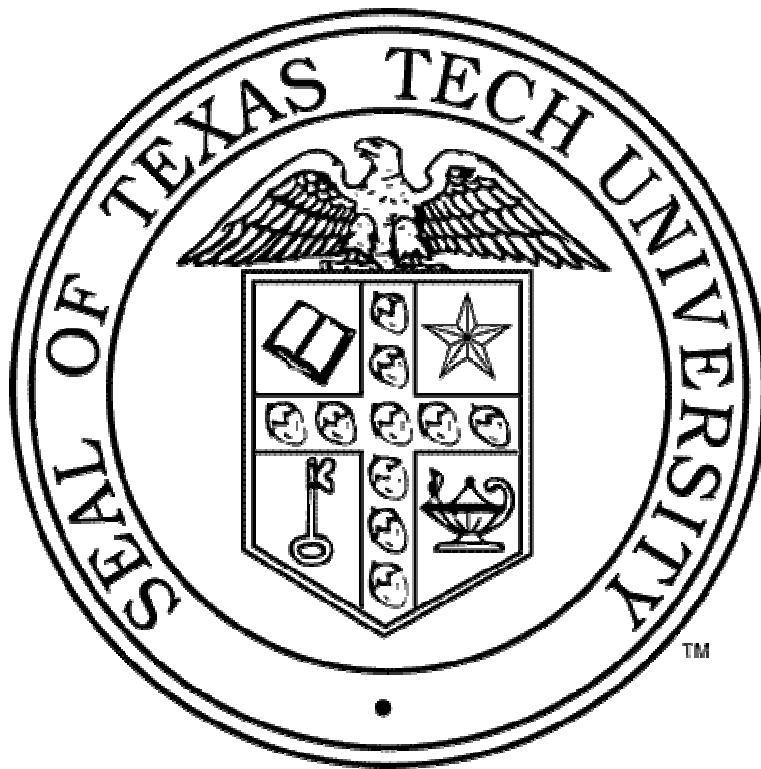


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2002

Texas Tech University

77 years of growth,
progress, educational
excellence, and service
to the State of Texas.

1925-2002

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

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

The attached Annual Financial Report of Texas Tech University 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 University 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 University to provide a summary of the University's financial records.

Sincerely,

David J. Schmidly
President

DJS:jc

November 12, 2002

Dr. David J. Schmidly
President
Texas Tech University
Lubbock, Texas 79409

Dear Dr. Schmidly:

Submitted herein is the Annual Financial Report of Texas Tech University 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. Ms. Rebecca Perez may be contacted at 742-2985 for questions related to the Schedule of Federal Financial Assistance.

Sincerely,

Sharon Williamson, CPA
Director of Tax Compliance and Reporting

Rebecca Hyde
Director of Student and University Financial Services

Approved:

Nancy H. Whittaker, CPA
Assistant Vice President for Fiscal
Affairs and Comptroller

Lynda L. Gilbert, CPA
Vice President for Fiscal Affairs

SSW:nh

Texas Tech University

Board Of Regents

Carin Barth Term Expires January 31, 2005 Houston
C. Robert Black..... Term Expires January 31, 2007Horseshoe Bay
E. R. Brooks Term Expires January 31, 2005 Dallas
J. Robert Brown Term Expires January 31, 2007El Paso
John W. Jones..... Term Expires January 31, 2003Brady
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, 2005Fort Worth
J. Michael Weiss..... Term Expires January 31, 2003Lubbock

Officers of the Board

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

Fiscal Officers

David J. Schmidly President
Lynda L. Gilbert Vice President for Fiscal Affairs
Nancy H. Whittaker.....Assistant Vice President for Fiscal Affairs and Comptroller
Rebecca S. Hyde.....Director of Student and University Financial Services
Sharon S. Williamson Director of Tax Compliance and Reporting

Texas Tech University
Enrollment Data
For the Year Ended August 31, 2002

Type of Student	Number of Students by Semester			
	Fall 2001	Spring 2002	Summer Term 2002	
			First	Second
Texas Resident	22,468	21,109	7,784	7,064
Blind/Deaf	11	11	6	4
Competitive Scholarship	112	98	45	45
Dependents	10	6	2	2
Faculty/Staff	21	26	10	10
Foreign	866	881	530	489
Good Neighbor	1	0	0	0
Hazelwood	29	27	11	13
Independent Study	11	10	12	10
Military	7	5	6	4
Nursing	93	114	14	10
Out-of-State	1,566	1,471	561	490
Teaching/Research Assistant	310	281	148	153
Valedictorian	41	40	20	19
Other	27	22	7	9
Totals	<u>25,573</u>	<u>24,101</u>	<u>9,156</u>	<u>8,322</u>

Enrollment Trend Data (Fall Semester)

<u>Fiscal Year</u>	<u>Students</u>	<u>Semester Hours</u>
2001	25,573	321,249
2000	24,558	310,112
1999	24,249	305,212
1998	24,158	305,338
1997	25,022	314,142
1996	24,717	310,783
1995	24,185	302,955
1994	24,083	297,569
1993	24,007	294,897
1992	24,215	299,015
1991	24,707	304,446
1990	25,363	310,097
1989	25,027	306,636

FINANCIAL STATEMENTS

UNAUDITED

Texas Tech University
Statement of Net Assets
August 31, 2002

ASSETS

Current Assets

Unrestricted Cash and Cash Equivalents:	
Cash on Hand	\$ 97,858
Cash in Bank	(3,621,373)
Reimbursements Due From Treasury	4,443,054
Cash in State Treasury	1,052,026
Unrestricted Short-Term Investments	93,684,824
Restricted Cash and Cash Equivalents:	
Cash on Hand	1,845
Cash in Bank	(3,377,138)
Restricted Short-Term Investments	145,595,098
Legislative Appropriations	32,049,605
Accounts Receivable:	
Federal Receivable	5,900,836
Interest and Dividends Receivable	1,475,034
Student Accounts Receivable (net of \$31,387 allowance for uncollectibles)	230,175
Pledged Gifts Receivable (net of \$1,377,475 allowance for uncollectibles)	13,122,262
Other Receivables (net of \$404,837 allowance for uncollectibles)	5,231,360
Due From Other Agencies	2,571,313
Prepaid Expenses	13,320,412
Consumable Inventories	946,548
Merchandise Inventories	2,156,071
Loans and Notes Receivable (net of \$116,686 allowance for uncollectibles)	858,748
Other Current Assets	10,824
	<hr/>
Total Current Assets	315,749,382

Noncurrent Assets

Restricted Cash and Cash Equivalents (Cash in Bank)	(507,269)
Restricted Short-Term Investments	10,953,205
Endowment Investments	69,008,172
Loans and Notes Receivable (net of \$716,786 allowance for uncollectibles)	5,256,852
Pledged Gifts Receivable (net of \$3,447,984 allowance for uncollectibles)	32,846,570
Investments	191,968,574
Capital Assets:	
Land and Land Improvements	1,926,393
Construction in Progress	59,168,527
Other Non-Depreciable Capital Assets	72,672,001
Buildings and Building Improvements (net of \$328,665,088 accumulated depreciation)	139,349,769
Infrastructure (net of \$825,940 accumulated depreciation)	23,321,256
Facilities and Other Improvements (net of \$4,240,402 accumulated depreciation)	97,708,433
Furniture and Equipment (net of \$48,725,708 accumulated depreciation)	34,126,120
Vehicles (net of \$5,254,792 accumulated depreciation)	2,418,117
Other Depreciable Capital Assets (net of \$3,987,166 accumulated depreciation)	29,282,502
	<hr/>
Total Noncurrent Assets	769,499,222

Total Assets	<hr/> <hr/> \$ 1,085,248,604
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UNAUDITED

Texas Tech University
Statement of Net Assets
August 31, 2002

LIABILITIES

Current Liabilities

Accounts Payable	\$ 20,888,403
Payable from Restricted Assets	26,773,169
Accrued Liabilities	531,189
Due to Other Agencies	127,200
Deferred Revenues	66,945,288
Compensable Leave	737,182
Notes and Loans Payable	7,435,000
Bonds Payable	12,256,775
Funds Held for Others	8,069,912
Other Current Liabilities	967,644

Total Current Liabilities	<u>144,731,762</u>
---------------------------	--------------------

Noncurrent Liabilities

Interfund Payable	961,967
Accrued Liabilities	335,564
Compensable Leave	6,870,478
Bonds Payable	258,021,369

Total Noncurrent Liabilities	<u>266,189,378</u>
------------------------------	--------------------

Total Liabilities	<u>\$ 410,921,140</u>
-------------------	-----------------------

NET ASSETS

Invested in Capital Assets	251,418,396
Restricted:	
Nonexpendable:	
Endowments	148,324,763
Expendable:	
Capital Projects	33,328,957
Higher Education Assistance Fund	15,058,007
Funds Functioning as Endowments	24,881,793
Other	84,355,929
Unrestricted	116,959,619

Total Net Assets	<u>674,327,464</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,085,248,604</u></u>
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See Accompanying Notes To Financial Statements

UNAUDITED

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

Operating Revenues	
Net Student Tuition and Fees	\$ 103,456,724
Net Professional Fees	27,211,950
Net Sales and Services of Auxiliary Enterprises	63,490,502
Net Other Sales and Services	6,208,689
Federal Grant Revenues	36,386,986
Federal Grant Pass-Through Revenues	1,755,723
State Grant Revenues (net of refund to grantors)	3,724,962
State Grant Pass-Through Revenues	9,957,293
Local Grant Revenues	894,211
Private Grant Revenues	8,526,504
	<hr/>
Total Operating Revenues	261,613,544
	<hr/>
Operating Expenses	
Instruction	133,795,217
Research	41,025,478
Public Service	12,068,648
Academic Support	38,495,595
Student Services	18,710,965
Institutional Support	24,632,249
Operations and Maintenance of Plant	25,362,744
Scholarships and Fellowships	20,871,917
Auxiliary Enterprises	69,594,829
Depreciation and Amortization	11,843,242
	<hr/>
Total Operating Expenses	396,400,884
	<hr/>
Operating Income (Loss)	(134,787,340)
	<hr/>
Nonoperating Revenues (Expenses)	
Legislative Revenue	135,852,049
Private Gifts (pledged or contributed, including endowments)	18,823,183
Net Investment Income	8,493,640
Interest Expense on Capital Asset Financing	(28,473,401)
Loss on Sale and Disposal of Capital Assets	(3,258,568)
Net Decrease in Fair Value of Investments	(8,528,730)
Settlement of Claims	2,186,119
Other Nonoperating Revenues (Expenses)	8,547,309
	<hr/>
Total Nonoperating Revenues (Expenses)	133,641,601
	<hr/>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(1,145,739)
	<hr/>
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations	20,961,881
Capital Contributions	2,857,494
Special Items - Proceeds from Sale of Easement	12,483,246
Transfers to Other Components	(2,487,239)
Transfers to System Administration	(10,433,010)
Legislative Transfer In (SORM)	765,643
Transfers In from Other Agencies	4,769,654
	<hr/>
Net Other Revenues, Expenses, Gains, Losses, and Transfers	28,917,669
	<hr/>
TOTAL CHANGES IN NET ASSETS	\$ 27,771,930
	<hr/>
Beginning Net Assets (September 1, 2001)	1,077,432,809
	<hr/>
Restatements of Beginning Net Assets	(430,877,275)
	<hr/>
Ending Net Assets (August 31, 2002)	\$ 674,327,464
	<hr/>

See Accompanying Notes to Financial Statements

UNAUDITED

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

Function	Salaries And Wages	Professional Fees And Services	Federal Sub- Contracts	Travel
Instruction	\$ 74,973,437.19	\$ 3,551,151.51	\$ 560,272.58	\$ 2,277,114.17
Research	23,001,747.30	1,089,488.39	171,890.86	698,615.49
Public Service	4,129,345.94	332,826.57	30,858.39	220,970.70
Academic Support	21,582,284.63	1,022,254.89	161,283.29	655,503.18
Student Services	10,484,667.42	496,611.12	78,351.37	318,443.25
Institutional Support	12,920,336.31	611,977.70	96,553.00	392,420.06
Operation and Maintenance of Plant	14,210,756.92	673,099.07	106,196.23	431,613.08
Scholarships and Fellowships	-	-	-	-
Auxiliary Enterprises	21,871,436.81	4,045,652.40		2,648,966.89
Depreciation and Amortization				
Total Operating Expenses	183,174,012.52	11,823,061.65	1,205,405.72	7,643,646.82

Function	Materials And Supplies	Communications And Utilities	Repairs And Maintenance	Rentals And Leases
Instruction	14,656,602.35	9,458,491.38	4,983,026.46	1,519,743.15
Research	4,496,625.42	2,901,852.13	1,528,785.66	466,255.11
Public Service	1,128,996.72	622,058.22	278,020.11	83,703.58
Academic Support	4,219,133.81	2,722,775.70	1,434,442.64	437,482.00
Student Services	2,049,653.94	1,322,723.62	696,851.81	212,528.62
Institutional Support	2,525,804.32	1,630,002.49	858,735.84	261,900.66
Operation and Maintenance of Plant	2,778,069.43	1,792,799.26	944,502.22	288,058.03
Scholarships and Fellowships	-	-	-	-
Auxiliary Enterprises	12,733,071.28	7,657,814.75	2,591,252.11	817,798.67
Depreciation and Amortization				
Total Operating Expenses	44,587,957.27	28,108,517.55	13,315,616.85	4,087,469.82

Function	Printing And Reproduction	Depreciation	Bad Debt	Interest
Instruction	1,568,201.39		8,409.24	900,020.67
Research	481,122.03		2,579.94	276,125.10
Public Service	276,970.49		463.16	49,570.85
Academic Support	451,431.47		2,420.73	259,085.12
Student Services	219,305.27		1,175.99	125,863.48
Institutional Support	270,251.57		1,449.18	155,102.53
Operation and Maintenance of Plant	297,242.99		1,593.92	170,593.42
Scholarships and Fellowships	-	-	-	-
Auxiliary Enterprises	753,111.27			372.63
Depreciation and Amortization		11,843,242.00		
Total Operating Expenses	4,317,636.48	11,843,242.00	18,092.16	1,936,733.80

UNAUDITED

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

Function	Scholarships	Claims And Losses	Other Operating	Grand Total
Instruction	\$	\$ 80,441.48	\$ 19,258,305.43	\$ 133,795,217.00
Research		24,679.33	5,885,711.24	41,025,478.00
Public Service	3,689,997.14	4,430.51	1,220,435.62	12,068,648.00
Academic Support		23,156.35	5,524,341.19	38,495,595.00
Student Services		11,249.35	2,693,539.76	18,710,965.00
Institutional Support		13,862.66	4,893,851.64	24,632,247.96
Operation and Maintenance of Plant		15,247.19	3,652,972.25	25,362,744.01
Scholarships and Fellowships	20,871,917.00	-	-	20,871,917.00
Auxiliary Enterprises	2,655,088.23	225,998.76	13,594,267.20	69,594,831.00
Depreciation and Amortization				11,843,242.00
Total Operating Expenses	27,217,002.37	399,065.63	56,723,424.33	\$ 396,400,884.97

UNAUDITED

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

Cash Flows from Operating Activities

Cash Inflows:

Collections from Student Tuition and Fees	\$ 108,088,318
Collections from Grants and Contracts	67,239,544
Collections from Professional Fees	26,250,595
Collections for Auxiliary Enterprises	77,572,083
Collections of Sales and Services of Educational Activities	6,208,689

Cash Outflows:

Payments to Suppliers	207,611,536
Payments to Employees	179,195,492
Payments for Other Operating Activities	<u>73,447</u>

Net Cash Used for Operating Activities	<u>(101,521,246)</u>
--	----------------------

Cash Flows from Noncapital Financing Activities

Cash Inflows:

Proceeds from State Appropriations	136,617,692
Proceeds from Noncapital Gifts and Grants	18,823,183
Proceeds from Other Noncapital Financing Activities	14,669,365

Cash Outflows:

Payments of Transfers to Other Components	2,487,239
Payments of Transfers to System Administration	<u>10,433,010</u>

Net Cash Provided by Noncapital Financing Activities	<u>157,189,991</u>
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Cash Flows from Capital and Related Financing Activities

Cash Inflows:

Proceeds from Capital Debt Issuance	149,256,082
Proceeds from Capital Appropriations	20,961,881
Proceeds from Capital Gifts and Contracts	2,857,494

Cash Outflows:

Payments for Purchases of Capital Assets	88,860,920
Payments for Principal on Capital Debts	70,555,503
Payments for Interest on Capital Debts	10,933,348
Payments for Other Capital Debt Related Costs	<u>3,590,225</u>

Net Cash Used by Capital and Related Financing Activities	<u>(864,539)</u>
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UNAUDITED

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

Cash Flows from Investing Activities

Cash Inflows:

Proceeds from Sales and Maturities on Investments	30,414,652
Proceeds from Interest and Dividends on Investments	8,867,688

Cash Outflows:

Payments for Purchases of Investments	118,291,547
---------------------------------------	-------------

Net Cash Provided by Investing Activities	<u>(79,009,207)</u>
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TOTAL NET CASH FLOWS	<u>\$ (24,205,001)</u>
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Beginning Cash & Cash Equivalents (September 1, 2001)	22,294,004
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Ending Cash & Cash Equivalents (August 31, 2002)	<u>\$ (1,910,997)</u>
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Components of Ending Cash & Cash Equivalents (August 31, 2002)

Cash on Hand	99,703
Cash in Bank	(7,505,780)
Reimbursements Due from Treasury	4,443,054
Cash in State Treasury	1,052,026

Ending Cash & Cash Equivalents (August 31, 2002)	<u>\$ (1,910,997)</u>
--	-----------------------

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(134,787,340)
----------------	---------------

Adjustments:

Depreciation Expense	11,843,242
(Increase) Decrease in Accounts Receivables	1,333,717
(Increase) Decrease in Loans and Notes Receivable	3,104,578
(Increase) Decrease in Inventory	(429,625)
(Increase) Decrease in Prepaid Expenses	817,618
(Increase) Decrease in Other Assets	2,485,104
Increase (Decrease) in Accounts Payables	(1,412,437)
Increase (Decrease) in Accrued Liabilities	92,755
Increase (Decrease) in Deferred Revenue	15,415,298
Increase (Decrease) in Compensable Leave	92,755
Increase (Decrease) in Other Liabilities	<u>(76,911)</u>

Net Cash Used for Operating Activities	<u>(101,521,246)</u>
--	----------------------

POLICIES AND NOTES

Texas Tech University

Annual Financial Report

Notes to the Financial Statements
August 31, 2002

NOTE 1: Summary of Significant Accounting Policies

Entity

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

Texas Tech University is one of the three components of the Texas Tech University System. The other two components, reported separately, are Texas Tech University Health Sciences Center and the Texas Tech University System Administration. Texas Tech University includes within this report all components as determined by an analysis of their relationship to Texas Tech University as listed below.

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.

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 Texas Tech University. The Texas Tech University Research Foundation was founded to support the research activities of the University.

Discrete Component Units

No component units have been identified which should be discretely presented.

Fund Structure

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

Basis of Accounting

The accounting records of Texas Tech University 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 34/35.

Budget and Budgetary Accounting

Budgets are used at Texas Tech University. Many of these budgets are based on the biannual legislative appropriations which are authorized by the legislature and approved by the Governor.

Texas Tech University

Annual Financial Report

Notes to the Financial Statements
August 31, 2002

NOTE 1: Summary of Significant Accounting Policies (continued)

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

Texas Tech University 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. 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 market value as of 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.

Texas Tech University

Annual Financial Report

Notes to the Financial Statements
August 31, 2002

NOTE 1: Summary of Significant Accounting Policies (continued)

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.

Capital Lease Obligations

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

Bonds Payable

Texas Tech University 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 14.

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.

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.

Interfund Transactions and Balances

Texas Tech University 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 interactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

Risk Financing

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss is reasonably estimable. Identified liabilities include amounts for claims that have been incurred but not reported.

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.

Texas Tech University

Annual Financial Report

Notes to the Financial Statements
August 31, 2002

NOTE 2: Capital Assets (continued)

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 restatement of fixed asset balances is summarized below.

	Balance 09/01/01	Adjustments	Reclassifications	Additions	Deletions	Balance 08/31/02
Business-type Activities						
Non-depreciable Assets:						
Land and Land Improvements	\$ 2,364,743				\$ 438,350	\$ 1,926,393
Construction in Progress	120,733,692	\$ (87,946,930)		\$ 26,381,765		59,168,527
Other Capital Assets	63,721,739			5,811,124		69,532,863
Facilities and Other Improvements			\$ 3,139,138			3,139,138
Total Non-depreciable Assets	186,820,174	(87,946,930)	3,139,138	32,192,889	438,350	133,766,921
Depreciable Assets:						
Buildings and Building Improvements	358,224,675	85,071,521		24,954,703	236,042	468,014,857
Infrastructure			22,113,654	2,033,542		24,147,196
Facilities and Other Improvements	99,250,456		(25,252,792)	28,010,754	59,583	101,948,835
Furniture and Equipment	134,188,738	(48,024,739)	(7,288,280)	12,796,633	8,820,524	82,851,828
Vehicle, Boats, and Aircraft		(121,273)	7,288,280	890,742	384,840	7,672,909
Other Capital Assets	31,951,448			1,375,743	57,523	33,269,668
Total depreciable assets at historical costs:	623,615,317	36,925,509	(3,139,138)	70,062,117	9,558,512	717,905,293
Less Accumulated Depreciation for:						
Buildings and Improvements		(326,283,088)		(2,382,000)		(328,665,088)
Infrastructure		(62,906)		(763,034)		(825,940)
Furniture and Equipment		(47,504,895)		(1,220,813)		(48,725,708)
Vehicle, Boats, and Aircraft		(5,037,278)		(217,514)		(5,254,792)
Other Capital Assets		(746,550)		(3,240,616)		(3,987,166)
Facilities and Other Improvements		(221,137)		(4,019,265)		(4,240,402)
Total Accumulated Depreciation		(379,855,854)		(11,843,242)		(391,699,096)
Depreciable Assets, Net	623,615,317	(342,930,345)	(3,139,138)	58,218,875	9,558,512	326,206,197
Business-type Activities Capital Assets, net:	810,435,491	(430,877,275)		90,411,764	9,996,862	459,973,118

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 2: Capital Assets (continued)

Adjustment Column Worksheet

	GASB 34/35 Fund Type Changes	Infrastructure	Capitalization Threshold Changes	Accumulated Depreciation	Other Adjustments	Total Adjustments
Business-type Activities						
Depreciable Assets:						
Buildings and Building Improvements			(2,875,409)			(2,875,409)
Furniture and Equipment			(48,024,739)			(48,024,739)
Vehicle, Boats, and Aircraft			(121,273)			(121,273)
Total depreciable assets at historical costs:			(51,021,421)			(51,021,421)
Less Accumulated Depreciation for:						
Buildings and Improvements				(326,283,088)		(326,283,088)
Infrastructure				(62,906)		(62,906)
Facilities and Other Improvements				(221,137)		(221,137)
Furniture and Equipment				(47,504,895)		(47,504,895)
Vehicle, Boats, and Aircraft				(5,037,278)		(5,037,278)
Other Capital Assets				(746,550)		(746,550)
Total Accumulated Depreciation				(379,855,854)		(379,855,854)
Depreciable Assets, Net			(51,021,421)	(379,855,854)		(430,877,275)
Business-type Activities Capital Assets, net:			(51,021,421)	(379,855,854)		(430,877,275)

NOTE 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University 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 \$(7,505,780.61) for Cash in Bank (including restricted assets and discretely presented component units) is presented below.
- B. The bank balance of Texas Tech University 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).

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

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

Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
\$289,383.34	\$10,026.21	\$341,559.56	\$640,969.11	\$(7,505,780.61)

Consisting of the following:	
Demand Deposits	\$(7,898,380.61)
Imprest Funds	72,600.00
Imprest Funds – Travel	120,000.00
Cashier Accounts	200,000.00
Total Deposits Carrying Amounts	\$(7,505,780.61)

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	\$5,026,489.17			\$5,026,489.17
U.S. Government and Agency Mortgage Obligations	20,549,172.08			20,549,172.08
Collateralized Mortgage Obligations	141,297,599.63			141,297,599.63
Repurchase Agreements	24,873,856.07			24,873,856.07
Miscellaneous Investments	6,207,323.20			6,207,323.20
Corporate Stock	66,534,273.07		1,422,087.69	67,956,360.76
Totals	\$264,488,713.22		\$1,422,087.69	\$265,910,800.91

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

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

Uncategorized Investments:

Real Estate and Mortgages	\$ 272,383.50
Other Uncategorized Investments	245,026,688.69
Total Uncategorized Investments	245,299,072.19
Total Investments	\$511,209,873.10

Reverse Repurchase Agreements

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

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

Mortgage Derivative Securities	
Type	Carrying Value
Planned Amortization Class Securities	\$141,297,599.67
Total	\$141,297,599.67

Texas Tech University

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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.

Long Term Liability Category	Balance 09/01/2001	Increases	Decrease	Balance 08/31/2002	Current Portion
Accrued Liabilities	\$943,664	\$537,780	\$614,691	\$866,753	\$531,189
Revenue Bonds	132,798,647	150,165,000	12,685,503	270,278,144	12,256,775
Compensable Leave	7,514,905	820,972	728,217	7,607,660	737,182
Total	\$141,257,216	\$151,523,752	\$14,028,411	\$278,752,557	\$13,525,146

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 14 for detailed information on bond liability balances and transactions.

NOTE 5: Capital Leases

As of August 31, 2002, Texas Tech University 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:

Year Ended August 31, 2002	
2003	\$683,421.99
2004	151,103.96
2007	0.00
Total Minimum Future Lease Rental Payments	\$834,525.95

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 7: Interfund Balances/Activities

As explained in Note 1 on Interfund Activities and Balances 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.

Individual balances and activity at August 31, 2002, follows:

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose
Agency 907, D23 Fund 0515	\$0	\$961,966.56	Lone Star
Total Interfund Receivable/Payable	\$0	\$961,966.56	

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

NOTE 8: Employees Retirement Plans

The State has joint contributory retirement plans for substantially all its employees. One of the primary plans in which Texas Tech University 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 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 Texas Tech University. 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.

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 8: Employees Retirement Plans (continued)

The retirement expense to the State for Texas Tech University was \$5,599,597 for the fiscal year ended August 31, 2002. This amount represents the portion of expended appropriations made by the State Legislature on behalf of Texas Tech University.

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 are currently nine Texas Tech University participants in this plan.

NOTE 10: 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 3, 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, 2002, other lawsuits and claims involving Texas Tech University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University 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 University.

NOTE 11: Continuance Subject to Review

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

NOTE 12: Risk Financing and Related Insurance

Texas Tech University 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

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 12: Risk Financing and Related Insurance (continued)

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 University has self-insured arrangements for Unemployment Compensation Fund coverage. The Unemployment Compensation Fund is funded by interest earnings on the fund. The unemployment compensation insurance expense to the State of Texas for Texas Tech University for fiscal year ended August 31, 2002, was \$25,683.

NOTE 13: Segment Information

Texas Tech University has no reportable segments.

NOTE 14: Bonded Indebtedness

Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2-A. Supplementary Bond Information and Summary of Debt Service Requirements, Schedule 2-B, Analysis of Funds Available for Debt Service, and Schedule 2-C, Defeased Bonds Outstanding.

Texas Tech University 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; \$2,670,000 retired

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 14: Bonded Indebtedness (continued)

Texas Tech University Revenue Financing System Bonds, Series 1995	
Purpose:	Financing of Southwest Collection Library for Texas Tech University, other capital improvements, and the costs of issuing the bonds
Original Issue Amount	\$14,000,000
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; \$560,000 retired

Texas Tech University 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; \$3,810,000 retired

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 14: Bonded Indebtedness (continued)

Texas Tech University 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; \$680,000 retired

Texas Tech University 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
Original Issue Amount	\$99,467,818
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; \$1,160,503 retired

Texas Tech University

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Notes to the Financial Statements
August 31, 2002

NOTE 14: Bonded Indebtedness (continued)

Texas Tech University Revenue Financing System Bonds, 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
Original Issue Amount	\$107,355,000
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	\$107,355,000 issued; \$3,805,000 retired

Texas Tech University Revenue Financing System Bonds, Second 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	\$42,810,000 issued; \$0 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 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,

Texas Tech University

Annual Financial Report

Notes to the Financial Statements

August 31, 2002

NOTE 14: Bonded Indebtedness (continued)

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 \$23,647,000 in the systemwide revenue financing program. As of August 31, 2002, the entire amount of this authorization remains unissued.

NOTE 15: Subsequent Events

Texas Tech University experienced no material subsequent events.

NOTE 16: Related Parties – Relationship with Texas Tech University

The Alumni Association provided services on behalf of Texas Tech University for which the University paid \$100,110 during the 2002 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

NOTE 17: Stewardship, Compliance and Accountability

Effective September 1, 2001, Texas Tech University changed the basis of financial reporting from modified accrual to full accrual. This change was in response to the recent implementation of Governmental Accounting Standards Board statements 34 and 35.

Texas Tech University has no other material stewardship, compliance, and accountability issues.

NOTE 18: The Financial Reporting Entity and Joint Ventures

The Financial Reporting Entity

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

Individual Component Unit Disclosures

The Texas Tech University Foundation and the Texas Tech University Research Foundation are blended component units of Texas Tech University. Although each is legally separate from Texas Tech University, the Texas Tech Foundation and the Texas Tech Research Foundation 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.

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.

Texas Tech University

Annual Financial Report

Notes to the Financial Statements
August 31, 2002

NOTE 19: Restatement of Net Assets

The only material prior-period adjustments for Texas Tech University that required the restatement of beginning to net assets relate to the implementation of Governmental Accounting Standard Board (GASB) statements 34 and 35.

Texas Tech University Restatement of Net Assets			
Description	Net Assets 08/31/2001	Restatement	Net Assets 08/31/2001
Implementation of GASB Statements	\$1,077,432,809	\$(430,877,275)	\$646,555,534
Total	\$1,077,432,809	\$(430,877,275)	\$646,555,534

NOTE 20: Donor-Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech 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.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF), described in more detail in Note 3. The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets, held both by Texas Tech and Texas Tech Foundation, Inc. are summarized in the following table:

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Assets
Endowments	\$(1,507,807)	Restricted for Nonexpendable
Endowments	(1,187,495)	Restricted for Expendable
Total	\$(2,695,302)	

Texas Tech University

Annual Financial Report

Notes to the Financial Statements
August 31, 2002

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

Texas Tech University Pledged/Non-Pledged Revenues and Discounts and Allowances				
Revenue Source	Gross Receipts Pledged	Gross Receipts Non-Pledged	Discounts/ Allowances	Net Receipts
Tuition and Fees	\$ 93,522,017	\$14,796,476	\$(4,861,769)	\$103,456,724
Professional Fees		27,211,950		27,211,950
Auxiliary Enterprises	63,009,518	480,984		63,490,502
Other Sales of Goods and Services	6,208,689			6,208,689
Total	\$162,740,224	\$42,489,410	\$(4,861,769)	\$200,367,865

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

System Identification

Beginning with fiscal year 2002 the Texas Tech University System Administration was identified as a discreet state agency receiving state appropriations. Prior to fiscal year 2002 expenditures associated with the Texas Tech University System functions were incorporated within the Texas Tech University annual financial statements. These expenditures are now reported separately within the Texas Tech University System Administration Annual Financial Report. Beginning with the 2002 fiscal year, the University's support of the System's functions are reflected as non-mandatory transfers within the Statement of Revenues, Expenses, and Changes in Net Assets. For the 2002 fiscal year the amount of the transfer to the System is \$10,433,010 which is a combination of Educational and General funds and Designated funds.

Student Enrollment Growth

Texas Tech University is experiencing strong enrollment growth in all degree programs. This growth is reflected in over \$11 million of increased tuition and fee revenues. Projections are that this trend will continue with projections of an annual enrollment in excess of 30,000 students for the 2004 fiscal year.

Bond Proceeds

There were two bond series issued during the 2002 fiscal year. Taxable Revenue Financing System Bonds of \$42,8210,000 were issued to finance capital improvements and renovations to Jones SBC Stadium. These bonds will be paid in annual installments with the final payment occurring in fiscal year 2031.

Texas Tech University

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Notes to the Financial Statements

August 31, 2002

<i>NOTE 22: Management Discussion and Analysis (Material Changes to AFR) (continued)</i>

There were \$107,355,000 of tax exempt bonds issued to finance construction and renovations to Jones SBC Stadium, the Student Union, the Student Recreational Center and other University construction or capital improvement projects.

Sale of Easement

The Texas Department of Transportation purchased an easement on University property located in Lubbock. The purchase was made to allow for the completion of the Marsha Sharp Freeway. The Marsha Sharp Freeway is expected to extend east to west across the City of Lubbock.

SCHEDULES

UNAUDITED

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

NOTE 1: NonMonetary Assistance

The “donation of federal surplus personal property” is presented at 23.3 percent of the federal acquisition cost \$137,413.33. The surplus property is passed through from the General Services Commission. The federal grantor is the general services administration (GSA) and the federal CFDA number is 39.003. The estimated fair value at date of receipt was \$32,017.31.

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 Changes in Revenues, Expenses and Net Assets	\$36,386,986.00
Federal Pass-Through Grants from Other State Agencies	<u>1,755,722.83</u>
Total Federal Revenues per Statement of Changes in Revenues, Expenses and Net Assets	\$38,142,708.83
Reconciling Items:	
Pass-Through to State Entities	1,417,558.43
Pass-Through to Other Entities	1,200,788.96
NonMonetary Assistance:	
Donation of Federal Surplus Property	32,017.31
New Loans Processed:	
Federal Family Education Loan Program	62,669,972.42
Federal Perkins Loan Program	176,185.00
Plant Funds	<u>707,846.85</u>
Total Pass-Through and Expenditures per Federal Schedule	<u>\$104,347,077.80</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
Department of Education				
84.032 Federal Family Education Loans	\$62,669,972.42	\$0.00	\$62,669,972.42	\$ 0.00
84.038 Federal Perkins Loan Program	\$ 176,185.00	\$0.00	\$ 176,185.00	\$1,770,897.00
Total Department of Education	\$62,846,157.42	\$0.00	\$62,846,157.42	\$1,770,897.00

UNAUDITED

Texas Tech University
Schedule 1A – Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended August 31, 2002

NOTE 4: Governmental Publications

The University 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 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 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
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2002

Pass-Throughs From:

Office of Attorney General (Agency 302)	
Premarital Education	\$ 33,351.15
Helping Young Children Through Divorce: Filial Therapy Groups For Custodial Parents	29,780.83
Implementing The Parenting Through Change Program With Latina Single Mothers	18,393.24
Post-Divorce Collaborative Family Assessment & Intervention With Texas Families	20,976.94
Texas Department of Agriculture (Agency 551)	
Monitoring And Control Of The Larger Black Flour Beetle	9,046.81
Damage Assessment Of Lygus Elisus, Unknown Cotton Pest On The Texas High Plains	5,052.48
Genetic Resources Of Drought Resistance On Wild Emmer Wheat For Wheat Improvement	33,902.22
Development Of Selected Ornamentals Tolerant To Recycled And Saline Irrigation	44,678.87
Texas Commission on Alcohol/Drug Abuse (Agency 517)	
Academic Aftercare For Recovering Students	3,123.00
Telecommunications Infrastructure Fund Board (Agency 367)	
Library	596,484.00
Discovery Grant	440,325.71
Texas Higher Education Coordinating Board (Agency 781)	
Texas Grant Program	4,095,397.00
Retention Performance Fund	50,600.00
General Academic Enrollment Growth	620,188.00
Advanced Research Program	1,250,200.00
Advanced Technology Program	1,910,344.00
Developmental Education Program	61,029.00
College Work Study Program	53,588.00
5th Year Accounting Scholarship	25,667.00
Texas Technology Workforce Grant	180,231.68
Texas Agriculture Experiment Station (Agency 556)	
TX Profit Program	66,930.00
TX Cotton Program	171,750.00
TX Grain Program	17,500.00
TX Beef Initiative	5,000.00
Imported Fire Ant Research and Management Program	213,753.00
Total Pass-Through from Other Agencies	<u>\$ 9,957,292.93</u>

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

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93	\$ 29,320,000	2.63%	5.00%	1994	2007	02/15/2003
Rev Fin Sys Bds Ser '95	14,000,000	4.30%	6.00%	1996	2015	02/15/2005
Rev Fin Sys Ref & Imp Bds Ser '96	71,285,000	4.00%	6.00%	1998	2017	02/15/2006
Rev Fin Sys Bds Tax Ser '96	7,380,000	5.75%	6.75%	1998	2007	N/A
Rev Fin Sys Ref & Imp Bds Ser '99	99,467,818	4.00%	5.25%	1999	2029	02/15/2009
Rev Fin Sys Bds 7th Ser '01	107,355,000	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax 8th Ser '01	<u>42,810,000</u>	3.46%	6.75%	2003	2023	2/15/2012
Total	<u>\$ 371,617,818</u>					

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

Description of Issue	Bonds Outstanding 9/1/2001	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/02	Amounts Due Within One Year
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93	\$ 9,995,000	\$	\$ 2,670,000	\$	\$ 7,325,000	\$ 2,430,000
Rev Fin Sys Bds Ser '95	2,360,400		560,000		1,800,400	568,400
Rev Fin Sys Ref & Imp Bds Ser '96	20,080,000		3,810,000		16,270,000	3,945,000
Rev Fin Sys Bds Tax Ser '96	4,805,000		680,000		4,125,000	725,000
Rev Fin Sys Ref & Imp Bds Ser '99	95,558,247		1,160,503		94,397,744	1,208,375
Rev Fin Sys Bds Ser '01		107,355,000	3,805,000		103,550,000	2,635,000
Rev Fin Sys Bds Tax Ser '01		42,810,000			42,810,000	745,000
Total	<u>\$ 132,798,647</u>	<u>\$ 150,165,000</u>	<u>\$ 12,685,503</u>	<u>\$</u>	<u>\$ 270,278,144</u>	<u>\$ 12,256,775</u>

(a)

Footnotes:

(a) Bonds Outstanding balance at 8/31/02 does not include unamortized premiums, discounts, issuance costs, or refunding costs.

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

Description of Issue	2003	2004	2005	2006	2007	2003-2007
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93						
Principal	\$ 2,430,000	\$ 2,230,000	\$ 1,100,000	\$ 1,160,000	\$ 405,000	\$ 7,325,000
Interest	278,370	174,735	99,260	46,700	9,720	608,785
Rev Fin Sys Bds Ser '95						
Principal	568,400	599,200	632,800			1,800,400
Interest	80,533	49,734	16,927			147,194
Rev Fin Sys Ref & Imp Bds Ser '96						
Principal	3,945,000	4,125,000	3,995,000	4,205,000		16,270,000
Interest	787,663	585,463	362,163	126,150		1,861,438
Rev Fin Sys Bds Tax Ser '96						
Principal	725,000	770,000	820,000	875,000	935,000	4,125,000
Interest	250,265	201,485	149,003	92,425	31,556	724,734
Rev Fin Sys Ref & Imp Bds Ser '99						
Principal	1,208,375	1,256,880	1,305,351	2,033,929	6,025,353	11,829,888
Interest	4,582,674	4,533,369	4,482,124	4,414,068	4,244,079	22,256,314
Rev Fin Sys Bds Ser '01						
Principal	2,635,000	2,735,000	2,855,000	2,995,000	2,515,000	13,735,000
Interest	5,332,463	5,227,063	5,117,663	4,974,913	4,825,163	25,477,263
Rev Fin Sys Bds Tax Ser '01						
Principal	745,000	1,670,000	1,735,000	1,765,000	2,090,000	8,005,000
Interest	2,624,227	2,598,450	2,531,650	2,452,187	2,363,937	12,570,449
Total	26,192,969	26,756,377	25,201,940	25,140,370	23,444,807	126,736,463
Less Interest	13,936,194	13,370,297	12,758,789	12,106,442	11,474,454	63,646,175
Total Principal	\$ 12,256,775	\$ 13,386,080	\$ 12,443,151	\$ 13,033,929	\$ 11,970,353	\$ 63,090,288

Description of Issue	2008-2012	2013-2017	2018-2022	2023-2027	2028-2032	Total Requirements
Revenue Bonds						
Rev Fin Sys Ref Bds Ser '93						
Principal	\$	\$	\$	\$	\$	\$ 7,325,000
Interest						608,785
Rev Fin Sys Bds Ser '95						
Principal						1,800,400
Interest						147,194
Rev Fin Sys Ref & Imp Bds Ser '96						
Principal						16,270,000
Interest						1,861,438
Rev Fin Sys Bds Tax Ser '96						
Principal						4,125,000
Interest						724,734
Rev Fin Sys Ref & Imp Bds Ser '99						
Principal	26,565,927	28,091,928	9,645,000	12,380,000	5,885,000	94,397,743
Interest	17,650,064	10,563,344	5,820,375	3,080,250	297,875	59,668,222
Rev Fin Sys Bds Ser '01						
Principal	14,600,000	17,770,000	30,190,000	17,360,000	9,895,000	103,550,000
Interest	22,045,988	17,779,513	11,210,106	5,162,500	1,267,250	82,942,619
Rev Fin Sys Bds Tax Ser '01						
Principal	7,355,000	2,960,000	6,350,000	8,785,000	9,355,000	42,810,000
Interest	10,080,445	8,759,775	7,327,763	4,900,830	1,592,580	45,231,841
Total	98,297,424	85,924,560	70,543,244	51,668,580	28,292,705	461,462,976
Less Interest	49,776,497	37,102,632	24,358,244	13,143,580	3,157,705	191,184,833
Total Principal	48,520,927	\$ 48,821,928	\$ 46,185,000	\$ 38,525,000	\$ 25,135,000	\$ 270,278,143

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

Description of Issue	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	Total Pledged Sources	Operating Expenses	Capital Outlay
Revenue Bonds:						
RFS Ref Bds Series 1993						
RFS Bds Series 1995						
RFS Ref & Imp Bds Series 1996						
RFS Bds Tax Series 1996						
RFS Ref & Imp Bds Series 1999						
RFS Bds 7th Series 2001						
RFS Bds Tax 8th Series 2001						
Total Revenue Bonds	\$ <u>199,566,961.00</u>	\$ <u>4,871,643.00</u>	\$ <u>51,913,455.00</u>	\$ <u>256,352,059.00</u>	\$ <u>12,169,204.00</u>	\$ <u>6,666,605.00</u>

Description of Issue	Net Available for Debt Service	Debt Service		Refunded or Extinguished	Interest and Sinking Fund	Bond Reserve Fund
		Principal	Interest			
Revenue Bonds:						
RFS Ref Bds Series 1993						
RFS Bds Series 1995						
RFS Ref & Imp Bds Series 1996						
RFS Bds Tax Series 1996						
RFS Ref & Imp Bds Series 1999						
RFS Bds 7th Series 2001						
RFS Bds Tax 8th Series 2001						
Total Revenue Bonds	\$ 256,352,059.00	\$ 12,685,503.00	\$ 10,933,348.00	\$ -	\$ 636,041.00	\$ n/a

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

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Bonds		
Revenue Financing System Bonds, Series 1995	1999	\$ 8,867,600
Revenue Financing System Refunding & Improvement Bonds, Series 1996	1999	37,380,000
Texas Tech University Housing System Revenue Bonds, Series 1962-E	1996	3,820,000
Texas Tech University Housing System Revenue Bonds, Series 1963-A	1996	558,000
Texas Tech University Housing System Revenue Bonds, Series 1966	1996	2,600,000
		<u>\$ 53,225,600</u>

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Texas Tech University
Schedule 3 - Reconciliation of Cash in State Treasury
As of August 31, 2002

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue (Fund 0255)	\$ 1,041,424.00	\$ -	\$ 1,041,424.00
Local Revenue (Fund 0269)	10,601.26	-	10,601.26
Total Cash in State Treasury (Stmnt of Net Assets)	\$ 1,052,025.26	\$ -	\$ 1,052,025.26

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Texas Tech University
Schedule 4 - Higher Education Assistance Fund (HEAF)
For the Year Ended August 31, 2002

Beginning Balance September 1, 2001	\$ 29,501,719.75
Revenues	
HEAF Appropriation	20,961,881.00
Expenses	
Salaries and Wages	
Payroll Related Costs	
Professional Fees and Services	1,764,775.64
Materials and Supplies	2,414,862.07
Communication and Utilities	76,141.85
Equipment	4,865,301.20
Repairs and Maintenance	1,490,038.14
Rentals and Leases	18,901.65
Printing and Reproduction	5,533.64
Interest	834.36
Other Expenses	19,034,768.09
Total Expenses	<u>29,671,156.64</u>
Other Revenues (Expenses), Gains/ (Losses) and Transfers	
Transfers In	11,625,944.01
Transfers Out	<u>(11,625,944.01)</u>
Total Other Revenues(Expenses), Gains/(Losses) and Transfers	<u>0.00</u>
Ending Balance at August 31, 2002	<u><u>\$ 20,792,444.11</u></u>