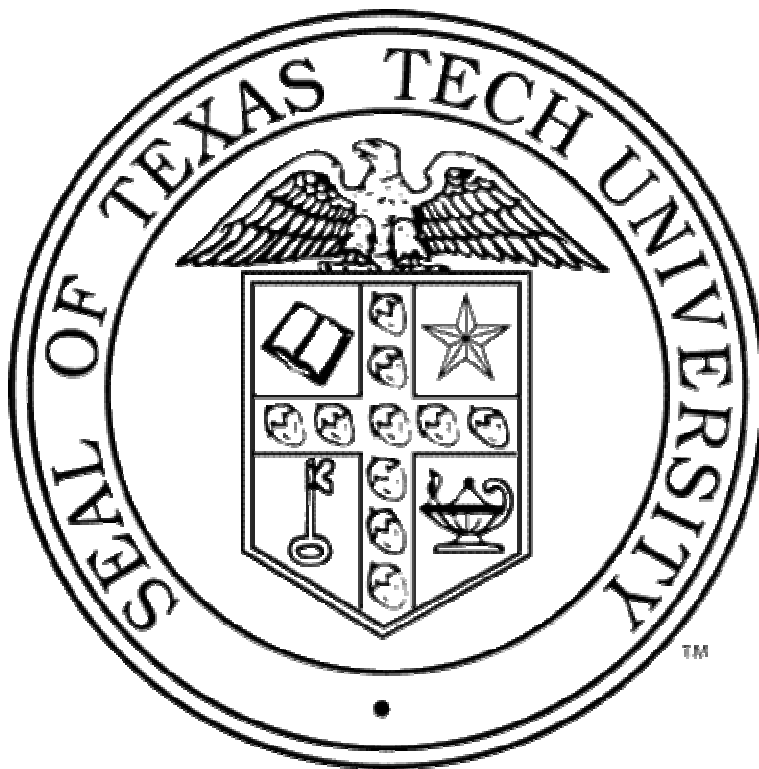


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2004

Texas Tech University

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

1925-2004

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2004

LUBBOCK, TEXAS

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TEXAS TECH UNIVERSITY

Office of the President

Box 42005
Lubbock, TX 79409-2005
(806) 742-2121
Fax (806) 742-2138

November 17, 2004

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

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, 2004. 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, 2004.

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,

A handwritten signature in dark ink, reading "Jon Whitmore", followed by a long horizontal line.

Jon Whitmore
President



TEXAS TECH UNIVERSITY

Office of the Comptroller and
Assistant Vice President for Administration & Finance

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

November 17, 2004

Jon Whitmore
President
Texas Tech University
Lubbock, Texas 79409

Dear President Whitmore:

Submitted herein is the Annual Financial Report of Texas Tech University for the fiscal year ended August 31, 2004, 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 Expenditures of Federal Awards.

Sincerely,

Sharon Williamson, CPA
Director of Financial Accounting and Reporting

Rebecca Hyde
Director of Student and University Financial Services

Approved:

Nancy H. Whittaker, CPA
Comptroller & Assistant Vice President
for Administration & Finance

Thomas Anderes
Senior Vice President
Administration & Finance

SSW:nh

Texas Tech University

Board of Regents

Carin Barth Term Expires January 31, 2005Houston
C. Robert Black..... Term Expires January 31, 2007Horseshoe Bay
E. R. Brooks Term Expires January 31, 2005 Dallas
F. Scott Dueser.....Term Expires February 1, 2009.....Abilene
L. Frederick Francis.....Term Expires January 31, 2007.....El Paso
J. Frank Miller, III.....Term Expires January 31, 2009.....Dallas
Brian C. Newby Term Expires January 31, 2005Fort Worth
Windy Sitton.....Term Expires February 1, 2009.....Lubbock
Bob Stafford.....Term Expires February 1, 2007.....Lubbock

Officers of the Board

C. Robert Black.....Chair
Brian C. NewbyVice Chair
Ben Lock.....Secretary

Fiscal Officers

Jon Whitmore President
Thomas Anderes.....Senior Vice President for Administration and Finance
Nancy H. Whittaker..... AVP for Finance and Administration and Comptroller
Rebecca S. Hyde.....Director of Student and University Financial Services
Sharon S. Williamson Director of Financial Accounting and Reporting

**Texas Tech University
Enrollment Data
For The Year Ended August 31, 2004**

Type of Student	Number of Students by Semester			
	Fall 2003	Spring 2004	Summer Term 2004	
			First	Second
Texas Resident	25,834	23,397	8,527	7,693
Blind/Deaf	6	5	3	0
Competitive Scholarship	41	33	15	14
Dependents	4	3	0	0
Faculty/Staff	24	23	10	11
Foreign	877	1,340	700	355
Good Neighbor	0	0	0	0
Hazelwood	14	13	10	7
Independent Study	11	11	6	3
Military	3	3	2	2
Nursing	26	20	1	1
Out-of-State	1,560	1,414	521	497
Teaching/Research Assistant	125	102	45	55
Valedictorian	11	11	5	5
Other	13	9	4	4
Totals	28,549	26,384	9,849	8,647

Enrollment Trend Data (Fall Semester)

<u>Term</u>	<u>Students</u>	<u>Semester Hours</u>
Fall 2003	28,549	359,863
Fall 2002	27,569	343,394
Fall 2001	25,573	321,249
Fall 2000	24,558	310,112
Fall 1999	24,249	305,212
Fall 1998	24,158	305,338
Fall 1997	25,022	314,142
Fall 1996	24,717	310,783
Fall 1995	24,185	302,955
Fall 1994	24,083	297,569
Fall 1993	24,007	294,897
Fall 1992	24,215	299,015
Fall 1991	24,707	304,446

FINANCIAL STATEMENTS

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2004

ASSETS

Current Assets:		
Cash and Cash Equivalents (Note 1)	\$	90,588,318
Restricted:		
Cash and Cash Equivalents (Note 1)		19,187,296
Legislative Appropriations		22,262,440
Accounts Receivable, net:		
Federal Receivables		5,981,183
Interest and Dividends		666,988
Student Receivables		433,833
Gift Receivables		8,843,425
Accounts Receivable		4,491,250
Other Receivables		388,906
Due From Other Agencies (Note 8)		479,985
Prepaid Expenses		10,996,796
Consumable Inventories		832,190
Merchandise Inventories		1,989,318
Loans and Notes Receivable, net		6,612,432
Other Current Assets		52,125
Total Current Assets		173,806,485
Non-Current Assets:		
Restricted:		
Cash and Cash Equivalents (Note 1)		30,297,529
Investments		121,221,980
Gift Receivables		34,263,336
Loans and Notes Receivable, net		2,012,960
Investments		126,450,951
Capital Assets (Note 2)		
Non-Depreciable		194,915,774
Depreciable		803,551,685
Accumulated Depreciation		(424,183,971)
Total Non-Current Assets		888,530,244
Total Assets	\$	1,062,336,729

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	20,260,203
Payroll Payable		15,813,940
Liabilities Payable from Restricted Assets		21,247,743
Accrued Liabilities (Note 5)		8,137
Deferred Revenues		70,599,952
Due to Other Agencies (Note 8)		224,469
Employees' Compensable Leave (Note 5)		1,962,892
Notes and Loans Payable (Note 5)		14,911,000
Bonds Payable (Note 5)		12,803,151
Funds Held for Others		9,414,672
Other Current Liabilities		581,056
Total Current Liabilities		167,827,215

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2004

Non-Current Liabilities:

Interfund Payable (Note 8)	1,873,247
Employees' Compensable Leave (Note 5)	5,888,675
Bonds Payable (Note 5)	259,532,137
Total Non-Current Liabilities	267,294,059
Total Liabilities	\$ 435,121,274

NET ASSETS

Invested in Capital Assets, Net of Related Debt	305,681,219
Restricted:	
Nonexpendable:	
Endowments	71,132,761
Expendable:	
Capital Projects	16,495,110
Higher Education Assistance Fund	13,666,955
Debt Service	5,066,528
Other	51,940,098
Unrestricted (Note 1)	163,232,784
Total Net Assets	627,215,455
Total Liabilities and Net Assets	\$ 1,062,336,729

See Accompanying Notes To Financial Statements

Texas Tech University
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)
For the Year Ended August 31, 2004

Operating Revenues	
Tuition and Fees	\$ 23,128,295
Tuition and Fees - Pledged	137,657,269
Less Discounts and Allowances	(8,590,666)
Sales and Services of Auxiliary Enterprises - Pledged	66,118,892
Other Sales and Services	3,597,671
Other Sales and Services - Pledged	5,752,230
Federal Grants and Contracts (Schedule 1A)	39,734,708
Federal Grant Pass-Throughs (Schedule 1A)	1,671,583
State Grants and Contracts	2,468,809
State Grant Pass-Throughs (Schedule 1B)	7,670,337
Local Governmental Grants and Contracts	1,183,968
Nongovernmental Grants and Contracts	8,742,069
Total Operating Revenues	<u>289,135,165</u>
Operating Expenses	
Instruction	143,345,333
Research	37,655,977
Public Service	8,557,602
Academic Support	40,928,342
Student Services	22,021,274
Institutional Support	24,766,918
Operations and Maintenance of Plant	32,033,850
Scholarships and Fellowships	25,566,751
Auxiliary Enterprises	69,813,919
Depreciation and Amortization	21,136,184
Total Operating Expenses	<u>425,826,150</u>
Operating Income (Loss)	<u>(136,690,985)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	135,793,557
Private Gifts	8,117,149
Private Gifts - Pledged	5,030,434
Investment Income	11,405,542
Investment Income - Pledged	10,455,285
Interest Expense on Capital Asset Financing	(13,107,092)
Loss on Sale and Disposal of Capital Assets	(2,446,334)
Net Increase in Fair Value of Investments	137,356
Other Nonoperating Revenues (Expenses)	12,367,860
Total Nonoperating Revenues (Expenses)	<u>167,753,757</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers	31,062,772
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	20,961,881
Lapsed Appropriations	(653,379)
Additions to Permanent Endowments	306,638
Transfers Out to TTU Health Sciences Center	(1,302,623)
Transfers Out to TTU System Administration	(7,304,432)
Transfers Out to Other State Agencies (Note 8)	(233,148)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>11,774,937</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ 42,837,709</u>
Beginning Net Assets (September 1, 2003)	725,449,734
Restatements of Beginning Net Assets (Note 18)	<u>(141,071,988)</u>
Ending Net Assets (August 31, 2004)	<u>\$ 627,215,455</u>

See Accompanying Notes to Financial Statements

UNAUDITED

Texas Tech University
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2004

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Instruction	\$ 101,866,254	\$ 23,844,935	\$ 526,355	\$ 1,246,690	\$ 4,628,097
Research	22,437,232	4,091,489	296,590	1,413,106	4,781,244
Public Service	4,020,675	932,473	229,080	272,276	784,617
Academic Support	20,974,093	4,937,754	3,477,681	868,450	4,285,952
Student Services	8,956,863	2,175,474	214,364	472,418	1,318,754
Institutional Support	9,578,622	7,873,431	1,516,613	167,946	728,370
Operation and Maintenance of Plant	6,076,569	1,434,803	78,788	25,268	3,478,614
Scholarships and Fellowships	190,685	8,092			
Auxiliary Enterprises	22,719,373	5,587,679	476,429	607,693	4,533,870
Depreciation and Amortization					
Total Operating Expenses	\$ 196,820,366	\$ 50,886,130	\$ 6,815,900	\$ 5,073,847	\$ 24,539,518

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Instruction	\$ 271,125	\$ 721,276	\$ 1,909,914	\$ 724,942	\$
Research	50,225	372,413	383,158	200,978	
Public Service	77,871	152,788	396,780	139,506	
Academic Support	387,192	610,314	2,167,037	413,916	
Student Services	149,072	318,512	477,632	821,157	
Institutional Support	44,291	114,468	462,031	301,857	
Operation and Maintenance of Plant	12,196,097	7,306,056	112,243	19,405	
Scholarships and Fellowships					
Auxiliary Enterprises	6,910,027	2,243,245	3,004,202	699,433	
Depreciation and Amortization					21,136,184
Total Operating Expenses	\$ 20,085,900	\$ 11,839,072	\$ 8,912,997	\$ 3,321,194	\$ 21,136,184

Function	Scholarships	State Pass Throughs	Other Operating	Grand Total
Instruction	\$ 3,960,384	\$	3,645,361	\$ 143,345,333
Research	1,024,309	78,919	2,526,314	37,655,977
Public Service	51,126		1,500,410	8,557,602
Academic Support	536,858		2,269,095	40,928,342
Student Services	190,293		6,926,735	22,021,274
Institutional Support	799,476		3,179,813	24,766,918
Operation and Maintenance of Plant	3,035		1,302,972	32,033,850
Scholarships and Fellowships	25,366,934		1,040	25,566,751
Auxiliary Enterprises	3,347,615		19,684,353	69,813,919
Depreciation and Amortization				21,136,184
Total Operating Expenses	\$ 35,280,030	\$ 78,919	41,036,093	\$ 425,826,150

Texas Tech University
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2004

Cash Flows from Operating Activities

Tuition and Fees	\$ 156,992,195
Grants and Contracts	69,680,506
Sales and Services of Auxiliary Enterprises	68,008,206
Other Sales and Services	9,149,199
Payments to Suppliers	(37,802,549)
Payments to Employees	(194,835,180)
Payments for Other Operating Activities	(172,118,622)
Net Cash Used By Operating Activities	<u>(100,926,245)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	143,676,596
Noncapital Gifts and Grants	14,647,658
Payments to Other Components	(4,359,287)
Transfers Out to Other State Agencies	(233,148)
Proceeds from Agency Transactions	967,752
Other Noncapital Financing Activities	7,340,822
Net Cash Provided by Noncapital Financing Activities	<u>162,040,393</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuance	39,448,235
Capital Appropriations	20,961,881
Purchases of Capital Assets	(70,125,828)
Principal Paid on Capital Debt	(29,158,900)
Interest Paid on Capital Debt	(13,136,431)
Net Cash Used by Capital and Related Financing Activities	<u>(52,011,043)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	81,275,214
Interest and Dividends Received	22,174,793
Purchases of Investments	(70,086,905)
Net Cash Provided by Investing Activities	<u>33,363,102</u>

TOTAL NET CASH FLOWS	<u>\$ 42,466,207</u>
----------------------	----------------------

Cash & Cash Equivalents - September 1, 2003	104,186,633
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Restatement to Beginning Cash & Cash Equivalents (Note 18)	<u>(6,579,697)</u>
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Cash & Cash Equivalents September 1, 2003 Restated	<u>97,606,936</u>
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Ending Cash & Cash Equivalents - August 31, 2004	<u>\$ 140,073,143</u>
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Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(136,690,985)
----------------	---------------

Adjustments:

Depreciation Expense	21,136,184
(Increase) Decrease in Accounts Receivables	2,827,372
(Increase) Decrease in Loans and Notes Receivable	790,042
(Increase) Decrease in Inventory	377,350
(Increase) Decrease in Prepaid Expenses	1,764,589
(Increase) Decrease in Other Assets	(41,300)
Increase (Decrease) in Accounts Payables	(4,737,923)
Increase (Decrease) in Payroll Payables	1,985,188
Increase (Decrease) in Accrued Liabilities	(244,704)
Increase (Decrease) in Deferred Revenue	11,643,100
Increase (Decrease) in Compensable Leave	353,795
Increase (Decrease) in Other Liabilities	(88,953)
Net Cash Used for Operating Activities	<u>(100,926,245)</u>

POLICIES AND NOTES

TEXAS TECH UNIVERSITY**Notes to the Financial Statements****Note 1: Summary of Significant Accounting Policies****Reporting 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' Annual Financial 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.

Blended Component Units

Texas Tech Foundation, Inc. is a component unit of the consolidated Texas Tech University System since it serves the fundraising needs of Texas Tech University, Texas Tech University Health Sciences Center and Texas Tech University System Administration. No balances or activities associated with Texas Tech Foundation, Inc. are included in this Annual Financial Report.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial statements to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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 Statements 34 and 35. For financial reporting purposes, Texas Tech University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation 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, local funds held by the state, state reimbursements in transit, repurchase agreements and Texpool investments.

The University 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.

Texas Tech University – Notes to the Financial Statements (continued)**Cash and Cash Equivalents as reported on the Statement of Net Assets**

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	\$ 63,673	\$ 345		\$ 64,018
Cash in Bank	(2,761,398)	(794,748)	(292,283)	(3,848,429)
Cash in State Treasury	20,406,139			20,406,139
Repurchase Agreements	16,722,070	4,563,930	1,679,656	22,965,656
Texpool & TexSTAR Investments	56,157,834	15,417,769	28,910,156	100,485,759
Total Cash and Cash Equivalents	\$ 90,588,318	\$ 19,187,296	\$ 30,297,529	\$ 140,073,143

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.

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 University'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 University 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.

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.

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

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 5.

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 13.

Funds Held for Others

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

Interfund Payable

Interfund payables are resources payable to other state agencies for Lone Star that assisted the University with utility costs. This payable is further explained in Note 8.

Texas Tech University – Notes to the Financial Statements (continued)**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 University 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	\$ 4,036,243
Accounts Receivable	3,355,701
Inventory	1,752,662
Prepaid Expenses	2,047,795
Imprest Funds	213,249
Future Operating Budgets	87,353,195
Service Department Operating Funds	18,227,093
Student Service Fees	2,173,126
Funds Functioning as Endowments	43,593,114
Unreserved	<u>480,606</u>
Total Unrestricted Net Assets	<u>\$ 163,232,784</u>

Interfund Activity and Transactions

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

Texas Tech University – 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.

Business-type Activities:	Balance 09/01/03	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 08/31/04
Non-depreciable Assets:								
Land and Land Improvements	\$ 1,926,393							\$1,926,393
Construction In Progress	96,814,570	(1,105,554)	(52,441,903)			36,937,289		80,204,402
Other Capital Assets	74,740,374	30,773,420				7,271,185		112,784,979
Total Non-depreciable Assets	173,481,337	29,667,866	(52,441,903)			44,208,474		194,915,774
Depreciable Assets:								
Buildings and Building Improvements	485,350,875	(3,048,373)	52,441,903			19,327,444		554,071,849
Infrastructure	23,461,725					1,416,605		24,878,330
Facilities and Other Improvements	118,032,660	(1,215,311)				4,132,333		120,949,682
Furniture and Equipment	90,446,134	(21,387)		107,873	(28,458)	6,462,163	(2,079,345)	94,886,980
Vehicles, Boats and Aircraft	8,123,936	(48,297)		113,343	(19,999)	628,434	(421,047)	8,376,370
Other Capital Assets	34,549,737	(34,161,263)						388,474
Total depreciable assets at historical costs	759,965,067	(38,494,631)	52,441,903	221,216	(48,457)	31,966,979	(2,500,392)	803,551,685
Less Accumulated Depreciation for:								
Buildings and Improvements	(331,966,869)	136,057				(7,946,275)		(339,777,087)
Infrastructure	(1,652,610)					(902,521)		(2,555,131)
Facilities and Other Improvements	(8,809,364)	(150,265)				(4,868,842)		(13,828,471)
Furniture and Equipment	(54,702,779)			(500)	9,486	(8,791,848)	1,633,693	(61,851,948)
Vehicles, Boats and Aircraft	(5,588,527)	1,350		(18,358)	16,332	(701,960)	421,047	(5,870,116)
Other Capital Assets	(7,305,394)	6,991,964				12,212		(301,218)
Total Accumulated Depreciation	(410,025,543)	6,979,106		(18,858)	25,818	(23,199,234)	2,054,740	(424,183,971)
Depreciable Assets, Net	349,939,524	(31,515,525)	52,441,903	202,358	(22,639)	8,767,745	(445,652)	379,367,714
Business-type Activities Capital Assets, net:	\$523,420,861	\$(1,847,659)	\$0	\$202,358	\$(22,639)	\$52,976,219	\$(445,652)	\$574,283,488

Note 3: Deposits, Investments, and Repurchase Agreements

Texas Tech University's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, Texas Tech University investments may be "any kind of investment that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital." Under Texas law, Texas Tech University is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest Texas Tech University funds without express written authority from the governing board.

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

The governing investment policy is Regents' Rules Chapter 09, "Investment, Endowments, and Income Producing Lands." The majority of Texas Tech University assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF). Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities and is operated using total return philosophy. Other institutional funds not in the LTIF are invested in the STIF, which is a fixed income fund and is operated using a hold to maturity philosophy. Other assets include securities gifted to Texas Tech University with written donor instructions to maintain in their original form.

To comply with the reporting requirements of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Texas Tech University's investments are categorized in the Investment section below to give an indication of credit risk assumed by Texas Tech University at year end.

Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not being depicted in this note.

Deposits of Cash in Bank

- A. The carrying amount of \$(3,848,429) for Cash in Bank (including restricted assets and blended 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).

Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
\$168,825	\$0	\$0	\$168,825	\$(3,848,429)

Consisting of the following:

Demand Deposits	\$(4,198,960)
Imprest Funds	30,531.00
Imprest Funds – Travel	120,000.00
Cashier Accounts	200,000.00
Total Deposits Carrying Amounts	<u>\$(3,848,429)</u>

Texas Tech University – Notes to the 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	\$32,291,117.87			\$32,291,117.87
U.S. Government and Agency Mortgage Obligations	9,239,306.61			9,239,306.61
Collateralized Mortgage Obligations	65,671,461.05			65,671,461.05
Repurchase Agreements	22,965,656.31			22,965,656.31
Corporate Stock	76,478,372.99		135,928.60	76,614,301.59
Totals	\$206,645,914.83		\$135,928.60	\$206,781,843.43

Uncategorized Investments:

TexPool & TexSTAR Investments	100,485,759.63
Other Uncategorized Investments	63,856,743.29
Total Investments	\$371,124,346.35

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.

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

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	\$65,671,451

Note 4: Short-Term Debt

Texas Tech University has no outstanding short-term debt as of August 31, 2004.

Note 5: Summary of Long-Term Liabilities**Changes in Long-Term Liabilities**

During the year ended August 31, 2004, the following changes occurred in liabilities.

Long-Term Liability Category	Balance 09/01/03	Increases	Decreases	Balance 08/31/04	Current Portion
Accrued Liabilities	\$252,841		\$244,704	\$8,137	\$8,137
Notes and Loans	19,198,204	5,800,000	10,087,204	14,911,000	14,911,000
Revenue Bonds	258,021,369	32,995,000	18,681,081	272,335,288	12,803,151
Compensable Leave	7,497,772	353,795		7,851,567	1,962,892
Total	\$284,970,186	\$39,148,795	\$29,012,989	\$295,105,992	\$29,685,180

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 University 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.

The Revenue Financing System Bonds Sixth Series 1999 was the only outstanding issue of the University calculated as having rebatable arbitrage totaling \$252,841 at August 31, 2003. For fiscal year 2004, the only outstanding issue of the University calculated as having rebatable arbitrage was the Revenue Financing System Bonds Sixth Series 1999 which totaled \$8,137 at August 31, 2004. This excess has been earned during the period when unrestricted yield is allowed on these funds. As required by the Internal Revenue Code, the University will restrict earnings on these funds after this unrestricted period ends to a yield not to exceed the yield on the bonds. The University has reserved funds representing the rebatable arbitrage amount in the event a payment is required on a future payment date.

Texas Tech University – 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 13 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 8/31/04 will be retired in fiscal year 2005. Commercial paper has short maturities up to 270 days with interest ranging from 1.08% to 1.25%.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2005	\$14,911,000	\$31,740	\$14,942,740
2006			
2007			
2008			
2009			
All Other Years			
Total Requirements	\$14,911,000	\$31,740	\$14,942,740

Note 6: Capital Leases

As of August 31, 2004, Texas Tech University had no outstanding capital leases.

Note 7: Operating Leases

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

<u>Fiscal Year</u>	
2005	\$701,159
2006	578,222
2007	109,180
Total Minimum Future Lease Rental Payments	<u>\$1,388,561</u>

Note 8: 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.

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

Individual balances and activity at August 31, 2004, follows:

<u>Interfund Payable</u>	<u>Non-Current Interfund Payable</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515	\$1,873,247	Lone Star
Total Interfund Payable	\$1,873,247	

<u>Due from Other Agencies</u>	<u>Current Due from Other Agencies</u>
Texas Education Agency (Agency 701)	\$ 71,107.46
Texas School for the Blind (Agency 771)	101,115.42
Texas General Land Office (Agency 305)	12,618.46
Texas Commission on Environmental Quality (Agency 582)	17,000.00
Texas Department of Transportation (Agency 601)	74,534.00
Texas Technology Workforce Development Grant (Agency 781)	203,610.45
Total Due from Other Agencies	\$ 479,985.79

<u>Due to Other Agencies</u>	<u>Current Due to Other Agencies</u>
Texas Tech University Health Sciences Center (Agency 739)	224,469.42
Total Due to Other Agencies	\$ 224,469.42

<u>Transfers Out to Other Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	\$218,511.00
Texas Comptroller's Office (Agency 902)	14,636.62
Total Transfers Out to Other Agencies	\$233,147.62

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

Note 9: 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, 2004, 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 10: Continuance Subject to Review

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

Texas Tech University – Notes to the Financial Statements (continued)**Note 11: 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 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 State of Texas pays 50% of claims for employees paid from state funds. The University pays the remainder for employees paid from non-educational and general funds. The Texas Tech University Unemployment Compensation Fund is currently funded by interest earnings on the fund.

The worker's compensation expense to Texas Tech University for fiscal year ended August 31, 2004 was \$1,365,585. The unemployment compensation insurance expense to Texas Tech University for fiscal year ended August 31, 2004 was \$199,589. These amounts represent the portion paid by Texas Tech University.

Note 12: Segment Information

Texas Tech University has no reportable segments.

Note 13: Bonded Indebtedness**Bonds Payable**

Several bond issues were outstanding as of August 31, 2004 which are summarized in the paragraphs that follow.

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; all authorized bonds have been issued
Interest Rates:	4.30% to 6.00%
Maturity Date Range:	1996 through 2015
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$599,200 retired

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; all authorized bonds have been issued
Issue Date:	December 5, 1996
Interest Rates:	4.00% to 6.00%
Maturity Date Range:	1998 through 2017
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$4,125,000 retired

Texas Tech University – Notes to the Financial Statements (continued)**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; all authorized bonds have been issued
Issue Date:	December 5, 1996
Interest Rates:	5.75% to 6.75%
Maturity Date Range:	1998 through 2007
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$770,000 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
Original Issue Amount:	\$99,467,818; all authorized bonds have been issued
Issue Date:	May 4, 1999
Interest Rates:	4.00% to 5.25%
Maturity Date Range:	1999 through 2029
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$1,256,880 retired

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
Original Issue Amount:	\$107,355,000; all authorized bonds have been issued
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$2,735,000 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; all authorized bonds have been issued
Issue Date	January 23, 2002
Interest Rates	3.46% to 6.75%
Maturity Date Range	2003 through 2031
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$1,670,000 retired

Texas Tech University – Notes to the Financial Statements (continued)**Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003**

Purpose:	For current refunding of Series A Notes and Series 1993 bonds, for construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other University construction of capital improvement projects
Original Issue Amount	\$32,995,000; all authorized bonds have been issued
Issue Date	September 23, 2003
Interest Rates	2.00% to 5.50%
Maturity Date Range	2003 through 2023
Type of Bond	Revenue
Changes in Debt	\$32,995,000 issued; \$2,630,000 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 System 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.

Note 14: Subsequent Events

Texas Tech University is transitioning its Short/Intermediate Term Investment Funds (STIF) from investments in government agency fixed income securities, primarily mortgage backed securities and collateralized mortgage obligations, to investments in U.S. Treasury obligations and government/agency fixed income mutual funds. This transition began in July 2004. As of August 31, 2004, securities having a book value of \$25,383,762 had been sold for \$25,564,506, resulting in a net gain of \$180,744 for the year ended August 31, 2004.

The University sold numerous additional securities in the two months after the year ended August 31, 2004. Between September 1, 2004 and October 12, 2004, additional securities with a book value of \$52,214,172 were sold for \$51,521,729 which resulted in net loss of \$692,443.

The total sale of securities had a book value of \$77,597,934 that was sold for a total amount of \$77,086,235, or a net loss of (\$511,699) or (.66%). It is anticipated that this represents the total amount that will be sold from the current portfolio. This loss will be applied equally against the monthly total interest earnings in October 2004 through August 2005.

Note 15: 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 2004 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

Note 16: Stewardship, Compliance and Accountability

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

Texas Tech University – Notes to the Financial Statements (continued)**Note 17: The Financial Reporting Entity and Joint Ventures****The Financial Reporting Entity**

Texas Tech University is an agency of the State of Texas. Texas Tech University has no related organizations or joint ventures or jointly governed organizations.

Note 18: Restatement of Fund Balances/Net Assets

Prior-period adjustments for Texas Tech University that required the restatement of beginning net assets relate to capital assets and accumulated depreciation changes and the exclusion of Texas Tech Foundation, Inc. which had previously been reported as a blended component unit of Texas Tech University but is now more appropriately reported as a blended component unit of the consolidated Texas Tech University System Annual Financial Report.

Net Assets as Reported at 8/31/03 \$725,449,734

Restatements

TTU Capital Assets-museum valuation correction	\$ (3,253,638)	
TTU Accumulated Depreciation-reclass to non-depreciable assets	6,841,699	
Exclusion of Texas Tech Foundation, Inc.	<u>(144,660,049)</u>	
		<u>(141,071,988)</u>
Restated Net Assets at 8/31/03		<u>\$584,377,746</u>

Restatement of Beginning Cash and Cash Equivalents:

Cash and Cash Equivalents as Reported at 8/31/03 \$104,186,633

Restatements

Exclusion of Texas Tech Foundation, Inc.	<u>\$ (6,579,697)</u>	
		<u>(6,579,697)</u>
Restated Cash and Cash Equivalents at 8/31/03		<u>\$97,606,936</u>

Note 19: Employees Retirement Plans (administering agencies only)

Not applicable

Note 20: Deferred Compensation (administering agencies only)

Not applicable

Note 21: Donor-Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech's 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 – 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 by the University are summarized in the following table:

Donor-Restricted Endowment	Amount of Net Appreciation	Reported in Net Assets
True Endowments	\$8,057,457	Restricted Nonexpendable
True Endowments	2,458,580	Restricted Expendable
True Endowments	487,302	Unrestricted
Term Endowments	897	Restricted Nonexpendable
Total	<u>\$11,004,236</u>	

Note 22: Management Discussion and Analysis

- The University continues to experience growth in student enrollment with a 3.6% increase in enrollment between the fall 2002 and the fall 2003 semesters.
- Overall net assets increased by \$14 million for the year ended August 31, 2004 primarily due to increased investment returns, increased appropriations revenues and increased tuition and fees revenues.
- Capital asset additions totaled \$125 million for the year ended August 31, 2004.
- The University issued revenue financing system bonds in the amount of \$32,995,000 during the year ended August 31, 2004 primarily for the construction of the Experimental Sciences building and renovation of the Horn/Knapp dormitory.

Note 23: Post Employment Health Care and Life Insurance Benefits (UT and A&M only)

Not applicable

Note 24: Special or Extraordinary Items

Texas Tech University has no special or extraordinary items during the fiscal year ended August 31, 2004.

Note 25: Disaggregation of Receivable and Payable Balances**Receivables**

Components of receivables as of August 31, 2004 are summarized below.

Type	Net Amount
Federal Receivables	\$5,981,183
Interest and Dividends Receivable	666,988
Student Receivables	433,833
Gift Receivables Current & Noncurrent	43,106,761
Accounts Receivables	4,491,250
Other Receivables	388,906
Loans and Notes Receivable Current & Noncurrent	8,625,392
Total Receivables	<u><u>\$63,694,313</u></u>

Payables

Components of payables as of August 31, 2004 are summarized below.

Type	Net Amount
Accounts Payable	\$20,260,203
Payroll Payable	15,813,940
Liabilities Payable from Restricted Assets	21,247,743
Total Payables	<u><u>\$57,321,886</u></u>

SCHEDULES

UNAUDITED

Texas Tech University
Schedule 1A - Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2004

Note 1: Non-Monetary Assistance:

The "Donation Of Federal Surplus Personal Property" is presented at 23.3 percent of the original federal acquisition cost \$135,101.29. 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. The estimated fair value for fiscal year 2004 is \$13,596.86.

Note 2: Reconciliation:

Federal Revenues (SRECNA)	\$	39,734,708.00
Federal Pass-Through Grants from other State Agencies (SRECNA)		<u>1,671,582.69</u>
Total Federal Revenues		41,406,290.69

Reconciling Items:

Pass-Through To State Entities	1,291,797.57
Pass-Through To Other Entities	1,191,350.43
Non-Monetary Assistance:	
Donation of Federal Surplus Property	13,596.86
New Loans Processed:	
Federal Family Education Loan Program	111,047,602.19
Federal Perkins Loan Program	418,297.00
Plant Funds	1,567,836.92
Other (Rounding)	<u>0.33</u>
Total Pass-Through and Expenditures Per Federal Schedule	<u><u>\$ 156,936,771.99</u></u>

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Schedule 1A (Continued)

Note 3: Student Loans Processed and Administrative Costs Recovered:

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
Department Of Education				
84.032 Federal Family Education Loans	\$ 111,047,602.19	\$	\$ 111,047,602.19	\$
84.038 Federal Perkins Loan Program	418,297.00	(963.72)	417,333.28	1,164,227.98
Total Department of Education	\$ 111,465,899.19	\$ (963.72)	\$ 111,464,935.47	\$ 1,164,227.98

Note 4: Depository Libraries For Government Publications

The University participates as a depository library in the Government Printing Office's Depository Libraries for Government Publications Program, CFDA #40.001. The University is the legal custodian of government publications, which remain the property of the federal government. These publications are not assigned a value by the Government Printing Office.

Note 5: Unemployment Insurance

Texas Tech University does not have CFDA 17.225 Awards.

Note 6: Agency 320 Only

Note 7: Agency 501 Only

Note 8: Federal Deferred Revenue

Federal Deferred Revenue 9/01/03	\$ 258,336.79
Increase/ (Decrease)	<u>125,674.78</u>
Federal Deferred Revenue 8/31/04	<u><u>\$ 384,011.57</u></u>

UNAUDITED

Texas Tech University
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2004

Pass-Throughs From:

Office of Attorney General (Agency 302)

Post-Divorce Collaborative Family Assessment & Intervention With Texas Families	\$	5,137.50
Implementing The Parenting Through Change Program with Latina Single Mothers		888.27
Premarital Education		856.02

Texas Department of Agriculture (Agency 551)

Genetic Resources of Drought Resistance on Wild Emmer Wheat For Wheat Improvement	30,500.77
Development of Selected Ornamentals Tolerant To Recycled and Saline Irrigation	23,641.37

Texas Commission on Environmental Quality (Agency 582)

Teaching Environmental Science	5,715.00
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Telecommunications Infrastructure Fund Board (Agency 367)

TIF: Infrastructure for Wireless Networking	733.64
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Texas Higher Education Coordinating Board (Agency 781)

Texas Grant Program	6,594,941.00
Advanced Technology Program	436,224.95
Developmental Education Program	(11,466.87)
College Work Study Program	176,792.36
5th Year Accounting Scholarship	17,624.00
Texas Technology Workforce Grant	168,604.18

Texas Agriculture Experiment Station (Agency 556)

TX Cotton Program	135,000.00
Imported Fire Ant Research and Management Program	85,145.00

Total Pass-Throughs from Other Agencies	\$	7,670,337.19
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Pass-Throughs To:

Texas Cooperative Extension (Agency 555)

Joint Appointments for Contract MU7214	\$	(21,747.36)
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Texas Agriculture Experiment Station (Agency 556)

Joint Appointments for Contract MU7214	(57,172.06)
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Total Pass-Throughs to Other Agencies	\$	(78,919.42)
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UNAUDITED

Texas Tech University
Schedule 3 - Reconciliation of Cash in State Treasury
As of August 31, 2004

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue (Fund 0255)	\$ 20,400,185.38	\$	\$ 20,400,185.38
Local Revenue (Fund 0269)	5,953.18		5,953.18
Total Cash in State Treasury (Note 1)	\$ 20,406,138.56	\$	\$ 20,406,138.56