loans administered by the System.

## 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 market value as of the acquisition date. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charges to operating expenses in the year in which the expense was incurred. 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.

## Accounts Payable and Accrued Liabilities

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

## Deferred Revenues

Deferred Revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

## Employees' Compensable Leave Balances

Employees' Compensable Leave payable 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.

## Notes and Loans Payable

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 4.

## Bonds Payable

Texas Tech University System has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 12.

## Funds Held for Others

Current balances in funds held for others result from the System acting as an agent or fiduciary for students and student organizations.

## Texas Tech University System – Notes to the Financial Statements (continued)

## Interfund Payable

Interfund payables are resources payable to other state agencies for Lone Star that assisted the System with utility costs. This payable is further explained in Note 7.

## Net Assets

Net Assets are the difference between fund assets and liabilities. They are presented in three separate classes: Invested in Capital Assets - Net of Related Debt, Restricted and Unrestricted.

*Invested in Capital Assets, Net of Related Debt*

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

*Restricted Net Assets*

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

*Unrestricted Net Assets*

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

## Unrestricted Net Assets as reported on the Statement of Net Assets

Reserved for:	
Encumbrances	\$ 7,754,815
Accounts Receivable	18,728,708
Inventory	3,679,791
Prepaid Expenses	3,668,142
Imprest Funds	456,098
Working Capital	235,363
Self-Insured Plans	18,381,367
External Investment Pool	298,263
Fair Market Value Adjustment	2,842,800
Balances Subject to Reappropriation	784,683
Future Operating Budgets	101,946,273
Student Service Fees	1,294,546
Funds Functioning as Endowments	47,662,957
Unreserved	<u>76,737,391</u>
Total Unrestricted Net Assets	<u>\$ 284,471,197</u>

## Interfund Activity and Transactions

Texas Tech University System is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units. Interfund transactions are defined as financial transactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.



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Texas Tech University System - Notes to the Financial Statements (continued)

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. The changes to fixed asset balances are summarized below.

Texas Tech University System						
Business-type Activities:	Balance 09/01/02	Adjustments	Reclasses	Additions	Deletions	Balance 08/31/03
<b>Non-depreciable Assets:</b>						
Land and Land Improvements	\$ 8,223,739					\$8,223,739
Construction In Progress	80,949,661	(24,112)	1,136,878	50,025,446	(100,421)	131,987,452
Other Capital Assets	88,889,636			6,480,165		95,369,801
<b>Total Non-depreciable Assets</b>	<b>178,063,036</b>	<b>(24,112)</b>	<b>1,136,878</b>	<b>56,505,611</b>	<b>(100,421)</b>	<b>235,580,992</b>
<b>Depreciable Assets:</b>						
Buildings and Building Improvements	644,637,606	(6,982,308)	200,758	28,367,336	(2,696,528)	663,526,864
Infrastructure	25,113,590	(1,468,776)		2,290,364		25,935,178
Facilities and Other Improvements	110,577,921	(172,034)		15,072,823	(350,000)	125,128,710
Furniture and Equipment	128,477,154	(388,712)	(85,044)	15,946,277	(5,115,784)	138,833,891
Vehicles, Boats and Aircraft	9,071,944	(17,478)		971,002	(432,755)	9,592,713
Other Capital Assets	33,417,002	(80,599)		1,480,668	(5,215)	34,811,856
<b>Total depreciable assets at historical costs</b>	<b>951,295,217</b>	<b>(9,109,907)</b>	<b>115,714</b>	<b>64,128,470</b>	<b>(8,600,282)</b>	<b>997,829,212</b>
<b>Less Accumulated Depreciation for:</b>						
Buildings and Improvements	(438,810,451)	2,184,593		(8,366,662)	285,775	(444,706,745)
Infrastructure	(878,286)	4,491		(954,834)		(1,828,629)
Facilities and Other Improvements	(4,536,573)	9,494		(4,944,054)	30,434	(9,440,699)
Furniture and Equipment	(76,742,946)	127,923	41,987	(12,926,308)	4,333,467	(85,165,877)
Vehicles, Boats and Aircraft	(6,226,754)	14,005		(750,020)	390,530	(6,572,239)
Other Capital Assets	(4,011,491)	56,391		(3,392,350)	5,215	(7,342,235)
<b>Total Accumulated Depreciation</b>	<b>(531,206,501)</b>	<b>2,396,897</b>	<b>41,987</b>	<b>(31,334,228)</b>	<b>5,045,421</b>	<b>(555,056,424)</b>
<b>Depreciable Assets, Net</b>	<b>420,088,716</b>	<b>(6,713,010)</b>	<b>157,701</b>	<b>32,794,242</b>	<b>(3,554,861)</b>	<b>442,772,788</b>
<b>Business-type Activities</b>						
<b>Capital Assets, net:</b>	<b>\$598,151,752</b>	<b>\$(6,737,122)</b>	<b>\$1,294,579</b>	<b>\$89,299,853</b>	<b>\$(3,655,282)</b>	<b>\$678,353,780</b>

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Texas Tech University System – Notes to the Financial Statements (continued)

Blended Component Unit	Blended Component Unit – Texas Tech University Foundation Inc.					Balance 08/31/03
	Balance 09/01/02	Adjustments	Reclasses	Additions	Deletions	
Depreciable Assets:						
Buildings and Building Improvements		\$182,500				\$182,500
Total depreciable assets at historical costs:		182,500				182,500
Less Accumulated Depreciation for:						
Buildings and Improvements		(126,932)		(9,125)		(136,057)
Total Accumulated Depreciation		(126,932)		(9,125)		(136,057)
Depreciable Assets, Net		55,568		(9,125)		46,443
Business-type Activities						
Capital Assets, net:		\$55,568		(9,125)		\$46,443

Note 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University System 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 \$(11,312,585) for Cash in Bank (including restricted assets and blended component units) is presented below.
- B. The bank balance of Texas Tech University System 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
\$685,114	\$5,260,180	\$0	\$5,945,294	\$(11,312,585)

Consisting of the following:

Demand Deposits	\$(11,923,285)
Imprest Funds	72,200.00
Imprest Funds – Travel	120,000.00
Cashier Accounts	418,500.00
Total Deposits Carrying Amounts	<u>\$(11,312,585)</u>

Texas Tech University System – Notes to Financial Statements (continued)

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.

Type of Security	Category			Fair Value
	1	2	3	
U.S. Government and Agency Obligations	\$87,074,747			\$87,074,747
U.S. Government and Agency Mortgage Obligations	64,169,620			64,169,620
Collateralized Mortgage Obligations	128,534,300			128,534,300
Repurchase Agreements	49,630,885			49,630,885
Miscellaneous Investments	10,971,203			10,971,203
Corporate Stock	145,420,166		1,364,182	146,784,348
Totals	\$485,800,921		\$1,364,182	\$487,165,103
Uncategorized Investments:				
Real Estate and Mortgages				\$754,636
TexPool				114,509,948
Other Uncategorized Investments				191,809,390
Total Investments				\$794,239,077

Reverse Repurchase Agreements

Texas Tech University System, by statute, is authorized to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the 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 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.

Texas Tech University System– Notes to the Financial Statements (continued)

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

Mortgage Derivative Securities	
Type	Carrying Value
Planned Amortization Class Securities	\$128,534,300

Note 4: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2003, the following changes occurred in liabilities.

Long-Term Liability Category	Balance 09/01/02	Increases	Decreases	Balance 08/31/03	Current Portion
Accrued Liabilities	\$1,052,263		\$730,296	\$321,967	\$321,967
Unclaimed Property Due to State Treasury	121,557	61,110	71,189	111,478	49,036
Claims Payable	47,571,249	266,365	5,912,930	41,924,684	4,192,468
Notes and Loans	10,575,000	13,691,000	662,000	23,604,000	23,604,000
Revenue Bonds	304,950,000		14,600,000	290,350,000	14,660,000
Compensable Leave	22,474,130	1,878,640	1,080,163	23,272,607	5,056,612
Other Liabilities	18,994		1,249	17,745	1,068
Total	<u>\$386,763,193</u>	<u>\$15,897,115</u>	<u>\$23,057,827</u>	<u>\$379,602,481</u>	<u>\$47,885,151</u>

Accrued Liabilities

Accrued liabilities represents rebatable arbitrage which is defined by the Internal Revenue Code Section 148 as earnings on investments purchased with gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. This rebatable arbitrage must be paid to the federal government. The System is generally entitled to invest its bond proceeds at an unrestricted yield for a temporary period of three years beginning on the date of delivery of the bond issue. After the temporary period, unexpended proceeds must be invested at a yield not to exceed the yield on the bond issue. The rebatable arbitrage to the federal government is payable at the end of each five-year period from the delivery date and upon final redemption of all outstanding bonds of the issue.

Claims Payable

Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the participants insured. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis, and instead considers overall probability of payment for medical malpractice claims. Claims payable reports a combined liability of the Health Sciences Center and Texas Tech Physician Associates, a blended component unit.

Texas Tech University System– Notes to the Financial Statements (continued)

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. Under state law, the hours accumulated are capped depending on the employees' length of service. 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.

Bonds Payable

See Note 12 for detailed information on bond liability balances and transactions.

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction projects. Debt service for the obligation is provided in general appropriation for tuition revenue bonds and revenue from various projects. All commercial paper outstanding at 8/31/03 will be retired in fiscal year 2004.

Commercial paper has short maturities up to 270 days with interest rates ranging from .85% to 1.75%.

*Summary of Debt Service Requirements for Notes Payable*

Fiscal Year	Principal	Interest	Total
2004	\$23,604,000	\$46,872	\$23,650,872
2005			
2006			
2007			
2008			
All Other Years			
<b>Total Requirements</b>	<b>\$23,604,000</b>	<b>\$46,872</b>	<b>\$23,650,872</b>

Note 5: Capital Leases

As of August 31, 2003, Texas Tech University System had no outstanding capital leases.

Note 6: Operating Leases

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

Fiscal Year	
2004	\$844,920
2005	101,322
2006	35,842
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$982,084</b>

Note 7: Interfund Balances/Activities

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

- Interfund Receivables or Interfund Payables
- Due from Other Agencies or Due to Other Agencies
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

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

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Texas Tech University System – Notes to the Financial Statements (continued)

Individual balances and activity at August 31, 2003, follows:

<u>Interfund Payable</u>	<u>Non-Current Interfund Payable</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515	<u>\$1,610,627</u>	Lone Star
Total Interfund Receivable/Payable	<u>\$1,610,627</u>	
		Current Due from Other Agencies
<u>Due from Other Agencies</u>		
Texas Education Agency (Agency 701)		\$ 76,067.56
Texas School for the Blind (Agency 771)		25,582.79
Telecommunications Infra Fund Board (Agency 367)		580,954.60
Office of the Attorney General (Agency 302)		90,914.73
Texas Department of Transportation (Agency 601)		100,191.00
Texas Excellence Funds (Agency 902)		1,327,446.81
Texas Technology Workforce Development Grant (Agency 781)		130,004.20
University of Texas System (Agency 720)		<u>3,188,880</u>
Total Due from Other Agencies		<u>\$ 5,520,041.69</u>
		Amount
<u>Transfers In From Other Agencies</u>		
Texas Excellence Funds		\$5,733,723
		Amount
<u>Legislative Transfer In</u>		
State Office of Risk Management (SORM)		\$1,223,218

The detailed State Grant Pass-Through information is listed on Schedule 1B – Schedule of State Grant Pass-Throughs from/to State Agencies.

Note 8: Contingent Liabilities

The United States Department of Justice's Office of the Inspector General has issued Audit Report Number GR-80-01-017, ORI Number TX 15206U, dated August 31, 2001. This audit report questions \$356,106 of costs on Texas Tech University's Community Oriented Policing Services grant. The University believes that the questioned costs are valid and will pursue the matter until it is equitably resolved. No accrual has been made in this financial statement.

At August 31, 2003, other lawsuits and claims involving Texas Tech University System were pending. While the ultimate liability with respect to litigation and other claims asserted against the System cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the System.

Note 9: Continuance Subject to Review

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

## Texas Tech University System – Notes to the Financial Statements (continued)

## Note 10: Risk Financing and Related Insurance

Texas Tech University System by state law is required to be a participant in the Workers Compensation Program and Pool managed by the State Office of Risk Management (SORM). The University is assessed fees by SORM based upon claims experience, claim incidences, payroll size and FTE. SORM also determines the methodology for allocation to the major fund groups. The State Office of Risk Management pays all WCI claims. The Worker's Compensation plan for the fiscal year was funded by a 1.0 percent charge on gross payroll for non-educational and general funds.

The System has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The System pays the remainder for employees paid from non-educational and general funds. The Texas Tech University System Unemployment Compensation Fund is currently funded by interest earnings on the fund.

## Note 11: Segment Information

Texas Tech University System has no reportable segments.

## Note 12: Bonded Indebtedness

## Bonds Payable

Several bond issues were outstanding as of August 31, 2003 which are summarized in the paragraphs that follow.

Revenue Financing System Refunding Bonds, Series 1993

Purpose:	Current and advance refunding of \$28,675,000 in principal amount of all the Revenue Bonds (excluding Housing System Revenue Bonds), Series 1967, 1968, 1970, 1971, 1973, 1974, 1975, 1977, 1978, 1985
Original Issue Amount:	\$29,320,000
Issue Date:	October 26, 1993
Interest Rates:	2.63% to 5.00%
Maturity Date Range:	1994 through 2007
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$2,430,000 retired

Revenue Financing System Bonds, Series 1995

Purpose:	Financing of Southwest Collection Library for Texas Tech University, the library/conference center project for Texas Tech Health Sciences Center and other capital improvements, and the costs of issuing the bonds
Original Issue Amount:	\$25,000,000
Issue Date:	March 17, 1995
Interest Rates:	4.30% to 6.00%
Maturity Date Range:	1996 through 2015
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$1,015,000 retired

## Texas Tech University System – Notes to the Financial Statements (continued)

Revenue Financing System Refunding and Improvement Bonds, Series 1996

Purpose:	Financing of arena complex, housing complex, and other capital projects and the advance refunding of Housing Revenue Bonds, Series 1962, 1963, 1966
Original Issue Amount:	\$71,285,000
Issue Date:	December 5, 1996
Interest Rates:	4.00% to 6.00%
Maturity Date Range:	1998 through 2017
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$3,945,000 retired

Revenue Financing System Bonds, Second Series 1996 (Taxable)

Purpose:	Financing of arena complex, other capital projects, and costs of issuance
Original Issue Amount:	\$7,380,000
Issue Date:	December 5, 1996
Interest Rates:	5.75% to 6.75%
Maturity Date Range:	1998 through 2017
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$725,000 retired

Revenue Financing System Refunding and Improvement Bonds, Series 1999

Purpose:	Current refunding of a portion of Series A Notes, advance refunding of Revenue Bonds, Series 1995, 1996 and financing of a new English building and other projects. Also, financing for projects in Amarillo, Midland, and Lubbock.
Original Issue Amount:	\$115,100,000
Issue Date:	May 4, 1999
Interest Rates:	4.00% to 5.25%
Maturity Date Range:	1999 through 2029
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$1,370,000 retired



## Texas Tech University System – Notes to the Financial Statements (continued)

Revenue Financing System Bonds, Seventh Series 2001

Purpose:	Financing of renovation of Jones Stadium, Student Union and Student Recreational Center, and other projects, current refunding of a portion of Series A Notes, and costs of issuance. Also, financing for projects in El Paso and Lubbock.
Original Issue Amount:	\$126,865,000
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$3,210,000 retired

Revenue Financing System Bonds, Eighth Series 2001 (Taxable)

Purpose:	Financing of renovation of Jones Stadium and costs of issuance
Original Issue Amount:	\$42,810,000
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2003 through 2023
Type of Bond:	Revenue
Unissued Amounts:	\$0
Changes in Debt:	\$0 issued; \$745,000 retired

## Sources of Debt-Service Revenue

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to Texas Tech University components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

## Bonds Authorized But Unissued at Year End

House Bill 658 of the 77th Legislature codified as Section 55.1739 of the Texas Education Code, authorized the issuance of \$90,529,525 in the systemwide revenue financing program. As of August 31, 2003, the entire amount of this authorization remains unissued.

## Note 13: Subsequent Events

On September 24, 2003, the Texas Tech University System issued Revenue Financing System Bonds Series Nine in the amount of \$97,265,000. The purpose for issuing the bonds were to (i) acquire, purchase, construct, improve, renovate, enlarge or equip property, structures, facilities, roads or related infrastructure for the University and the Health Sciences Center (ii) retire \$14,249,000 of the Board of Regents of Texas

## Texas Tech University System – Notes to the Financial Statements (continued)

Tech University System Revenue Financing System Commercial Paper Notes, Series A, (iii) currently refunding \$4,895,000 of the Board of Regents of Texas Tech University System Revenue Financing System Series 1 bonds and paying the costs of issuance of the bonds. The interest rates on the Series Nine bonds range from 2.25 percent to 5.25 percent. As a result of these transactions, the Texas Tech University System had Revenue Financing System Bonds outstanding of \$382,720,000 on September 24, 2003.

## Note 14: Related Parties – Relationship with Texas Tech University System

The Texas Tech Foundation Inc. (TTFI) and Texas Tech Physician Associates (TTPA) are reported as blended component units. TTFI is governed by a 30-member board appointed by the Texas Tech University System governing board.

TTPA is a certified non-profit health corporation authorized under the Medical Practice Act Section 5.01(a), article 4495b of the State of Texas (the State). TTPA was created by the Health Sciences Center for the purpose of entering into prepaid capitation agreements for physician and other medical services. TTPA is exempt from tax under Internal Revenue Service code section 501(c)(3). The board consists of eight directors appointed by the Health Sciences Center.

Although both entities are legally separate from the Texas Tech University System, TTPA and TTFI are reported as if they were part of the System because their sole purpose is to financially support Texas Tech University System.

The Texas Tech Alumni Association provided services on behalf of Texas Tech University for which the University paid \$102,529 during the 2003 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

## Note 15: Stewardship, Compliance and Accountability

Effective September 1, 2001, the Texas Tech University System changed the basis of financial reporting from modified accrual to full accrual. This change was in response to the implementation of Governmental Accounting Standards Board statements 34 and 35. The Texas Tech University System has no other material stewardship, compliance, and accountability issues.

## Note 16: The Financial Reporting Entity and Joint Ventures

## The Financial Reporting Entity

The Texas Tech University System is an agency of the State of Texas. As required by generally accepted accounting principles, these financial statements present the Texas Tech University System. The component units discussed below this note are included in the System's reporting entity because of the significance of their operational or financial relationships with the System.

## Individual Component Unit Disclosures

The Texas Tech University Foundation, the Texas Tech University Research Foundation and the Texas Tech Physician Associates are blended component units of the Texas Tech University System. Although each is legally separate from the System, the Texas Tech Foundation, the Texas Tech Research Foundation and the Texas Tech Physician Associates are reported as if they were part of the primary government.

The Texas Tech University Foundation is governed by a 30-member board whose appointment is approved by the Texas Tech Board of Regents.

Texas Tech University System – Notes to the Financial Statements (continued)

The Texas Tech University Research Foundation is governed by a six-member board whose appointment is approved by the Texas Tech University Board of Regents. The Texas Tech University Research Foundation is currently inactive. However, the entity has not been deactivated.

The Texas Tech Physician Associates is governed by an eight-member board appointed by Texas Tech University Health Sciences Center.

Note 17: Restatement of Net Assets

The only material prior-period adjustments for the Texas Tech University System that required the restatement of beginning net assets relate to capital assets and accumulated depreciation changes for Texas Tech University System and the System’s blended component unit.

Net Assets as Reported at 8/31/02	\$1,021,711,955
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Restatements	
TTU Capital Assets	\$ (7,417,979)
TTU Accumulated Depreciation	2,165,075
Component Unit Capital Asset	182,500
Component Unit Accumulated Depreciation	(126,932)
Construction Period Interest Capitalization	539,648
SPA Adjustments to FY01 Accumulated Depreciation	<u>(2,439,801)</u>
	<u>(7,097,489)</u>
Restated Net Assets at 8/31/02	<u><u>\$1,014,614,466</u></u>

Restatement of Beginning Cash and Cash Equivalents:

Cash and Cash Equivalents as Reported at 8/31/02	\$2,193,884
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Restatements	
Repurchase Agreements	\$40,294,761
Texpool Investments	<u>207,620,850</u>
	<u>247,915,611</u>
Restated Cash and Cash Equivalents at 8/31/02	<u><u>\$250,109,495</u></u>

Note 18: Employee Retirement Plans (administering agencies only)

Not applicable

Note 19: Deferred Compensation (administering agencies only)

Not applicable

Note 20: Donor-Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech University System endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

Texas Tech University System – Notes to the Financial Statements (continued)

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets, held both by the Texas Tech University System and Texas Tech Foundation, Inc. are summarized in the following table:

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
Texas Tech System Endowments	\$19,188,971	Restricted for Nonexpendable
Texas Tech Foundation Endowments	16,760,013	Restricted for Nonexpendable
Total	\$35,948,984	

Note 21: Management Discussion and Analysis

Financial Highlights

- The University and the Health Sciences Center continue to experience growth in student enrollment, totaling 7.8% for the University and 10.3% for the Health Sciences Center between the fall 2001 and the fall 2002 semesters.
- The current economic upturn has resulted in significant realized and unrealized endowment investment gains. Unrealized net changes in the fair value of investments increased net assets by \$20.3 million for the year ended August 31, 2003. Overall net assets increased by \$82.6 million for the year ended August 31, 2003, primarily due to increased investment returns, increased gift revenues, and overall expense reductions.
- Capital asset additions totaled \$90.6 million for the year ended August 31, 2003, excluding \$6.7 million of construction in progress that was completed during the year.

Note 22: Post Employment Health Care and Life Insurance Benefits (UT and A&M only)

Not applicable

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Texas Tech University System - Notes to the Financial Statements (continued)

Note 23: Matrix of Operating Expenses by Natural Classification

Function	Salaries and Wages	Payroll Related Costs	Federal Sub-Contracts	Professional Fees and Services	Travel
Instruction	\$ 214,454,695.39	\$ 49,789,400.54	\$	\$ 8,906,364.35	\$ 4,393,982.55
Research	34,885,866.17	9,364,933.36	87,838.00	3,928,857.73	1,239,449.23
Public Service	43,934,438.77	11,006,683.17	41,431.00	41,813,968.58	593,958.52
Academic Support	51,749,517.39	14,857,457.89	532,853.00	3,835,511.54	1,521,913.30
Student Services	11,337,407.54	4,033,399.55		1,032,076.17	629,853.61
Institutional Support	30,065,818.08	8,099,804.44		2,717,438.64	1,034,936.76
Operation and Maintenance of Plant	11,559,104.59	6,181,065.29		1,511,813.43	722,495.46
Scholarships and Fellowships	176,368.25				
Auxiliary Enterprises	21,237,458.98	5,403,472.98		4,049,216.16	2,730,633.82
Depreciation and Amortization					
Total Operating Expenses	\$ 419,400,675.16	\$ 108,736,217.22	\$ 662,122.00	\$ 67,795,246.60	\$ 12,867,223.25

Function	Materials and Supplies	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction
Instruction	\$ 18,812,194.90	\$ 4,130,062.18	\$ 2,420,794.04	\$ 2,481,251.90	\$ 2,653,639.50
Research	5,287,620.45	1,444,360.59	1,820,426.80	486,551.38	746,743.40
Public Service	9,421,727.24	1,071,639.84	510,092.44	887,328.54	288,924.66
Academic Support	10,405,101.56	5,294,897.58	2,234,280.32	793,782.35	1,042,307.78
Student Services	3,032,040.18	1,363,405.15	800,491.30	238,511.15	506,800.25
Institutional Support	2,851,314.24	1,722,386.34	1,102,707.76	498,099.86	693,625.87
Operation and Maintenance of Plant	8,734,002.06	8,360,057.07	4,864,078.52	774,114.32	459,958.22
Scholarships and Fellowships					
Auxiliary Enterprises	2,779,451.67	7,740,260.81	2,581,863.69	876,940.54	600,942.14
Depreciation and Amortization					
Total Operating Expenses	\$ 61,323,452.30	\$ 31,127,069.56	\$ 16,334,734.87	\$ 7,036,580.04	\$ 6,992,941.82

Function	Depreciation and Amortization	Scholarships	Bad Debt	Claims and Losses	Other Operating
Instruction	\$	\$ 462,406.00	\$ (10,539.00)	\$ 235,000.00	\$ 2,108,853.73
Research		221,770.00			1,975,446.89
Public Service		136,703.00	309.00		228,387.24
Academic Support		109,631.00	1,885.00	250,000.00	4,519,202.29
Student Services		2,218.00		(50.00)	993,947.10
Institutional Support		59,710.00	(80,231.00)	104,881.00	271,862.93
Operation and Maintenance of Plant				324.00	2,098,583.04
Scholarships and Fellowships		7,732,699.75			
Auxiliary Enterprises		1,478,001.53			15,875,990.78
Depreciation and Amortization	28,168,963.00				
Total Operating Expenses	\$ 28,168,963.00	\$ 10,203,139.28	\$ (88,576.00)	\$ 590,155.00	\$ 28,072,274.00

Function	Grand Total
Instruction	\$ 310,838,106.08
Research	61,489,864.00
Public Service	109,935,592.00
Academic Support	97,148,341.00
Student Services	23,970,100.00
Institutional Support	49,142,354.92
Operation and Maintenance of Plant	45,265,596.00
Scholarships and Fellowships	7,909,068.00
Auxiliary Enterprises	65,354,233.10
Depreciation and Amortization	28,168,963.00
Total Operating Expenses	\$ 799,222,218.10

# SCHEDULES

UNAUDITED

Texas Tech University System  
 Schedule 1A – Schedule of Expenditures of Federal Awards  
 For the Year Ended August 31, 2003

Note 1: Non-Monetary Assistance

The “donation of federal surplus personal property” is presented at 23.3 percent of the federal acquisition cost \$143,677.29. The surplus property is passed through from the Texas Building and Procurement Commission. The federal grantor is the general services administration (GSA) and the federal CFDA number is 39.003.

Note 2: Reconciliation

Below is a reconciliation of the total federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass-through revenues as reported in the general purpose financial statements. Generally, federal funds are not earned until expended: therefore, federal revenues equal federal expenditures for the reporting period.

Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets (SRECNA)	\$53,177,123.00
Federal Pass-Through Grants from Other State Agencies	<u>2,540,640.88</u>
Total Federal Revenues per Statement of Revenues, Expenses and Changes In Net Assets (SRECNA)	\$55,717,763.88
Reconciling Items:	
Pass-Through to State Entities	2,213,767.05
Pass-Through to Other Entities	1,725,102.41
NonMonetary Assistance:	
Donation of Federal Surplus Property	33,476.60
New Loans Processed:	
Federal Family Education Loan Program	104,734,477.71
Federal Perkins Loan Program	521,236.00
Perkins Loan Revenue	(213,442.00)
Other	<u>90,927.98</u>
Total Pass-Through and Expenditures per Federal Schedule	<u>\$164,823,309.63</u>

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CDFA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin. Costs Recovered	Ending Balances of Previous Year's Loans
U.S. Department of Health and Human Services				
93.342 Health Professions Student Loans	\$0.00	\$0.00	\$0.00	\$179,627.00
93.364 Nursing Student Loans	0.00	0.00	0.00	60,809.00
Total U.S. Dept. of Health and Human Services	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$240,436.00</u>

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Texas Tech University System  
 Schedule 1A – Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended August 31, 2003

Note 3: Student Loans Processed and Administrative Costs Recovered (continued)

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin. Costs Recovered	Ending Balances of Previous Year's Loans
U.S. Department of Education				
84.032 Federal Family Education Loans	\$104,734,477.71	\$0.00	\$104,734,477.71	\$ 0.00
84.038 Federal Perkins Loan Program	521,236.00	21,369.00	542,605.00	3,219,917.73
Total U.S. Dept. of Education	<u>\$105,255,713.71</u>	<u>\$21,369.00</u>	<u>\$105,277,082.71</u>	<u>\$3,219,917.73</u>
Total Student Loans	<u>\$105,255,713.71</u>	<u>\$21,369.00</u>	<u>\$105,277,082.71</u>	<u>\$3,460,353.73</u>

Note 4: Governmental Publications

The System participates as a depository library in the Government Printing Office's Depository libraries for Government Publications Program, CFDA #40.0001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

Note 5: Unemployment Insurance Funds

Texas Tech University System does not have CFDA 17.225 awards.

Note 6: Petroleum Violations Escrow (PVE) Funds subject to 1-133 Audits

These are only reported by the Governor's Office.

Note 7: Rebates from the Special Supplemental Food Program for Women, Infant, and Children (WIC)

Texas Tech University System has a CFDA 10.557 award, but the award is for data analysis. The project does not purchase formula and does not have any cash rebates from infant formula manufacturers.



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Texas Tech University System  
 Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies  
 For the Year Ended August 31, 2003

Pass-Throughs From:

Office of Attorney General (Agency 302)

Premarital Education	\$	73,741.38
Helping Young Children Through Divorce: Filial Therapy Groups For Custodial Parents		52,328.37
Implementing The Parenting Through Change Program with Latina Single Mothers		56,601.03
Post-Divorce Collaborative Family Assessment & Intervention With Texas Families		67,953.92

Texas Department of Agriculture (Agency 551)

Genetic Resources of Drought Resistance on Wild Emmer Wheat For Wheat Improvement	32,929.63
Development of Selected Ornamentals Tolerant To Recycled and Saline Irrigation	25,151.21

Texas Commission on Environmental Quality (Agency 582)

Distribution & Potential Sources of Perchlorate at the Southern High Plains Aquifer	130,000.00
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Telecommunications Infrastructure Fund Board (Agency 367)

Library	(935.68)
Discovery Grant	263,752.55
TIF: Infrastructure for Wireless Networking	603,829.00

Texas A&M University (Agency 711)

TPBA TIF Grant	1,364,000.00
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Texas Higher Education Coordinating Board (Agency 781)

Family Practice Residency	1,186,042.00
Family Practice Rural and Public Health Rotation	49,566.00
Financial Aid Professional Nursing	5,000.00
Resident Physician Compensation Program	400,619.00
Graduate Medical Education	838,167.00
Health Related Nursing Growth	162,655.00
Primary Care Residency Program	330,000.00
Roberta High Memorial Pharmacy Research	4,000.00
Nursing and Allied Health	132,068.00
Minority Health Research/ Education	159,496.00
Texas Grant Program	5,251,587.00
General Academic Enrollment Growth	304,965.00
Advanced Research Program	(11,965.90)
Advanced Technology Program	(16,075.66)
Developmental Education Program	47,677.00
College Work Study Program	39,621.39
5th Year Accounting Scholarship	25,934.00
Texas Technology Worforce Grant	149,221.74

Texas Agriculture Experiment Station (Agency 556)

TX Profit Program	67,930.00
TX Cotton Program	170,000.00
TX Equine Research	23,677.00
TX Beef Initiative	5,000.00
Imported Fire Ant Research and Management Program	195,325.00

Total Pass-Throughs from Other Agencies	\$	<u>12,189,860.98</u>
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UNAUDITED

Texas Tech University System  
 Schedule 3 - Reconciliation of Cash in State Treasury  
 As of August 31, 2003

Cash in State Treasury	Unrestricted	Restricted	Total
Local Revenue (Fund 0239)	\$ 2,237,370.00	\$	\$ 2,237,370.00
Local Revenue (Fund 0269)	34,058.30		34,058.30
Local Revenue (Fund 0255)	4,991,944.10		4,991,944.10
Permanent Health Fund - El Paso Campus (Fund 0820)	300,142.00		300,142.00
Permanent Health Fund - Other Campuses (Fund 0821)	150,939.00		150,939.00
Total Cash in State Treasury (Note 1)	\$ 7,714,453.40	\$	\$ 7,714,453.40