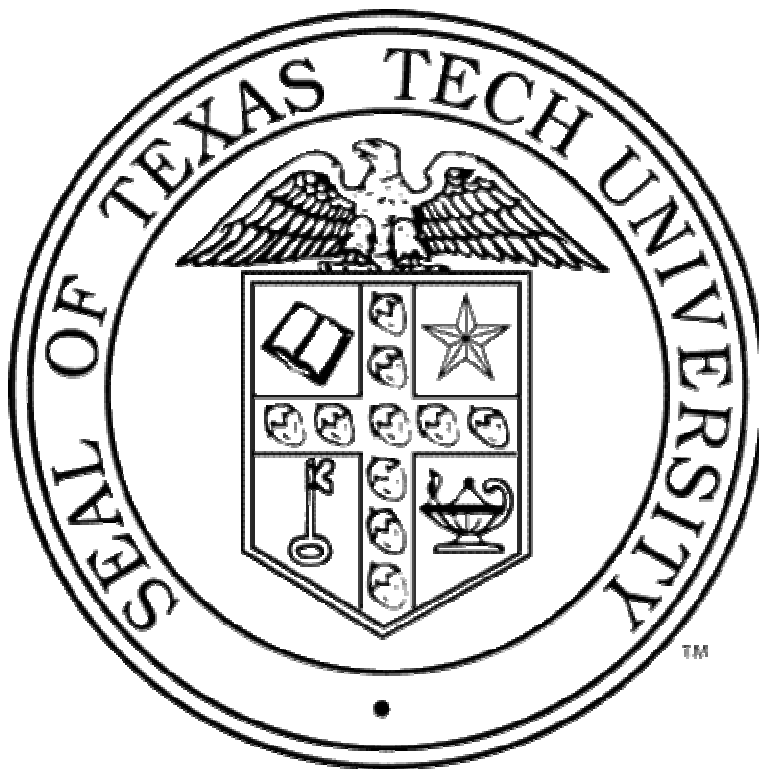


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2005

Texas Tech University

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

1925-2005

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2005

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, 2005

Honorable Rick Perry
Governor of Texas

Honorable Carole Keeton Strayhorn
Comptroller of Public Accounts

Mr. John O'Brien
Deputy Director, Legislative Budget Board

Mr. John Keel, 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, 2005. 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, 2005.

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 cursive script that reads "Jon Whitmore".

Jon Whitmore
President

JW/lel
Attachment



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, 2005

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, 2005, 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 comply with all the requirements in this statement. 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 Reporting

Rebecca Hyde
Director of Student and University Financial Services

Approved:

Charlie Stallings, CPA
Interim Comptroller and Assistant Vice
President for Administration & Finance

Thomas A. Andres
Senior Vice President
Administration & Finance

SSW:nh

Texas Tech University

Board of Regents

Larry Anders Term Expires January 31, 2011Dallas, TX
C. Robert Black..... Term Expires January 31, 2007 Horseshoe Bay, TX
F. Scott Dueser..... Term Expires February 1, 2009Abilene, TX
L. Frederick Francis Term Expires January 31, 2007 El Paso, TX
Mark Griffin Term Expires January 31, 2011 Lubbock, TX
J. Frank Miller, III Term Expires January 31, 2009Dallas, TX
Daniel T. Serna..... Term Expires January 31, 2011 Arlington, TX
Windy Sitton..... Term Expires February 1, 2009 Lubbock, TX
Bob L. Stafford..... Term Expires February 1, 2007Amarillo, TX

Officers of the Board

L. Frederick FrancisChair
J. Frank Miller, IIIVice Chair
Ben Lock.....Secretary

Fiscal Officers

Jon WhitmorePresident
Thomas Anderes.....Senior Vice President for Administration and Finance
Charlie StallingsInterim AVP for Administration and Finance & Comptroller
Rebecca S. Hyde.....Director of Student and University Financial Services
Sharon S. WilliamsonDirector of Financial Reporting

**Texas Tech University
Enrollment Data
For The Year Ended August 31, 2005**

Type of Student	Number of Students by Semester			
	Fall 2004	Spring 2005	Summer Term 2005	
			First	Second
Texas Resident	25,234	23,363	8,575	7,260
Blind/Deaf	7	5	3	3
Competitive Scholarship	29	25	11	8
Dependents	2	2	1	0
Faculty/Staff	21	22	10	6
Foreign	1,388	1,286	672	595
Good Neighbor	0	0	0	0
Hazelwood	10	11	5	2
Independent Study	10	9	5	4
Military	3	2	1	1
Nursing	25	24	1	1
Out-of-State	1,493	1,383	520	439
Teaching/Research Assistant	83	73	34	27
Valedictorian	10	8	4	3
Other	10	7	1	1
Totals	28,325	26,220	9,843	8,350

Enrollment Trend Data (Fall Semester)

<u>Term</u>	<u>Students</u>	<u>Semester Hours</u>
2004	28,325	360,475
2003	28,549	359,863
2002	27,569	343,394
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

FINANCIAL STATEMENTS

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2005

ASSETS

Current Assets:		
Cash and Cash Equivalents (Note 1)	\$	113,165,611
Restricted:		
Cash and Cash Equivalents (Note 1)		21,397,210
Legislative Appropriations		21,652,295
Accounts Receivable, net:		
Federal Receivables		10,423,720
Interest and Dividends		558,177
Student Receivables		335,548
Gift Receivables		8,445,452
Accounts Receivable		2,504,239
Other Receivables		399,902
Due From Other Agencies (Note 8)		2,873,015
Prepaid Expenses		16,304,979
Consumable Inventories		871,304
Merchandise Inventories		2,516,228
Loans and Notes Receivable, net		3,833,831
Other Current Assets		76,415
Total Current Assets		205,357,926

Non-Current Assets:		
Restricted:		
Cash and Cash Equivalents (Note 1)		18,835,237
Investments		139,554,933
Gift Receivables		25,674,087
Loans and Notes Receivable, net		912,932
Investments		130,498,777
Capital Assets (Note 2)		
Non-Depreciable		157,987,661
Depreciable		909,867,203
Accumulated Depreciation		(454,307,681)
Total Non-Current Assets		929,023,149

Total Assets	\$	1,134,381,075
---------------------	-----------	----------------------

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	12,182,920
Payroll Payable		15,274,510
Liabilities Payable from Restricted Assets		21,500,538
Deferred Revenues		87,532,573
Due to Other Agencies (Note 8)		14,280
Employees' Compensable Leave (Note 5)		2,056,106
Notes and Loans Payable (Note 5)		35,858,000
Bonds Payable (Note 5)		14,193,929
Funds Held for Others		10,522,523
Other Current Liabilities		585,015
Total Current Liabilities		199,720,394

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2005

Non-Current Liabilities:

Interfund Payable (Note 8)	1,533,303
Employees' Compensable Leave (Note 5)	6,168,319
Bonds Payable (Note 5)	245,338,209
Total Non-Current Liabilities	<u>253,039,831</u>
Total Liabilities	<u>\$ 452,760,225</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	326,238,361
Restricted:	
Nonexpendable:	
Endowments	84,574,678
Expendable:	
Capital Projects	13,789,632
Higher Education Assistance Fund	15,483,660
Debt Service	7,698,129
Other	40,615,251
Unrestricted (Note 1)	193,221,139
Total Net Assets	<u>681,620,850</u>
Total Liabilities and Net Assets	<u>\$ 1,134,381,075</u>

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, 2005

Operating Revenues

Tuition and Fees	\$ 23,651,024
Tuition and Fees - Pledged	165,733,407
Less Discounts and Allowances	(16,024,275)
Sales and Services of Auxiliary Enterprises - Pledged	68,415,561
Other Sales and Services	3,981,608
Other Sales and Services - Pledged	4,698,120
Federal Grants and Contracts (Schedule 1A)	40,322,199
Federal Grant Pass-Throughs (Schedule 1A)	1,909,195
State Grants and Contracts	2,528,969
State Grant Pass-Throughs (Schedule 1B)	8,394,860
Local Governmental Grants and Contracts	922,342
Nongovernmental Grants and Contracts	9,786,311
Total Operating Revenues	<u>314,319,321</u>

Operating Expenses

Instruction	149,991,795
Research	40,435,537
Public Service	8,652,900
Academic Support	42,849,315
Student Services	24,550,097
Institutional Support	23,151,725
Operations and Maintenance of Plant	34,214,785
Scholarships and Fellowships	21,261,599
Auxiliary Enterprises	72,318,275
Depreciation and Amortization	27,943,074
Total Operating Expenses	<u>445,369,102</u>

Operating Income (Loss) (131,049,781)

Nonoperating Revenues (Expenses)

Legislative Revenue	134,218,281
Private Gifts	1,752,451
Investment Income	6,918,859
Investment Income - Pledged	10,854,558
Interest Expense on Capital Asset Financing	(14,402,684)
Loss on Sale and Disposal of Capital Assets	(3,315,118)
Net Increase in Fair Value of Investments	17,138,995
Other Nonoperating Revenues (Expenses)	991,208
Other Nonoperating Revenues (Expenses) - Pledged	15,955,614
Total Nonoperating Revenues (Expenses)	<u>170,112,164</u>

Income (Loss) before Other Revenues, Expenses, Gains, Losses, and Transfers 39,062,383

Other Revenues, Expenses, Gains, Losses, and Transfers

Capital Appropriations (HEAF)	20,961,881
Capital Contributions	4,065,542
Lapsed Appropriations	(741,548)
Additions to Permanent Endowments	747,721
Legislative Transfer Out (Note 8)	(4,365,454)
Transfers to TTU Health Sciences Center	(1,570,157)
Transfers to TTU System Administration	(4,172,299)
Transfers from Other State Agencies (Note 8)	3,650,915
Transfers to Other State Agencies (Note 8)	(1,052,953)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>17,523,648</u>

TOTAL CHANGES IN NET ASSETS \$ 56,586,031

Beginning Net Assets (September 1, 2004) 627,215,455

Restatements of Beginning Net Assets (Note 18) (2,180,636)

Ending Net Assets (August 31, 2005) \$ 681,620,850

See Accompanying Notes to Financial Statements

UNAUDITED

Texas Tech University
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2005

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Instruction	\$ 108,061,255	\$ 24,579,021	\$ 627,809	\$ 1,234,694	\$ 5,261,962
Research	22,078,354	4,057,601	814,277	1,582,275	5,286,327
Public Service	3,724,900	846,505	327,416	179,492	640,678
Academic Support	22,849,747	5,133,157	3,726,539	988,386	3,492,539
Student Services	9,367,012	2,153,923	2,421,391	731,959	1,720,293
Institutional Support	14,177,437	5,344,397	126,598	234,367	1,160,010
Operation and Maintenance of Plant	6,530,705	1,519,669	771,278	20,177	3,088,865
Scholarships and Fellowships	92,378	6,456			
Auxiliary Enterprises	24,848,900	5,685,654	3,325,751	777,883	108,038
Depreciation and Amortization					

Total Operating Expenses	\$ 211,730,688	\$ 49,326,383	\$ 12,141,059	\$ 5,749,233	\$ 20,758,712
--------------------------	----------------	---------------	---------------	--------------	---------------

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Instruction	\$ 1,176,122	\$ 682,441	\$ 1,052,387	\$ 651,295	\$
Research	177,564	447,447	291,723	249,863	
Public Service	156,737	126,041	253,193	148,637	
Academic Support	1,474,053	610,716	956,768	560,674	
Student Services	382,489	390,801	263,244	1,237,737	
Institutional Support	324,281	636,812	648,828	312,762	
Operation and Maintenance of Plant	13,114,720	7,600,874	83,220	18,808	
Scholarships and Fellowships					
Auxiliary Enterprises	8,490,748	2,502,612	998,935	555,659	
Depreciation and Amortization					27,943,074

Total Operating Expenses	\$ 25,296,714	\$ 12,997,744	\$ 4,548,298	\$ 3,735,435	\$ 27,943,074
--------------------------	---------------	---------------	--------------	--------------	---------------

Function	Scholarships	Other Operating	Grand Total
Instruction	\$ 2,944,074	\$ 3,720,735	\$ 149,991,795
Research	1,213,356	4,236,750	40,435,537
Public Service	75,213	2,174,088	8,652,900
Academic Support	401,186	2,655,550	42,849,315
Student Services	221,639	5,659,609	24,550,097
Institutional Support	206,958	(20,725)	23,151,725
Operation and Maintenance of Plant	3,779	1,462,690	34,214,785
Scholarships and Fellowships	21,155,960	6,805	21,261,599
Auxiliary Enterprises	3,787,924	21,236,171	72,318,275
Depreciation and Amortization			27,943,074

Total Operating Expenses	\$ 30,010,089	\$ 41,131,673	\$ 445,369,102
--------------------------	---------------	---------------	----------------

Texas Tech University
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2005

Cash Flows from Operating Activities

Tuition and Fees	\$ 188,007,493
Grants and Contracts	57,664,184
Sales and Services of Auxiliary Enterprises	69,947,565
Other Sales and Services	10,655,743
Payments to Suppliers	(38,057,915)
Payments to Employees	(212,270,118)
Payments for Other Operating Activities	(177,151,713)
Net Cash Used By Operating Activities	<u>(101,204,761)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	134,086,878
Noncapital Gifts and Grants	11,487,394
Payments to Other Components	(10,107,910)
Transfers In from Other State Agencies	3,650,915
Transfers Out to Other State Agencies	(1,052,953)
Proceeds from Agency Transactions	1,107,850
Other Noncapital Financing Activities	12,855,842
Net Cash Provided by Noncapital Financing Activities	<u>152,028,016</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuance	22,500,000
Capital Appropriations	20,961,881
Capital Contributions	4,065,542
Purchases of Capital Assets	(68,611,540)
Principal Paid on Capital Debt	(14,696,094)
Interest Paid on Capital Debt	(14,358,572)
Net Cash Used by Capital and Related Financing Activities	<u>(50,138,783)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	78,201,587
Interest and Dividends Received	17,882,227
Purchases of Investments	(83,443,371)
Net Cash Provided by Investing Activities	<u>12,640,443</u>

TOTAL NET CASH FLOWS	<u>\$ 13,324,915</u>
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Beginning Cash & Cash Equivalents - September 1, 2004	140,073,143
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Ending Cash & Cash Equivalents - August 31, 2005	<u>\$ 153,398,058</u>
--	-----------------------

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(131,049,781)
Adjustments:	
Depreciation Expense	27,943,074
(Increase) Decrease in Accounts Receivables	(4,761,268)
(Increase) Decrease in Loans and Notes Receivable	3,878,629
(Increase) Decrease in Inventory	(566,024)
(Increase) Decrease in Prepaid Expenses	(5,308,183)
(Increase) Decrease in Other Assets	(24,290)
Increase (Decrease) in Accounts Payables	(8,078,789)
Increase (Decrease) in Payroll Payables	(539,430)
Increase (Decrease) in Accrued Liabilities	(8,137)
Increase (Decrease) in Deferred Revenue	16,932,621
Increase (Decrease) in Compensable Leave	372,858
Increase (Decrease) in Other Liabilities	3,959
Net Cash Used for Operating Activities	<u>(101,204,761)</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, Texpool and TexSTAR 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	\$73,268	\$845	\$0	\$74,113
Cash in Bank	(8,243,679)	(2,217,829)	(743,938)	(11,205,446)
Cash in State Treasury	17,750,589			17,750,589
Cash in Transit/Reimburse Treasury	14,631,753			14,631,753
Repurchase Agreements	27,163,878	7,183,396	2,412,530	36,759,804
Texpool & TexSTAR Investments	61,789,802	16,430,798	17,166,645	95,387,245
Total Cash and Cash Equivalents	\$113,165,611	\$21,397,210	\$18,835,237	\$153,398,058

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.

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

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

Loans and Notes Receivable

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

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

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	\$ 9,341,690
Accounts Receivable	1,353,033
Inventory	3,297,726
Prepaid Expenses	7,529,319
Imprest Funds	215,563
Future Operating Budgets	102,880,264
Service Department Operating Funds	19,902,513
Student Service Fees	2,276,078
Funds Functioning as Endowments	48,340,126
Unreserved	<u>(1,915,173)</u>
Total Unrestricted Net Assets	<u>\$ 193,221,139</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 09/01/04	Adjustments	Completed CIP	Increase Int'agy Trans	Decrease Int'agy Trans	Additions	Deletions	Balance 08/31/05
Non-depreciable Assets:								
Land and Land Improvements	\$ 1,926,393					1,798,200		\$3,724,593
Construction In Progress	80,204,402		(2,405,575)			32,771,731		110,570,558
Other Capital Assets	112,784,979	(81,370,583)				12,278,114		43,692,510
Total Non-depreciable Assets	194,915,774	(81,370,583)	(2,405,575)			46,848,045		157,987,661
Depreciable Assets:								
Buildings and Bldg Improvements	554,071,849	6,268	2,405,575			16,194,669		572,678,361
Infrastructure	24,878,330	(734)						24,877,596
Facilities & Other Improvements	120,949,682	(55,000)				5,421,046		126,315,728
Furniture and Equipment	94,794,107	240,958		660,483	(12,091)	7,848,517	(2,821,820)	100,710,154
Vehicles, Boats and Aircraft	8,376,370					722,506	(534,583)	8,564,293
Other Capital Assets	388,474	71,192,999				5,139,598		76,721,071
Total depreciable assets at historical costs	803,458,812	71,384,491	2,405,575	660,483	(12,091)	35,326,336	(3,356,403)	909,867,203
Less Accumulated Depreciation for:								
Buildings and Improvements	(339,777,087)					(10,777,504)		(350,554,591)
Infrastructure	(2,555,131)					(876,130)		(3,431,261)
Facilities & Other Improvements	(13,828,471)					(5,089,660)		(18,918,131)
Furniture and Equipment	(61,851,948)	(250,050)		(50,992)	12,091	(8,669,328)	2,633,373	(68,176,854)
Vehicles, Boats and Aircraft	(5,870,116)					(611,324)	510,555	(5,970,885)
Other Capital Assets	(301,218)	(2,180,636)				(4,774,105)		(7,255,959)
Total Accumulated Depreciation	(424,183,971)	(2,430,686)		(50,992)	12,091	(30,798,051)	3,143,928	(454,307,681)
Depreciable Assets, Net	379,274,841	68,953,805	2,405,575	609,491		4,528,285	(212,475)	455,559,522
Business-type Activities Capital Assets, net:	\$574,190,615	\$(12,416,778)	\$0	\$609,491	\$0	\$51,376,330	\$(212,475)	\$613,547,183

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

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. Other assets include securities gifted to Texas Tech University with written donor instructions to maintain in their original form, and bond proceeds invested in external investment pools.

Deposits of Cash in Bank

As of August 31, 2005, the carrying amount of deposits was \$(11,205,446) as presented below:

Enterprise Funds

CASH IN BANK – CARRYING VALUE	\$ (11,205,446)
Less: Certificates of Deposit including in carrying value and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral	0
Cash in Bank per AFR	<u>\$ (11,205,446)</u>
Enterprise Funds Current Assets Cash in Bank	\$ (8,243,679)
Enterprise Funds Current Assets Restricted Cash in Bank	(2,217,829)
Enterprise Funds Non-Current Assets Restricted Cash in Bank	(743,938)
Cash in Bank per AFR	<u>\$ (11,205,446)</u>

These amounts consist of all cash in local banks and are included on the Statement of Net Assets as part of current unrestricted and restricted "Cash and Cash Equivalents" and non-current restricted "Cash and Cash Equivalents".

As of August 31, 2005, the total bank balance for Enterprise Funds was \$312,177

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The University's policy is to require collateralization of bank balances in excess of FDIC protection. The balance below was transferred to the University's primary depository, which has sufficient collateral after fiscal year-end.

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

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
01	0001	\$70,852		

Investments

As of August 31, 2005, the carrying value and fair value of investments are as presented below.

Type of Security	Carrying Value	Fair Value
Enterprise Funds		
U. S. Government		
U.S. Treasury Securities	\$48,623,282	\$48,623,282
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	40,918,885	40,918,885
Equity	46,810,518	46,810,518
International Equity	30,059,015	30,059,015
Repurchase Agreement	36,759,804	36,759,804
Fixed Income Money Market and Bond Mutual Fund	44,770,442	44,770,442
Other Commingled Funds	23,197,169	23,197,169
Other Commingled Funds (Texpool)	90,786,706	90,786,706
Misc. (alternative investments, limited partnerships, guaranteed investment Contract, political subdivision, banker's acceptance, negotiable CD)	40,274,938	40,274,938
Total Investments	\$402,200,759	\$402,200,759
 Non-Current Investments		\$270,053,710
 Items in Cash and Cash Equivalents:		
Repurchase Agreements		36,759,804
Texpool & TexSTAR Investments		95,387,245
 Total		\$402,200,759

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University's investment policy is to require third party custody for the two investment pools, the LTIF and the STIF. The balances listed below relate to the securities outside of those pools.

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
01	0001	Equity	\$68,947	

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

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The University's policy is to limit international equity investments to between 10-20% of the LTIF portfolio. The exposure to foreign currency risk as of August 31, 2005, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
01	0001	Argentine peso		1,991
01	0001	Australian dollar		707,769
01	0001	Bermudan dollar		11,418
01	0001	Brazilian real		1,156,524
01	0001	Bulgarian lev		2,525
01	0001	Canadian dollar		412,243
01	0001	Chilean Peso		10,312
01	0001	Chinese yuan		315,060
01	0001	Cyprus pound		2,087
01	0001	Czech koruna		89,714
01	0001	Danish krone		212,918
01	0001	Egyptian pound		41,396
01	0001	Euro		6,758,324
01	0001	Hong Kong dollar		769,274
01	0001	Hungarian forint		233,923
01	0001	Indian rupee		593,304
01	0001	Indonesian rupiah		222,100
01	0001	Israeli shekel		65,455
01	0001	Japanese yen		4,193,037
01	0001	Jersey pound		6,581
01	0001	Lithuanian litas		1,634
01	0001	Malaysian ringgit		472,448
01	0001	Mexican peso		599,677
01	0001	New Zealand dollar		89,272
01	0001	Norwegian krone		541,474
01	0001	Phillippino peso		93,720
01	0001	Polish zloty		385,828
01	0001	Pound sterling		3,548,408
01	0001	Romanian leu		38,352
01	0001	Russian ruble		324,363
01	0001	Singapore dollar		245,613
01	0001	South African rand		1,044,087
01	0001	Korean won		2,692,811
01	0001	Swedish krona		463,305
01	0001	Swiss franc		1,003,790
01	0001	Taiwan dollar		2,019,757
01	0001	Thai baht		243,548
01	0001	Turkish lira		434,661
01	0001	Venezuelan bolivar		10,312
		Total		30,059,015

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the STIF must hold securities that are at least rated investment grade. The fixed income portfolio of the LTIF must have an overall weighted average credit rating of "A" or better by Moody's and/or Standard and Poor's.

Moody's

Fund Type	GAAP Fund	Investment Type	Aaa	Aa	A	Baa	Unrated
01	0001	U.S. Government Agency Obligations	\$40,918,885				
01	0001	Repurchase Agreement	\$36,759,804				
01	0001	Fixed Income Money Market and Bond Mutual Fund					\$44,770,442

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	Unrated
01	0001	U.S. Government Agency Obligations	\$40,918,885				
01	0001	Repurchase Agreement	\$36,759,804				
			AAAf	AAf	Af		Unrated
01	0001	Fixed Income Money Market and Bond Mutual Fund					\$44,770,442

Fitch

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BBB	Unrated
01	0001	U.S. Government Agency Obligations	\$40,918,885				
01	0001	Repurchase Agreement	\$36,759,804				
			F1	F2	F3		Unrated
01	0001	Fixed Income Money Market and Bond Mutual Fund					\$44,770,442

Derivative Investing

The University holds collateralized mortgage obligations. These securities were purchased to provide an incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated these securities, along with other securities held by the University, will provide future cash inflows on a time schedule that approximately matches the outflows associated with the University's liabilities. These securities are rated AAA by the major rating agencies.

Note 4: Short-Term Debt

Texas Tech University has no outstanding short-term debt as of August 31, 2005.

Texas Tech University – Notes to the Financial Statements (continued)**Note 5: Summary of Long-Term Liabilities****Changes in Long-Term Liabilities**

During the year ended August 31, 2005, the following changes occurred in liabilities.

Long-Term Liability Category	Balance 09/01/04	Increases	Decreases	Balance 08/31/05	Current Portion
Accrued Liabilities	\$8,137	\$0	\$8,137	\$0	\$0
Notes and Loans	14,911,000	22,500,000	1,553,000	35,858,000	35,858,000
Revenue Bonds	272,335,288		12,803,150	259,532,138	14,193,929
Compensable Leave	7,851,567	372,858		8,224,425	2,056,106
Total	\$295,105,992	\$22,872,858	\$14,364,287	\$303,614,563	\$52,108,035

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 \$8,137 at August 31, 2004. For fiscal year 2005, there was no liability for rebatable arbitrage.

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.

Texas Tech University – Notes to the Financial Statements (continued)**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 8/31/05 will be retired in fiscal year 2006. Commercial paper has short maturities up to 270 days with interest ranging from 2.45% to 2.60%.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2006	\$35,858,000	\$101,057	\$35,959,057
2007			
2008			
2009			
2010			
All Other Years			
Total Requirements	<u>\$35,858,000</u>	<u>\$101,057</u>	<u>\$35,959,057</u>

Note 6: Capital Leases

As of August 31, 2005, 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>	
2006	\$729,037
2007	231,591
2008	86,186
Total Minimum Future Lease Rental Payments	<u>\$1,046,814</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, 2005, follows:

<u>Interfund Payable</u>	<u>Non-Current Interfund Payable</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515	<u>\$1,533,303</u>	Lone Star
Total Interfund Payable	<u><u>\$1,533,303</u></u>	

<u>Due from Other Agencies</u>	<u>Current Due from Other Agencies</u>
Texas Education Agency (Agency 701)	\$ 72,864.97
Texas School for the Blind (Agency 771)	83,532.96
Texas Water Development Board (Agency 580)	276,259.76
Texas Higher Education Coordinating Board (Agency 781)	161,061.87
Texas Commission on Environmental Quality (Agency 582)	10,228.72
Texas Tech Health Sciences Center (Agency 739)	32,083.75
Texas Department of Transportation (Agency 601)	77,768.00
Texas Comptroller's Office (Agency 902)	1,771,484.12
Texas Technology Workforce Development Grant (Agency 781)	<u>387,731.48</u>
Total Due from Other Agencies	<u><u>\$2,873,015.63</u></u>

<u>Due to Other Agencies</u>	<u>Current Due to Other Agencies</u>
West Texas A&M University (Agency 757)	<u>\$ 14,279.59</u>
Total Due to Other Agencies	<u><u>\$ 14,279.59</u></u>

<u>Transfers In from Other State Agencies</u>	<u>Amount</u>
Texas Comptroller's Office (Agency 902)	<u>\$3,650,915</u>
Total Transfers In from Other Agencies	<u><u>\$3,650,915</u></u>

<u>Transfers Out to Other State Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	<u>\$1,052,953</u>
Total Transfers Out to Other Agencies	<u><u>\$1,052,953</u></u>

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

At August 31, 2005, 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.

Texas Tech University – Notes to the Financial Statements (continued)**Note 10: Continuance Subject to Review**

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

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 state funds and 100% of the claims paid from non-educational and general funds. The Texas Tech University Unemployment Compensation Fund which is currently funded by interest earnings on the fund pays the UCI claims for employees paid from institutional funds.

The worker's compensation expense to Texas Tech University for fiscal year ended August 31, 2005 was \$948,530. The unemployment compensation insurance expense to Texas Tech University for fiscal year ended August 31, 2005 was \$146,349. 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, 2005 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; all authorized bonds have been issued
Issue Date:	March 17, 1995
Interest Rates:	4.30% to 6.00%
Maturity Date Range:	1996 through 2015
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$632,800 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 2006
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$3,995,000 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; \$820,000 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; \$1,305,351 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; \$2,855,000 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; \$1,735,000 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 5.25%
Maturity Date Range	2003 through 2023
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$1,460,000 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

The Texas Tech University System intends to issue revenue financing system bonds during fiscal year 2006 in the amount of approximately \$100 million of which \$30 million of this amount has already been issued as commercial paper as of August 31, 2005. In addition, another \$100 million of existing bonds may be re-financed in this issuance.

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 \$222,230 during the 2005 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.

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.

Texas Tech University – Notes to the Financial Statements (continued)**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 accumulated depreciation for library books which were reclassified in the current fiscal year from non-depreciable other capital assets to depreciable other capital assets as required by the Comptroller's office.

Net Assets as Reported at 8/31/04	\$627,215,455
Restatements	
Accumulated Depreciation for depreciable library books	(2,180,636)
Restated Net Assets at 8/31/04	\$625,034,819

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.

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	\$11,660,932	Restricted Nonexpendable
True Endowments	4,064,700	Restricted Expendable
Term Endowments	45,301	Restricted Nonexpendable
Total	<u>\$15,770,933</u>	

Note 22: Management Discussion and Analysis

- Net assets increased by \$56.5 million for the year ended August 31, 2005 primarily due to an increase in tuition and fee revenues and an increase in unrealized net changes in the fair value of investments.
- Capital asset additions totaled \$77 million for the year ended August 31, 2005.

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

Not applicable

Texas Tech University – Notes to the Financial Statements (continued)**Note 24: Special or Extraordinary Items**

Texas Tech University has no special or extraordinary items during the fiscal year ended August 31, 2005.

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

Components of receivables as of August 31, 2005 are summarized below.

Type	Net Amount
Federal Receivables	\$10,423,720
Interest and Dividends Receivable	558,177
Student Receivables	335,548
Gift Receivables Current & Noncurrent	34,119,539
Accounts Receivables	2,504,239
Other Receivables	399,902
Loans and Notes Receivable Current & Noncurrent	4,746,763
Total Receivables	\$53,087,888

Payables

Components of payables as of August 31, 2005 are summarized below.

Type	Net Amount
Accounts Payable	\$12,182,920
Payroll Payable	15,274,510
Liabilities Payable from Restricted Assets	21,500,538
Total Payables	\$48,957,968

SCHEDULES

UNAUDITED

Texas Tech University
Schedule 1A - Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2005

Note 1: Non-Monetary Assistance:

The "Donation Of Federal Surplus Personal Property" is presented at 23.3 percent of the original federal acquisition cost of \$13,366. 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 2005 is \$3,114.

Note 2: Reconciliation:

Federal Grants and Contracts (SRECNA)	\$ 40,322,199.24
Federal Pass-Through Grants from other State Agencies (SRECNA)	1,909,194.44
Total Federal Revenues	<u>42,231,393.68</u>

Reconciling Items:

Non-Monetary Assistance:	
Donation of Federal Surplus Property	3,114.35
New Loans Processed:	
Federal Family Education Loan Program	92,112,051.02
Federal Perkins Loan Program	546,269.00

Total Pass-Through and Expenditures Per Federal Schedule	<u>\$ 134,892,828.05</u>
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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	\$ 92,112,051.02	\$	\$ 92,112,051.02	\$
84.038 Federal Perkins Loan Program	546,269.00	33,455.45	579,724.45	921,048.36
Total Department of Education	<u>\$ 92,658,320.02</u>	<u>\$ 33,455.45</u>	<u>\$ 92,691,775.47</u>	<u>\$ 921,048.36</u>

Note 4: (Comptroller's Office only)

Note 5: 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. The publications are not assigned a value by the government printing office

Note 6: Unemployment Insurance Funds

Texas Tech University does not have CFDA 17.225 awards

Note 7: (Agency 501 Only)

Note 8: Federal Deferred Revenue

Federal Deferred Revenue 9/01/04	\$ 384,011.57
Increase/ (Decrease)	5,411,035.27
Federal Deferred Revenue 8/31/05	<u>\$ 5,795,046.84</u>

UNAUDITED

Texas Tech University
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2005

Pass-Throughs From:

Governor's Office (Agency 300)

TIGRE - Texas Internet Grid for Research and Education	\$ 16,655.75
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Texas Department of Agriculture (Agency 551)

Fire Ant Survey 2005	25,146.23
Development of Selected Ornamentals Tolerant to Recycled and Saline Irrigation	335.40

Texas Commission on Environmental Quality (Agency 582)

Design and Operation of Land Application Systems	18,359.87
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Texas Water Development Board (Agency 580)

An Integrated Approach to Water Conservation	330,289.64
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Texas State Energy Conservation Office (Agency 907)

Biomass Production from Recycled Waste and Water	1,471.41
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Texas Agriculture Experiment Station (Agency 556)

New Cropping System	25,000.00
Texas Cotton	118,000.00
Fire Ant	78,755.00
Texas Equine Research	7,300.00

Texas Higher Education Coordinating Board (Agency 781)

Texas Grant Program	7,298,470.00
Advanced Technology Program	(27,980.54)
Advanced Research Program	(5,646.38)
College Work Study Program	156,581.00
5th Year Accounting Scholarship	20,158.00
Texas Technology Workforce Development Grants Program	331,964.47

Total Pass-Throughs from Other Agencies

<u><u>\$ 8,394,859.85</u></u>

UNAUDITED

Texas Tech University
Schedule 3 - Reconciliation of Cash in State Treasury
As of August 31, 2005

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue (Fund 0255)	\$ 17,750,589.00	\$	\$ 17,750,589.00
Total Cash in State Treasury (Note 1)	\$ 17,750,589.00	\$	\$ 17,750,589.00