AUDIT REPORT

Tennessee Board of Regents
Tennessee Technological University

For the Year Ended
June 30, 2005

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

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STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

February 7, 2006

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Robert R. Bell, President
Tennessee Technological University
Box 5007
Cookeville, Tennessee 38505

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Tennessee Technological University, for the year ended June 30, 2005. You will note from the independent auditor's report that unqualified opinions were given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/sah
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State of Tennessee

Audit Highlights

Comptroller of the Treasury Division of State Audit

Financial and Compliance Audit
Tennessee Technological University
For the Year Ended June 30, 2005

AUDIT OBJECTIVES

The objectives of the audit were to consider the university's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINIONS ON THE FINANCIAL STATEMENTS

The opinions on the financial statements are unqualified.

Audit Report
Tennessee Board of Regents
Tennessee Technological University
For the Year Ended June 30, 2005

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For the Year Ended June 30, 2005

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Tennessee Technological University. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to "perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller."

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

Tennessee Technological University was established as Tennessee Polytechnic Institute on September 14, 1916, by the General Assembly. In 1927, the institution was raised to the status of a four-year college and empowered to grant the bachelor's degree. The administrative structure of the university was expanded in 1949 into five schools: Arts and Sciences, Agriculture and Home Economics, Business Administration, Education, and Engineering. In 1965, the five undergraduate schools were designated as colleges. By an act of the General Assembly, effective July 1, 1965, the name of the institution was officially changed to Tennessee Technological University.

ORGANIZATION

The governance of Tennessee Technological University is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the university is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 2004, through June 30, 2005, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the year ended June 30, 2005, and for comparative purposes, the year ended June 30, 2004. Tennessee Technological University is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report.*

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the university's internal control over financial reporting to determine auditing procedures for the purpose of expressing opinions on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act, as amended by the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, it included tests of compliance with applicable federal laws and regulations and consideration of internal control used in administering federal financial assistance programs. This audit is a segment of the organization-wide audit of the State of Tennessee, which is conducted in accordance with the Single Audit Act.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the institution. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the institution is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the institution.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the institution. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic.

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants, requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, and not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the university's financial statements for the year ended June 30, 2005, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered unqualified opinions on the university's financial statements.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

November 18, 2005

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Tennessee Technological University, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. During the year ended June 30, 2005, the university implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the university's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the university's management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the university's financial statements are free of material misstatement, we performed tests of the university's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did, however, note certain less significant instances of noncompliance, which we have reported to the university's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
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Independent Auditor's Report

November 18, 2005

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying basic financial statements of Tennessee Technological University, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2005, and June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the university's management. Our responsibility is to express opinions on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of many agencies, commissions, and component units of the State of Tennessee; managing the state's debt; and making loans to the state's colleges and universities from debt proceeds. Some of the boards of which the Comptroller of the Treasury serves as a member per state statutes include the State Building Commission and the Tennessee Higher Education Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tennessee Board of Regents, Tennessee Technological University, and its discretely presented component unit as of June 30, 2005, and June 30, 2004, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2005, the university implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. During the year ended June 30, 2004, the university implemented GASB Statement 39, *Determining Whether Certain Organizations Are Component Units.*

The management's discussion and analysis on pages 10 through 26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information on page 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the university's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah

TENNESSEE TECHNOLOGICAL UNIVERSITY

Management's Discussion and Analysis
For the Year Ended June 30, 2005

This section of Tennessee Technological University's report presents a discussion and analysis of the financial performance of the university during the fiscal year ended June 30, 2005, with comparative information presented for the fiscal years ended June 30, 2004, and June 30, 2003. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Tennessee Technological University as a whole and present a long-term view of the university's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the university at the end of the fiscal year and includes all assets and liabilities of the university. The difference between total assets and total liabilities—net assets—is an indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the university's equity in property, plant, and equipment owned by the university. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the university for any lawful purpose of the university.

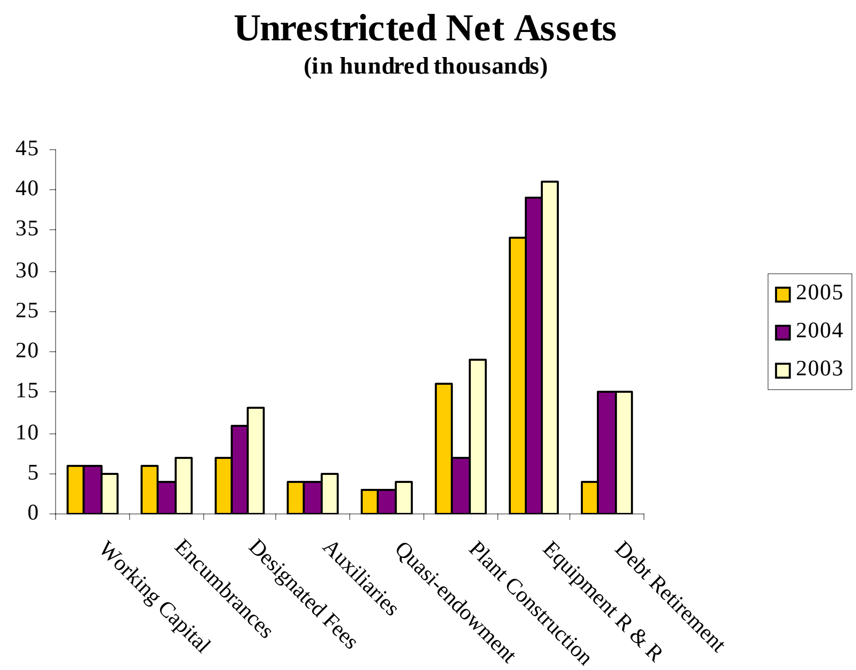
Statement of Net Assets

(in thousands of dollars)

	2005	2004	2003
Assets:			
Current assets	$ 13,590	$ 12,484	$ 13,433
Capital assets, net	47,349	46,027	44,114
Other assets	12,143	12,481	14,546
Total assets	**73,082**	**70,992**	**72,093**
Liabilities:			
Current liabilities	9,418	8,976	10,059
Noncurrent liabilities	16,207	16,595	14,794
Total liabilities	**25,625**	**25,571**	**24,853**
Net assets:			
Invested in capital assets, net of related debt	35,032	33,757	33,679
Restricted – nonexpendable	620	719	721
Restricted – expendable	3,959	2,692	2,801
Unrestricted	7,846	8,253	10,039
Total net assets	**$ 47,457**	**$ 45,421**	**$ 47,240**

- Total assets of the university increased by 3% from 2004 to 2005. The increase can be attributed primarily to changes in capital assets, which increased by 3%, with the major increase being for construction in progress; an 11% increase in current cash; an 8% increase in accounts, notes, and grants receivable, which resulted from increases in student receivables, grants receivable, and student loans; a 5% increase in noncurrent cash; and a 28% decrease in noncurrent investments due to fewer purchases. All other increases and decreases were minor.
- The assets of the university decreased by 2% from 2003 to 2004. Because of a drop in market value, noncurrent investments and cash decreased 15%. Current cash decreased by 12%, while capital assets increased by 4%.
- In keeping with the university's mission, the consumption of assets provided for the continuation of high-quality instruction in the university's undergraduate, masters, specialist, and doctoral degree-granting programs. Assets were also used to continue the mission of research, scholarly activities, and public service, with emphasis on community and economic development.
- The university's increase in liabilities from 2004 to 2005 was slight—0.21%.
- The total liabilities for the university increased by 3% from 2003 to 2004. An analysis revealed that the noncurrent liability for bonds and commercial paper payable for residence hall construction increased by 19%. A decrease of 32% in the current liabilities for accounts payable was primarily due to benefits liabilities and deductions. The decrease in net assets is mainly attributed to an unrestricted net assets decrease of 18%. All other fluctuations in net assets were minor.

Many of the university's unrestricted net assets have been designated or reserved for specific purposes such as: repairs and replacement of equipment, future debt service, quasi-endowments, and capital projects. The following graph shows the allocations:



- Unrestricted net assets decreased from 2004 to 2005 by 5%. The renewal and replacement of equipment decreased 11%, debt retirement dropped by 76%, designated fees decreased 33%, and encumbrances increased by 77%. All other changes were minor. The renewal and replacement decrease was due to a large transfer from renewals and replacements to the Housing Fire and Safety project; the debt retirement decrease was due to the debt reduction of two projects—the H&PE Convocation Center debt was paid off and the University Recreation/Fitness Center's debt was paid down by approximately $506,000; the designated fees decrease was due to computer equipment purchases using the technology access fees; and the encumbrances increased because some of those computer purchases had not yet been made as of the end of the fiscal year.
- From 2003 to 2004, unrestricted net assets decreased by 18%. The primary decreases were 6% in renewal and replacement of equipment and 62% in plant construction. Other areas had minor changes.

The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the university, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

Statement of Revenues, Expenses, and Changes in Net Assets

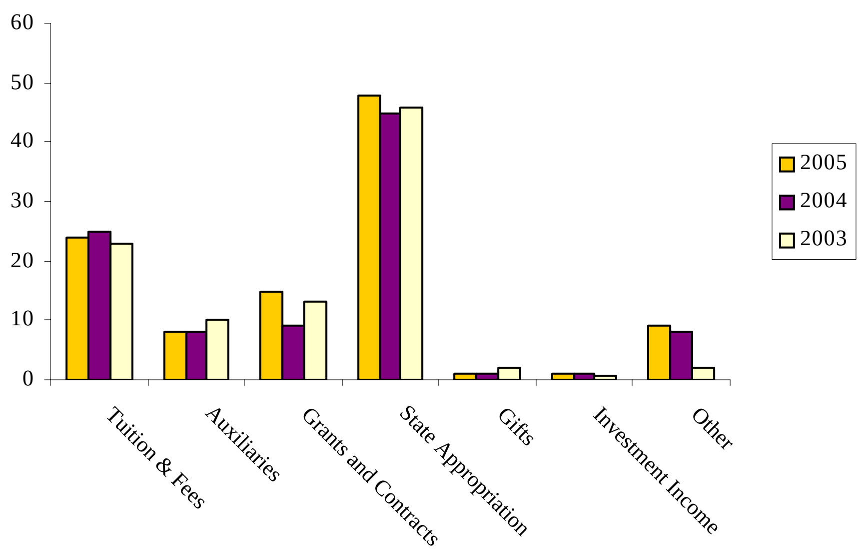
(in thousands of dollars)

	2005	2004	2003
Operating revenues:			
Net tuition and fees	$ 24,230	$ 25,313	$ 22,908
Grants and contracts	8,238	8,647	13,199
Auxiliary	8,539	8,093	10,327
Other	3,794	4,071	2,392
Total operating revenues	**44,801**	**46,124**	**48,826**
Operating expenses	108,214	100,395	100,635
Operating loss	**(63,413)**	**(54,271)**	**(51,809)**
Nonoperating revenues and expenses:			
State appropriations	47,869	44,729	45,813
Gifts	749	708	2,445
Investment income	755	441	787
Other nonoperating revenues and (expenses)	12,399	5,156	(501)
Total nonoperating revenues and expenses	**61,772**	**51,034**	**48,544**
Loss before other revenues, expenses, gains, or losses	**(1,641)**	**(3,237)**	**(3,265)**
Other revenues, expenses, gains, or losses:			
Capital appropriations	2,477	339	592
Capital grants and gifts	1,183	1,061	1,443
Additions to permanent endowments	17	18	16
Total other revenues, expenses, gains, or losses	**3,677**	**1,418**	**2,051**
Increase (decrease) in net assets	**2,036**	**(1,819)**	**(1,214)**
Net assets at beginning of year	**45,421**	**47,240**	**48,454**
Net assets at end of year	**$ 47,457**	**$ 45,421**	**$ 47,240**

Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund the university's operating activities for the years ended June 30, 2005; June 30, 2004; and June 30, 2003.

Revenues by Source
(in millions)



- The university's revenues increased by 12% from 2004 to 2005. This increase can be attributed to a 46% increase in grants and contracts and a 7% increase in state appropriations. The university experienced a decrease in net tuition and fees of 4% due to the scholarship allocation increasing for lottery scholarships. All other sources experienced slight changes.
- From 2003 to 2004, the university's revenues decreased by 1%, which can be primarily attributed to decreases in state appropriations of 2%, auxiliary enterprises of 22%, and gifts of 71%. Capital items decreased by 31% due to less foundation support for the nursing project. A 14% fee increase resulted in a 10% increase in tuition and fees. Sales and services of educational activities increased by 87%, while grants and contracts increased by 11% during the year. All other sources of revenue experienced slight changes.

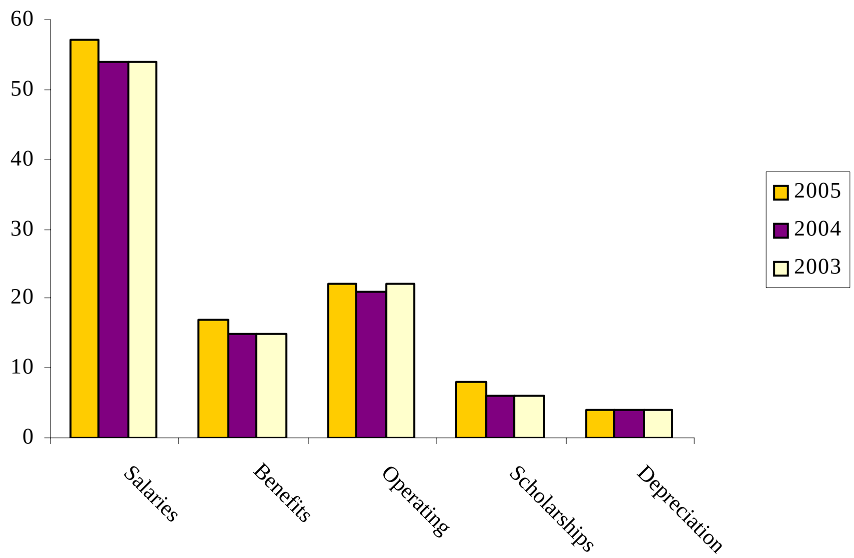
Expenses

Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below.

Operating Expenses - Natural Classification
(in thousands of dollars)

		2005		2004		2003
Salaries	$	57,141	$	53,790	$	53,930
Benefits		17,227		15,153		14,742
Operating		21,529		21,353		22,207
Scholarships		8,263		6,007		5,836
Depreciation		4,054		4,092		3,920
Total	$	108,214	$	100,395	$	100,635

Operating Expenses - Natural Classification
(in millions)

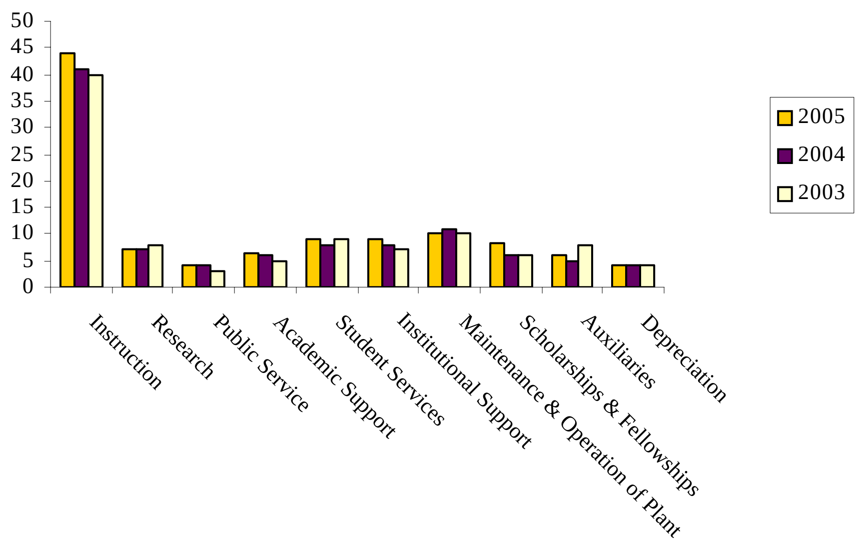


- Expenses increased by 8% from 2004 to 2005. Salaries increased by 6%, and benefits rose by 14% due to insurance and retirement increases. Scholarships increased by 38% due to lottery scholarships. Only minor changes occurred in other areas.
- From 2003 to 2004, there were no major changes in spending levels.

Operating Expenses – Program Classification
(in thousands of dollars)

	2005	2004	2003
Instruction	$ 44,045	$ 40,741	$ 39,800
Research	7,330	6,818	7,759
Public service	4,213	4,041	3,635
Academic support	6,392	5,738	5,594
Student services	9,191	8,378	8,814
Institutional support	8,744	7,968	7,278
Maintenance and operation	10,190	11,159	10,143
Scholarships and fellowships	8,263	6,007	5,836
Auxiliaries	5,792	5,453	7,856
Depreciation	4,054	4,092	3,920
Total	$ 108,214	$ 100,395	$ 100,635

Operating Expenses - Program Classification
(in millions)



- The university had an overall 8% increase in expenses. A 38% increase for scholarships and fellowships was the only category that showed a significant change from 2004 to 2005.
- From 2003 to 2004, auxiliaries experienced the largest decrease in expenses due to the contracting of dining services. All other categories had minor increases and decreases.

The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the university's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Statement of Cash Flows

(in thousands of dollars)

	2005	2004	2003
Cash provided (used) by:			
Operating activities	$ (59,696)	$ (51,332)	$ (45,524)
Noncapital financing activities	61,671	51,174	47,306
Capital and related financing activities	(2,462)	(3,257)	(1,042)
Investing activities	1,683	1,032	2,985
Net increase (decrease) in cash	**1,196**	**(2,383)**	**3,725**
Cash, beginning of year	15,113	17,496	13,771
Cash, end of year	**$ 16,309**	**$ 15,113**	**$ 17,496**

- Increases in cash were the result of proceeds from tuition and fees, noncapital grants and contracts, and sales and services of educational departments.
- Decreases were primarily the result of purchases of capital assets, payments to suppliers and vendors, federal student loan disbursements, payments to employees (including benefits), and payments on capital debt.
- The cash flow of the university is highly dependent on two major sources—tuition and fees and state appropriations.
- The net increase in cash amounted to $1,196,000 at June 30, 2005.
- The net decrease in cash amounted to $2,383,000 at June 30, 2004.
- For informational purposes, the following liquidity ratios are being provided:

	2005	2004	2003
Current ratio	1.443	1.391	1.335
Quick ratio	1.381	1.328	1.278

The university's liquidity improved slightly as of June 30, 2005, and June 30, 2004. As a rule of thumb, an adequate current ratio is 2:1; the university's is 1.443:1 at June 30, 2005, and 1.391:1 at June 30, 2004. Although not an adequate ratio, approximately 68% of current assets at June 30, 2005, and 90% of current assets at June 30, 2004, are cash and investments that can readily be converted to cash to pay current liabilities.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005, the university had $47,349,000 invested in capital assets, net of accumulated depreciation of $79,798,000. At June 30, 2004, the university had $46,027,000 invested in capital assets, net of accumulated depreciation of $77,345,000. At June 30, 2003, the university had $44,114,000 invested in capital assets net of accumulated depreciation of $78,721,000. Depreciation charges totaled $4,054,000 for the year ended June 30, 2005; $4,092,000 for the year ended June 30, 2004; and $3,919,000 for the year ended June 30, 2003. Details of these assets are shown below.

Schedule of Capital Assets, Net of Depreciation

(in thousands of dollars)

	2005	2004	2003
Land	$ 1,258	$ 1,258	$ 1,258
Land improvements & infrastructure	1,407	1,554	1,712
Buildings	30,013	31,871	23,722
Equipment	4,793	4,574	4,522
Library holdings	4,688	4,698	4,839
Projects in progress	5,190	2,072	8,061
Total capital assets, net of depreciation	$ 47,349	$ 46,027	$ 44,114

The university had five projects in progress that increased capital assets $3,121,900 in fiscal year 2005. The Fire Alarm System Upgrade, Nursing & Health Services Building, Mechanical System Upgrade, and Banner ERP projects were the largest of the projects in progress. Another $2,291,500 in equipment and library holdings was capitalized during the year.

The university had three projects in progress, along with the completion of a new residence hall that increased capital assets during fiscal year 2004. These were the primary factors in this increase and were financed through the Tennessee State School Bond Authority and private donations. An elevator for the Joe L. Evins Appalachian Center for Crafts was also installed and funded with state appropriations.

More detailed information about the university's capital assets is presented in Note 6 to the financial statements.

The university plans to spend approximately $14,997,000 in capital expenditures during the next fiscal year. The following details the projects, amounts, and funding sources:

Project	Amount (in thousands of dollars)		Source of Funding
Chiller Replacement	$	1,000	State appropriations
Prescott Hall - Mechanical Upgrade	$	107	State appropriations
Fire Alarm Replacement	$	1,220	State appropriations
ADA Modifications	$	120	State appropriations
Bruner Electrical Upgrade	$	1,570	State appropriations
Nursing & Health Services Building	$	2,360	Federal grant, state appropriations
Central Cooling Deficiency	$	2,810	State appropriations
Housing Fire Safety Upgrade	$	1,186	Housing revenues, local funds
Performance Contracting	$	4,324	Tennessee State School Bond Authority
STEM Building	$	300	Private donations

Debt

At June 30, 2005; June 30, 2004; and June 30, 2003, the university had $12,317,000; $12,270,000; and $10,434,000 in debt outstanding, respectively. The table below summarizes these amounts by type of debt instrument.

	Amount (in thousands of dollars)					
Debt Instrument		2005		2004		2003
Bonds payable	$	11,651	$	12,270	$	7,939
Commercial paper		666		-		2,495
Total outstanding debt	$	12,317	$	12,270	$	10,434

In fiscal year 2005, the university acquired $665,800 in commercial paper related to the Banner ERP project. New debt acquired from bond refunding was $864,340. Debt of $1,483,800 was retired.

In fiscal year 2004, the university acquired $5,217,000 in new bond debt for the new residence hall. Debt totaling $728,000 was retired during the year, and the reserve increased by $157,000.

The Tennessee State School Bond Authority's bond ratings are AAA as issued by Fitch and Standard & Poor's and Aaa as issued by Moody's Investor's Service.

More detailed information about the university's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors That Will Affect the Future of the University

The university's 2005-06 budget will be improved slightly due to a 9.7% increase in fees along with constant state appropriations.

TENNESSEE TECHNOLOGICAL UNIVERSITY FOUNDATION

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the foundation at the end of the fiscal year and includes all assets and liabilities of the foundation. The difference between total assets and total liabilities—net assets—is an indicator of the current financial condition of the foundation. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, provides the foundation's equity in property, plant, and equipment owned by the foundation. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the foundation, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the foundation for any lawful purpose of the foundation.

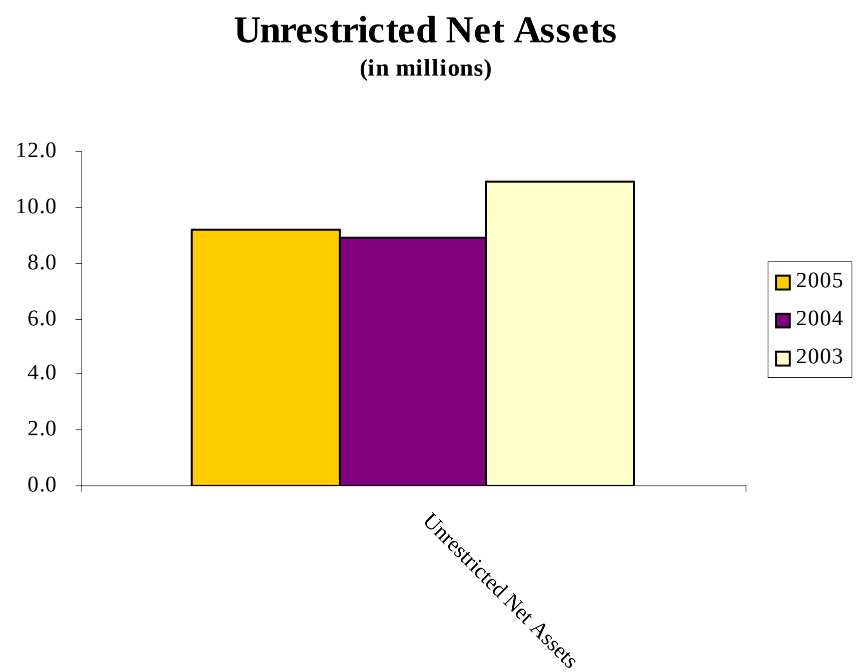
Statement of Net Assets

(in thousands of dollars)

	2005	2004	2003
Assets:			
Current assets	$ 978	$ 543	$ 968
Capital assets, net	342	342	291
Other assets	38,073	31,965	24,939
Total assets	**39,393**	**32,850**	**26,198**
Net assets:			
Invested in capital assets	342	342	291
Restricted - nonexpendable	30,091	25,866	20,214
Restricted - expendable	8,040	5,742	4,691
Unrestricted	920	900	1,002
Total net assets	**$ 39,393**	**$ 32,850**	**$ 26,198**

- Total assets increased by 20% from 2004 to 2005. Investments increased by 29%, while cash and cash equivalents in permanent endowments decreased by 7%.
- From 2003 to 2004, total assets of the foundation increased by 25%. The increase was due primarily to the additions of investments of 18% and an increase of 67% of cash and cash equivalents as a result of increases in investment income and additions to permanent endowments.
- Current assets increased by 80% from 2004 to 2005 due to an increase in gifts and investment income for unrestricted purposes, and a reclassification to short term investments.
- From 2003 to 2004, current assets decreased by 44% due to a reclassification of unrestricted to restricted categories during the year.
- In keeping with the foundation's mission, the consumption of assets provided assistance to the university's annual and capital purposes. Assets were also used to award students, faculty, staff, alumni, and friends of the university.

The foundation's unrestricted net assets have not been designated or reserved for specific purposes. Funds are available for use as priorities arise during the year.



The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the Foundation, as well as the nonoperating revenues and expenses.

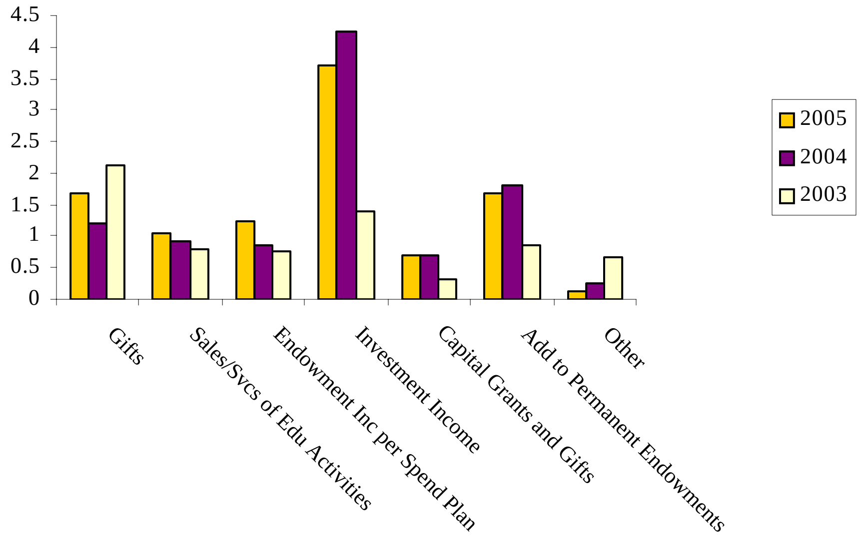
Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2005	2004	2003
Operating revenues:			
Gifts	$ 1,692	$ 1,225	$ 2,125
Sales and services of educational activities	1,066	912	785
Endowment income	1,248	857	777
Other	126	26	66
Total operating revenues	**4,132**	**3,020**	**3,753**
Operating expenses	3,685	3,141	3,569
Operating income (loss)	**447**	**(121)**	**184**
Nonoperating revenues and expenses:			
Investment income	3,716	4,241	1,405
Total nonoperating revenues and expenses	**3,716**	**4,241**	**1,405**
Income before other revenues, expenses, gains, or losses	**4,163**	**4,120**	**1,589**
Other revenues, expenses, gains, or losses:			
Capital grants and gifts	704	712	313
Additions to permanent endowments	1,676	1,820	872
Total other revenues, expenses, gains, or losses	**2,380**	**2,532**	**1,185**
Increase in net assets	**6,543**	**6,652**	**2,774**
Net assets at beginning of year	**32,850**	**26,198**	**23,424**
Net assets at end of year	**$ 39,393**	**$ 32,850**	**$ 26,198**

Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund the foundation’s operating activities for the years ended June 30, 2005; June 30, 2004; and June 30, 2003.

Revenues by Source
(in millions)



- Operating revenues increased by 37% in 2005 over 2004. Operating gifts increased by 38% with a major gift going to this designation. Sales and services of educational activities increased by 17% from project income. Endowment income per the spending plan increased by 46% due to an increase in permanent endowments last year and increased investment income over expenses. Other revenue increased by 385% due to increased transfers to the foundation from the university. Total gifts increased by 8% with increased fund raising success. Nonoperating revenue decreased by 12% because of a drop in the total financial gains of investments.

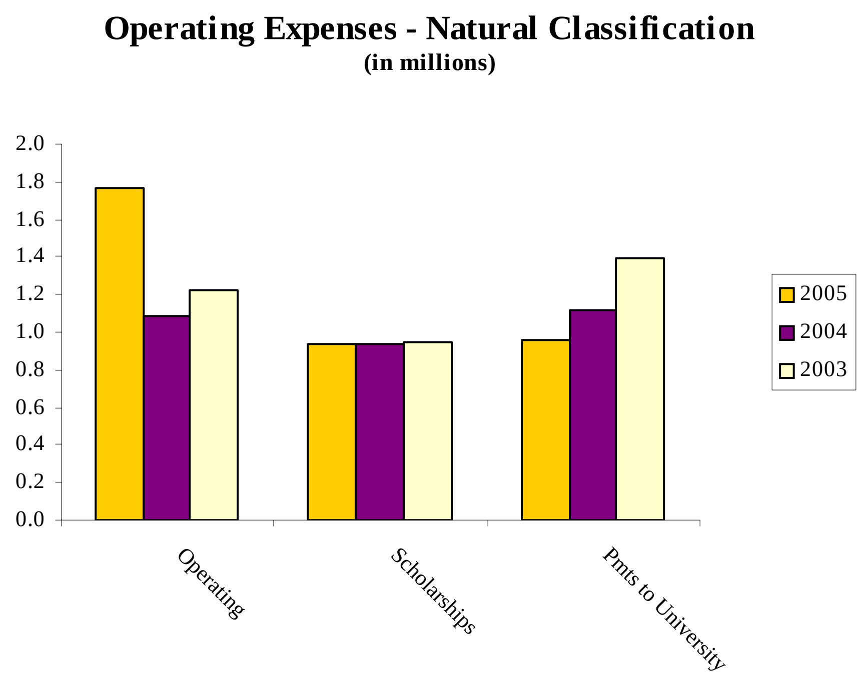
- From 2003 to 2004, the foundation's operating revenues decreased by 20%, which can be primarily attributed to a decrease in operating gifts of 42%. Additions to permanent endowments increased by 109%. Capital gifts increased by 127%. Other revenue decreased 61% due to fewer transfers to the foundation. Sales and services of educational activities increased by 16% from project income. Total gifts changed by 14% with the direction of the gift being the main difference in classification. Nonoperating revenue increased by 202% due to an upturn in the financial markets.

<u>Expenses</u>

The natural classification method for displaying operating expenses is shown below.

Operating Expenses - Natural Classification
(in thousands of dollars)

	2005	2004	2003
Operating	$ 1,777	$ 1,080	$ 1,220
Scholarships	947	939	955
Payments to university	961	1,122	1,394
Total	$ 3,685	$ 3,141	$ 3,569



- In 2005, operating revenue, investment income, and a spending plan increase allowed for an increase in operating expenses of 17% over 2004. Transfers to the university in 2005 were down 32% from 2004 for the new Nursing Building.
- The major decreases during the year 2004 were due to decreased gift operating revenue, leaving less funds for expenditure. In 2004, transfers to the university for the new Nursing Building were 34% less than in 2003.

The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the foundation's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Statement of Cash Flows

(in thousands of dollars)

	2005	2004	2003
Cash provided (used) by:			
Operating activities	$ 698	$ (53)	$ 250
Noncapital financing activities	1,676	1,820	872
Capital and related financing activities	451	535	3
Investing activities	(3,092)	794	(3,362)
Net increase (decrease) in cash	(267)	3,096	(2,237)
Cash, beginning of year	9,252	6,156	8,393
Cash, end of year	$ 8,985	$ 9,252	$ 6,156

- For 2005 increases in cash were the result of material funding in project income, operating gifts, elevated spending plan, investment income, sale and maturities of investments, additions to permanent endowments, transfers from the university, and gifts for new capital projects.
- For 2004 increases in cash were the result of material increases in investment income, additions to permanent endowments, elevated spending plan, project income, and gifts for the Nursing Building.
- For 2005 decreases were primarily the result of payments of scholarships, purchases of investments, payments to suppliers and vendors, and payments to the university.
- For 2004 decreases were primarily the result of payments of scholarships, purchases of investments, purchase of land, payments to suppliers and vendors, and payments to the university.
- The cash flow of the foundation is highly dependent on two major sources—gifts and investment income.

Capital Assets

At June 30, 2005, and June 30, 2004, the foundation had $342,000 invested in capital assets. At June 30, 2003, the foundation had $291,000 invested in capital assets. Details of these assets are shown below.

Schedule of Capital Assets
(in thousands of dollars)

	2005	2004	2003
Land	$ 342	$ 342	$ 291

- During 2005 there were no changes in capital assets for the foundation.
- During 2004 the foundation purchased land valued at $51,000.

More detailed information about the foundation's capital assets is presented in Note 18 to the financial statements.

Economic Factors That Will Affect the Future of the Foundation

The new Nursing Building has now been funded by the State of Tennessee. Fundraising efforts for capital projects may be directed to the new Science, Technology, Engineering, and Math Building.

The Federal Reserve has raised interest rates over the past year, and indications are this trend will continue. If rates continue to rise, the funds held in the Local Government Investment Pool and cash equivalents held by the money managers will provide an increase in funds for scholarships and various other endeavors.

Requests for Information

This financial report is designed to provide a general overview of the university's finances for all those with an interest in the university's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Linda Maxwell, Vice President for Business & Fiscal Affairs, Tennessee Technological University, P.O. Box 5037, Cookeville, Tennessee 38505.

TENNESSEE BOARD OF REGENTS
TENNESSEE TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET ASSETS
JUNE 30, 2005, AND JUNE 30, 2004

	Tennessee Technological University		Component Unit Tennessee Technological University Foundation	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 18)	$ 9,246,160.03	$ 8,361,297.44	$ 817,289.78	$ 486,766.06
Short-term investments (Notes 4 and 18)	-	85,928.93	101,266.00	-
Accounts, notes, and grants receivable (net) (Note 5)	3,717,687.81	3,422,706.27	1,500.00	-
Inventories (at lower of cost or market)	305,401.35	290,719.42	-	-
Prepaid expenses and deferred charges	275,380.06	273,542.01	-	-
Accrued interest receivable	45,518.23	49,300.15	58,123.16	56,686.05
Total current assets	13,590,147.48	12,483,494.22	978,178.94	543,452.11
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 18)	7,063,026.62	6,752,343.19	8,168,140.80	8,765,535.90
Investments (Notes 4 and 18)	2,137,545.46	2,975,779.47	29,891,424.22	23,169,141.48
Accounts, notes, and grants receivable (net) (Note 5)	2,942,612.10	2,753,067.71	-	-
Capital assets (net) (Notes 6 and 18)	47,349,184.24	46,027,265.50	342,064.28	342,064.28
Other assets	-	-	13,300.00	30,300.00
Total noncurrent assets	59,492,368.42	58,508,455.87	38,414,929.30	32,307,041.66
Total assets	73,082,515.90	70,991,950.09	39,393,108.24	32,850,493.77
LIABILITIES				
Current liabilities:				
Accounts payable	2,470,423.02	2,572,440.34	-	-
Accrued liabilities	2,281,672.06	2,124,456.14	-	-
Student deposits	133,613.17	125,613.66	-	-
Deferred revenue	2,089,168.51	2,293,751.46	-	-
Compensated absences (Note 7)	881,619.42	821,635.81	-	-
Accrued interest payable	90,132.29	99,780.63	-	-
Long-term liabilities, current portion (Note 7)	1,179,880.05	670,834.75	-	-
Deposits held in custody for others	270,438.99	246,694.94	-	-
Other liabilities	21,001.33	21,185.10	-	-
Total current liabilities	9,417,948.84	8,976,392.83	-	-
Noncurrent liabilities:				
Compensated absences (Note 7)	2,053,924.47	1,997,409.69	-	-
Long-term liabilities (Note 7)	11,136,782.22	11,599,490.63	-	-
Due to grantors (Note 7)	3,016,177.58	2,997,514.88	-	-
Total noncurrent liabilities	16,206,884.27	16,594,415.20	-	-
Total liabilities	25,624,833.11	25,570,808.03	-	-
NET ASSETS				
Invested in capital assets, net of related debt	35,032,521.97	33,756,940.12	342,064.28	342,064.28
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	619,760.76	719,469.67	20,538,432.29	17,763,662.81
Research	-	-	385,674.41	350,331.42
Instructional department uses	-	-	2,634,879.82	2,135,499.05
Other	-	-	6,532,004.00	5,616,703.77
Expendable:				
Scholarships and fellowships (Note 8)	150,805.58	243,786.79	3,630,267.81	3,026,797.15
Research	269,272.15	196,929.58	15,239.92	17,479.04
Instructional department uses (Note 8)	432,054.21	358,904.85	1,019,188.89	516,446.80
Loans (Note 8)	781,896.23	783,019.65	-	-
Capital projects	-	-	488,030.58	282,670.46
Debt service	1,151,734.30	21,259.59	-	-
Other (Note 8)	1,173,637.99	1,087,546.05	2,887,021.86	1,898,519.09
Unrestricted (Notes 8 and 9)	7,845,999.60	8,253,285.76	920,304.38	900,319.90
Total net assets	$ 47,457,682.79	$ 45,421,142.06	$ 39,393,108.24	$ 32,850,493.77

The notes to the financial statements are an integral part of this statement.

Exhibit B

TENNESSEE BOARD OF REGENTS
TENNESSEE TECHNOLOGICAL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004

	Tennessee Technological University		Component Unit Tennessee Technological University Foundation	
	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2004
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $14,314,767.64 for the year ended June 30, 2005, and $9,359,388.19 for the year ended June 30, 2004)	$ 24,230,768.36	$ 25,312,942.31	$ -	$ -
Gifts and contributions	-	-	1,691,544.48	1,224,686.89
Endowment income	-	-	1,248,380.14	856,927.57
Governmental grants and contracts	7,686,934.72	8,115,958.82	-	-
Nongovernmental grants and contracts	550,886.35	530,454.50	-	-
Sales and services of educational departments	2,995,306.60	3,062,857.55	1,065,856.77	912,137.11
Auxiliary enterprises:				
Residential life (net of scholarship allowances of $28,283.27 the year ended June 30, 2005, and $13,572.84 for the year ended June 30, 2004; all residential life revenues are used as security for revenue bonds; see Note 7)	6,479,557.62	5,709,406.65	-	-
Bookstore	252,708.46	279,971.24	-	-
Food service (net of scholarship allowances of $340,713.25 for the year ended June 30, 2005, and $267,905.79 for the ended June 30, 2004; all food service revenues are used as security for revenue bonds; see Note 7)	203,947.61	618,603.10	-	-
Wellness facility (net of scholarship allowances of $9,159.54 for the year ended June 30, 2005, and $5,583.04 for the year ended June 30, 2004; all wellness facility revenues are used as security for revenue bonds; see Note 7)	925,831.98	773,599.18	-	-
Other auxiliaries	676,811.70	711,734.59	-	-
Interest earned on loans to students	33,338.09	43,598.91	-	-
Other operating revenues	765,335.36	964,754.12	126,108.02	26,413.67
Total operating revenues	44,801,426.85	46,123,880.97	4,131,889.41	3,020,165.24
EXPENSES				
Operating expenses (Note 16):				
Salaries and wages	57,141,320.35	53,789,709.36	-	-
Benefits	17,226,797.16	15,152,980.67	-	-
Utilities, supplies, and other services	21,529,304.98	21,352,619.52	1,776,752.25	1,079,856.68
Scholarships and fellowships	8,262,782.45	6,007,460.01	947,461.17	939,607.76
Depreciation expense	4,054,125.10	4,092,194.64	-	-
Payments to or on behalf of Tennessee Technological University (Note 18)	-	-	961,030.70	1,121,901.87
Total operating expenses	108,214,330.04	100,394,964.20	3,685,244.12	3,141,366.31
Operating income (loss)	(63,412,903.19)	(54,271,083.23)	446,645.29	(121,201.07)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	47,869,300.00	44,729,244.28	-	-
Gifts, including $257,850.30 from component unit for the year ended June 30, 2005, and $293,288.57 for the year ended June 30, 2004	748,872.41	707,839.05	-	-
Grants and contracts	13,135,268.00	5,943,024.00	-	-
Investment income (net of investment expense for the component unit of $181,599.50 for the year ended June 30, 2005, and $171,459.99 for the year ended June 30, 2004)	754,649.03	441,011.25	3,716,387.20	4,241,301.56
Interest on capital asset-related debt	(555,544.17)	(450,310.11)	-	-
Bond issuance costs	(10,702.85)	(66,842.05)	-	-
Other nonoperating revenues (expenses)	(169,647.98)	(270,237.78)	-	-
Net nonoperating revenues	61,772,194.44	51,033,728.64	3,716,387.20	4,241,301.56
Income (loss) before other revenues, expenses, gains, or losses	(1,640,708.75)	(3,237,354.59)	4,163,032.49	4,120,100.49

TENNESSEE BOARD OF REGENTS
TENNESSEE TECHNOLOGICAL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004

	Tennessee Technological University		Component Unit Tennessee Technological University Foundation	
	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2004
Capital appropriations	2,476,631.44	339,288.14	-	-
Capital grants and gifts, including $703,180.40 from component unit for the year ended June 30, 2005, and $828,613.30 for the year ended June 30, 2004	1,183,098.00	1,060,600.10	703,748.73	712,337.02
Additions to permanent endowments	17,520.04	18,320.07	1,675,833.25	1,820,210.53
Total other revenues	3,677,249.48	1,418,208.31	2,379,581.98	2,532,547.55
Increase (decrease) in net assets	2,036,540.73	(1,819,146.28)	6,542,614.47	6,652,648.04
NET ASSETS				
Net assets - beginning of year	45,421,142.06	47,240,288.34	32,850,493.77	26,197,845.73
Net assets - end of year	$ 47,457,682.79	$ 45,421,142.06	$ 39,393,108.24	$ 32,850,493.77

The notes to the financial statements are an integral part of this statement.

Exhibit C

TENNESSEE BOARD OF REGENTS
TENNESSEE TECHNOLOGICAL UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004

	Year Ended June 30, 2005	Year Ended June 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 23,812,717.15	$ 25,753,924.65
Grants and contracts	8,245,524.37	8,248,495.45
Sales and services of educational activities	2,966,148.76	3,196,559.88
Payments to suppliers and vendors	(21,341,120.96)	(20,982,340.52)
Payments to employees	(57,027,938.36)	(54,576,353.49)
Payments for benefits	(16,988,090.93)	(15,902,688.36)
Payments for scholarships and fellowships	(8,262,782.45)	(6,007,460.01)
Loans issued to students and employees	(1,077,071.50)	(745,325.20)
Collection of loans from students and employees	617,069.42	710,554.93
Interest earned on loans to students	32,754.48	35,169.85
Auxiliary enterprise charges:		
Residence halls	6,479,882.81	5,709,708.34
Bookstore	252,708.46	279,971.21
Food services	221,456.69	495,187.65
Wellness facility	930,947.64	776,917.59
Other auxiliaries	678,471.04	698,438.75
Other receipts (payments)	763,440.28	977,046.48
Net cash used by operating activities	(59,695,883.10)	(51,332,192.80)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	47,877,700.00	44,663,600.00
Gifts and grants received for other than capital or endowment purposes, including $257,850.30 from Tennessee Technological University Foundation for the year ended June 30, 2005, and $293,288.57 for the year ended June 30, 2004	13,883,331.42	6,534,151.53
Private gifts for endowment purposes	17,520.04	18,320.07
Federal student loan receipts	16,430,466.00	14,934,725.00
Federal student loan disbursements	(16,427,016.00)	(14,957,532.00)
Changes in deposits held for others	20,722.83	34,328.70
Other noncapital financing receipts (payments)	(132,330.12)	(53,195.52)
Net cash provided by noncapital financing activities	61,670,394.17	51,174,397.78
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	1,530,140.00	5,216,694.33
Capital appropriations	2,476,631.44	339,288.14
Capital grants and gifts received, including $450,000.00 from Tennessee Technological University Foundation for the year ended June 30, 2005, and $760,000.00 for the year ended June 30, 2004	919,417.60	945,486.80
Purchases of capital assets and construction	(5,328,141.74)	(5,897,648.87)
Principal paid on capital debt	(1,483,803.11)	(3,223,551.56)
Interest paid on capital debt	(565,192.51)	(417,982.40)
Bond issue costs paid on new debt issue	(10,702.85)	(66,842.05)
Deposit with trustee	-	(157,161.99)
Other capital and related financing receipts (payments)	(437.41)	4,637.12
Net cash used by capital and related financing activities	(2,462,088.58)	(3,257,080.48)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	936,006.65	1,443,104.46
Income on investments	747,116.88	588,727.30
Purchases of investments	-	(999,787.54)
Net cash provided by investing activities	1,683,123.53	1,032,044.22

TENNESSEE BOARD OF REGENTS
TENNESSEE TECHNOLOGICAL UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004

	Year Ended June 30, 2005	Year Ended June 30, 2004
Net increase (decrease) in cash and cash equivalents	1,195,546.02	(2,382,831.28)
Cash and cash equivalents - beginning of year	15,113,640.63	17,496,471.91
Cash and cash equivalents - end of year	$ 16,309,186.65	$ 15,113,640.63
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (63,412,903.19)	$ (54,271,083.23)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	4,054,125.10	4,092,194.64
Gifts in-kind	24,566.88	105,201.51
Change in assets and liabilities:		
Receivables, net	(325,036.14)	(129,327.88)
Inventories	(14,681.93)	48,410.04
Prepaid/deferred items	17,215.80	(48,679.76)
Accounts payable	35,981.87	(1,413,167.89)
Accrued liabilities	177,929.48	(18,124.82)
Deferred revenue	(204,582.95)	141,423.24
Deposits	6,083.75	(8,135.08)
Compensated absences	116,498.39	(58,889.36)
Due to grantors	18,662.70	49,059.19
Loans to students and employees	(189,742.86)	178,926.60
Net cash used by operating activities	$ (59,695,883.10)	$ (51,332,192.80)
Noncash transactions		
Gifts in-kind	$ 24,566.88	$ 105,201.51
Gifts in-kind - capital	$ 263,680.40	$ 115,113.30
Unrealized gains/losses on investments	$ 11,843.71	$ (144,732.60)
Gain (loss) on disposal of capital assets	$ 37,317.86	$ (217,042.26)

The notes to the financial statements are an integral part of this statement.

Tennessee Board of Regents
Tennessee Technological University
Notes to the Financial Statements
June 30, 2005, and June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The university is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

<u>Blended Component Unit</u> - The Tennessee Technological University Dormitory Corporation (TTUDC) was chartered as a general welfare, nonprofit corporation whose purpose was to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university. For the year ended June 30, 2004, although it was legally separate from the university, in the university's financial statements the corporation was reported as if it were part of the university. Because of the nature and significance of its relationship with the university, the exclusion of the corporation from the university's reporting entity would render the university's financial statements incomplete. At June 30, 2004, the assets and liabilities of the corporation are included on the university's statement of net assets. For the year ended June 30, 2004, revenues and expenses of the corporation are also included in the university's financial statements. The TTUDC board met on June 23, 2005, and voted to dissolve the corporation since all of the corporation's liabilities had been paid. Upon dissolution of the corporation, all the corporation's assets were transferred to the university without further consideration. For the year ended June 30, 2004, a separate audit report was issued on the corporation's operations and can be obtained at the following address: Tennessee Technological University, Box 5037, Cookeville, Tennessee 38505.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This was followed in November 1999 by GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* and in May 2002 by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*. The financial statement presentation required by those statements provides a comprehensive, entity-wide perspective of the university's, including component unit's, assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

Basis of Accounting

For financial statement purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The university has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. The university has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include (1) tuition and fees, net of waivers and discounts; (2) federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises; and (4) other sources of revenue. Operating expenses for the university include (1) salaries and wages; (2) employee benefits; (3) scholarships and fellowships; (4) depreciation; and (5) utilities, supplies, and other services.

All other activity is nonoperating in nature and includes (1) state appropriations for operations; (2) investment income; (3) bond issuance costs; (4) interest on capital asset-related debt; and (5) gifts and nonexchange transactions.

When both restricted and unrestricted resources are available for use, generally it is the university's policy to use the restricted resources first.

Inventories

Inventories are valued at the lower of cost or market on an average cost or first-in, first-out basis.

Compensated Absences

The university's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are reported in the statement of net assets.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, and software, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of $100,000 is used for buildings, and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for software is set at $100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives, which range from 5 to 40 years.

Net Assets

The university's net assets are classified as follows:

Invested in capital assets, net of related debt - This represents the university's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Nonexpendable restricted net assets - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable restricted net assets - Expendable restricted net assets include resources which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university, and may be used at the discretion of the university to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

NOTE 2. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 2005, cash consisted of $3,320,357.51 in bank accounts, $27,053.00 of petty cash on hand, $12,284,108.65 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $677,667.49 in LGIP deposits for capital projects. At June 30, 2004, cash consisted of $2,279,259.30 in bank accounts, $25,753.00 of petty cash on hand, $12,597,752.12 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $210,876.21 in LGIP deposits for capital projects.

LGIP deposits for capital projects - Payments related to the university's capital projects are made by the State of Tennessee's Department of Finance and Administration. The university's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenses are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the university for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

NOTE 3. DEPOSITS

During the year ended June 30, 2005, the university implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. That statement modified the custodial credit risk disclosures of GASB Statement 3 to limit required disclosures to deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the university's name.

The university's deposits are in financial institutions that participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2005, the carrying amount of the university's deposits was $3,320,357.51, and the bank balance was $5,230,733.89. The bank balance was insured. At June 30, 2004, the carrying amount of the university's deposits was $2,279,259.30, and the bank balance was $4,144,815.58. The bank balance was insured.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 115%, 100%, or 90% of the uninsured deposits at financial institutions participating in the collateral pool. The pledge level is based on financial criteria set by the Collateral Pool Board with the financially strongest institutions being eligible for the lowest pledge level.

The university also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and required risk disclosures are presented in the *Tennessee Comprehensive Annual Financial Report.* That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

NOTE 4. INVESTMENTS

During the year ended June 30, 2005, the university implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. That statement modified the custodial credit risk disclosures of GASB Statement 3 to limit required disclosures to investment securities that are uninsured, are not registered in the name of the university, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the university's name.

All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

At June 30, 2005, the university had the following investments and maturities.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Government National Mortgage Association	$2,126,769.37	$ -	$371,338.72	$348,832.05	$1,406,598.60
Collateralized Mortgage Obligations	10,776.09	-	-	-	10,776.09
Total	$2,137,545.46	$ -	$371,338.72	$348,832.05	$1,417,374.69

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The university is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool (LGIP). The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the university and that endowment investments be prudently diversified. The university has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. At June 30, 2005, the university's investments were rated as follows by nationally recognized statistical rating organizations:

Investment Type	Moody's	Standard and Poor's	Fitch	Fair Value
LGIP	unrated	unrated	unrated	$12,284,108.65
Collateralized Mortgage Obligations	unrated	AAA	unrated	$ 10,776.09

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university does not have a policy for custodial credit risk. At June 30, 2005, the university had no uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the university's name.

Concentration of credit risk - The university places no limit on the amount the university may invest in any one issuer. At June 30, 2005, the university did not have more than 5% invested in any single issuer.

Foreign currency risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The university places no limit on the amount the university may invest in foreign currency. At June 30, 2005, the university had no foreign currency.

The university's investments at June 30, 2004, are categorized below to indicate the level of risk assumed by the university at year-end. Category 1 consists of insured or registered investments or investments for which the securities are held by the university or its agent in the university's name.

Category 1:	
U.S. government securities	$2,959,668.89
Collateralized Mortgage Obligations	16,110.58
Investments not susceptible to credit risk categorization:	
Mutual funds	85,928.93
Total	$3,061,708.40

Investments of the university's endowment and similar funds are composed of the following:

	Carrying Value June 30, 2005	Carrying Value June 30, 2004
U.S. government securities	$ 38,930.55	$ 55,456.46
Collateralized Mortgage Obligations	10,776.09	16,110.58
Local Government Investment Pool	868,688.59	983,904.15
	$918,395.23	$1,055,471.19

Assets of endowments are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of the calendar quarter within which the transaction takes place. Of the total units at June 30, 2005, each having a fair value of $1.008922, 618,138.08 units were owned by permanent endowments, 5,728.32 units were owned by term endowments, and 286,407.57 units were owned by quasi-endowments. Of the total units at June 30, 2004, each having a fair value of $1.014024, 703,177.37 units were owned by permanent endowments, 5,647.08 units were owned by term endowments, and 332,049.27 units were owned by quasi-endowments.

The following tabulations summarize changes in relationships between cost and fair values of the pooled assets:

FY 2005

	Pooled Assets		Net Gains	Fair Value
	Fair Value	Cost	(Losses)	Per Unit
End of year	$ 918,395.23	$ 915,462.33	$2,932.90	$ 1.008922
Beginning of year	$1,055,471.19	$1,051,465.67	4,005.52	1.014024
				$(0.005102)
Unrealized net loss			(1,072.62)	
Realized net gains			-	
Total net loss			$(1,072.62)	

The average annual earnings per unit, exclusive of net gains, were $0.024348 for the year.

FY 2004

	Pooled Assets		Net Gains	Fair Value
	Fair Value	Cost	(Losses)	Per Unit
End of year	$1,055,471.19	$1,051,465.67	$4,005.52	$1.014024
Beginning of year	$1,125,463.51	$1,122,248.72	3,214.79	0.749797
				$0.264227
Unrealized net gain			790.73	
Realized net gains			-	
Total net gains			$ 790.73	

The average annual earnings per unit, exclusive of net gains, were $0.041631 for the year.

NOTE 5. RECEIVABLES

Receivables included the following:

	June 30, 2005	June 30, 2004
Student accounts receivable	$ 603,262.09	$ 530,332.29
Grants receivable	2,325,089.39	2,232,695.12

Notes receivable	140,389.83	145,034.04
State appropriation receivable	209,800.00	218,200.00
Other receivables	636,605.08	505,087.27
Subtotal	3,915,146.39	3,631,348.72
Less allowance for doubtful accounts	(197,458.58)	(205,075.70)
Total receivables	$3,717,687.81	$3,426,273.02

Federal Perkins Loan Program funds included the following:

	June 30, 2005	June 30, 2004
Perkins loans receivable	$3,066,063.12	$2,869.773.78
Less allowance for doubtful accounts	(123,451.02)	(120,272.82)
Total	$2,942,612.10	$2,749,500.96

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 1,257,868.94	$ -	$ -	$ -	$ 1,257,868.94
Land improvements and Infrastructure	6,138,368.92	-	-	-	6,138,368.92
Buildings	87,181,071.78	-	-	-	87,181,071.78
Equipment	15,213,809.40	1,255,228.75	-	633,540.38	15,835,497.77
Library holdings	11,509,032.55	1,036,239.79	-	1,000,606.59	11,544,665.75
Projects in progress	2,072,045.40	3,121,893.16	-	3,950.86	5,189,987.70
Total	123,372,196.99	5,413,361.70	-	1,638,097.83	127,147,460.86
Less accum. depreciation:					
Land improvements and Infrastructure	4,583,894.81	147,805.34	-	-	4,731,700.15
Buildings	55,309,871.88	1,858,007.51	-	-	57,167,879.39
Equipment	10,639,886.15	1,002,670.99	-	600,173.38	11,042,383.76

Library holdings	6,811,278.65	1,045,641.26	-	1,000,606.59	6,856,313.32
Total accum. depreciation	77,344,931.49	4,054,125.10	-	1,600,779.97	79,798,276.62
Capital assets, net	$46,027,265.50	$1,359,236.60	$ -	$ 37,317.86	$ 47,349,184.24

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 1,257,868.94	$ -	$ -	$ -	$ 1,257,868.94
Land improvements and Infrastructure	6,138,368.92	-	-	-	6,138,368.92
Buildings	79,865,425.04	2,236,175.43	7,855,496.37	2,776,025.06	87,181,071.78
Equipment	15,875,521.23	1,213,266.96	-	1,874,978.79	15,213,809.40
Library holdings	11,636,990.11	906,841.34	-	1,034,798.90	11,509,032.55
Projects in progress	8,061,054.85	1,866,486.92	(7,855,496.37)	-	2,072,045.40
Total	122,835,229.09	6,222,770.65	-	5,685,802.75	123,372,196.99
Less accum. depreciation:					
Land improvements and Infrastructure	4,426,896.92	156,997.89	-	-	4,583,894.81
Buildings	56,143,594.49	1,892,837.20	-	2,726,559.81	55,309,871.88
Equipment	11,353,169.93	994,118.00	-	1,707,401.78	10,639,886.15
Library holdings	6,797,836.00	1,048,241.55	-	1,034,798.90	6,811,278.65
Total accum. depreciation	78,721,497.34	4,092,194.64	-	5,468,760.49	77,344,931.49
Capital assets, net	$44,113,731.75	$2,130,576.01	$ -	$ 217,042.26	$ 46,027,265.50

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
Bonds	$12,270,325.38	$ 864,340.00	$1,483,803.11	$11,650,862.27	$ 514,080.05
Commercial paper	-	665,800.00	-	665,800.00	665,800.00
Subtotal	12,270,325.38	1,530,140.00	1,483,803.11	12,316,662.27	1,179,880.05

Other liabilities:					
Compensated absences	2,819,045.50	1,755,729.48	1,639,231.09	2,935,543.89	881,619.42
Due to grantors	2,997,514.88	18,662.70	-	3,016,177.58	-
Subtotal	5,816,560.38	1,774,392.18	1,639,231.09	5,951,721.47	881,619.42
Total long-term liabilities	$18,086,885.76	$3,304,532.18	$3,123,034.20	$18,268,383.74	$2,061,499.47

Long-term liabilities activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
Bonds	$ 7,938,848.23	$5,216,694.33	$ 885,217.18	$12,270,325.38	$ 670,834.75
Commercial paper	2,495,496.37	-	2,495,496.37	-	-
Subtotal	10,434,344.60	5,216,694.33	3,380,713.55	12,270,325.38	670,834.75
Other liabilities:					
Compensated absences	2,877,934.86	1,557,928.08	1,616,817.44	2,819,045.50	821,635.81
Due to grantors	2,948,455.69	49,059.19	-	2,997,514.88	-
Subtotal	5,826,390.55	1,606,987.27	1,616,817.44	5,816,560.38	821,635.81
Total long-term liabilities	$16,260,735.15	$6,823,681.60	$4,997,530.99	$18,086,885.76	$1,492,470.56

Bonds Payable

Bond issues, with interest rates ranging from 2% to 5.25% for Tennessee State School Bond Authority bonds, are due serially to 2032 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations. The bonded indebtedness with the Tennessee State School Bond Authority reported on the statement of net assets is shown net of assets held by the authority in the debt service reserve and unexpended debt proceeds. The reserve amount was $13,062.40 at June 30, 2005, and $170,224.39 at June 30, 2004. Unexpended debt proceeds were $95,659.09 at June 30, 2005, and $157,161.99 at June 30, 2004.

Debt service requirements to maturity for bonds payable at June 30, 2005, are as follows:

Year Ending June 30	Principal	Interest	Total
2006	$ 514,080.05	$ 528,146.61	$ 1,042,226.66
2007	532,958.31	512,958.47	1,045,916.78
2008	553,168.52	494,129.93	1,047,298.45
2009	576,904.46	474,052.06	1,050,956.52
2010	598,635.09	453,636.62	1,052,271.71
2011-2015	2,033,782.74	1,952,739.50	3,986,522.24
2016-2020	2,307,181.98	1,481,999.76	3,789,181.74
2021-2025	2,535,110.07	886,480.03	3,421,590.10
2026-2030	1,424,025.60	410,610.94	1,834,636.54
2031-2032	575,015.45	54,320.38	629,335.83
	$11,650,862.27	$7,249,074.30	$18,899,936.57

Commercial Paper

The Tennessee State School Bond Authority also authorized the issuance of commercial paper to finance the costs of various capital projects. The amount issued for projects at the university was $665,800.00 at June 30, 2005.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. The university contributes amounts to the reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the university when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

NOTE 8. ENDOWMENTS

If a donor has not provided specific instructions to the university, state law permits the university to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the university is required to consider the university's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

Any net appreciation spent is required to be spent for the purposes for which the endowment was established.

The university chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the university, only realized gains are distributed. Percentage amounts retained are based on donor requirements and have been authorized for expenditure. At June 30, 2005, net appreciation of $34,595.92 is available to be spent. A portion of this amount is included in expendable restricted net assets as follows: scholarships and fellowships - $11,122.82; instructional department uses - $15,470.90; loans - $790.24; and other - $1,218.21. The remainder of $5,993.75 is included in unrestricted net assets. At June 30, 2004, net appreciation of $48,486.07 is available to be spent. A portion of this amount is included in expendable restricted net assets as follows: scholarships and fellowships - $23,532.60; instructional department uses - $10,784.34; loans - $1,511.54; and other - $2,269.32. The remainder of $10,388.27 is included in unrestricted net assets.

NOTE 9. UNRESTRICTED NET ASSETS

Unrestricted net assets include funds that have been designated or reserved for specific purposes. The unrestricted net assets are composed of the following:

	June 30, 2005	June 30, 2004
Working capital	$ 646,389.86	$ 616,820.58
Encumbrances	616,032.04	348,241.31
Designated fees	736,083.29	1,098,237.89
Auxiliaries	445,851.42	419,019.42
Quasi-endowment	265,351.64	302,843.89
Plant construction	1,556,681.48	746,607.04
Renewal and replacement of equipment	3,434,850.62	3,880,957.41
Debt retirement	371,886.88	1,537,997.20
Unreserved/undesignated	(227,127.63)	(697,438.98)
Total	$7,845,999.60	$8,253,285.76

NOTE 10. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

Plan Description - The university contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The university is required to contribute an actuarially determined rate. The current rate is 10.54% of annual covered payroll. Contribution requirements for the university are established and may be amended by the TCRS' Board of Trustees. The university's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003 were $2,368,211.39, $1,557,443.97, and $1,605,458.25. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

Plan Description - The university contributes to three defined contribution plans: Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the

TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated.* State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The university contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the university to the plans was $2,815,472.25 for the year ended June 30, 2005, and $2,612,035.12 for the year ended June 30, 2004. Contributions met the requirements for each year.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible university retirees. This benefit is provided and administered by the State of Tennessee. The university assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

NOTE 12. INSURANCE-RELATED ACTIVITIES

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The Risk Management Fund is also responsible for claims for damages to state owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence, depending on the type of coverage, to an aggregate of $7.5 million.

The university participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2005, and June 30, 2004, are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140. Since the university participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the university for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2005, the Risk Management Fund held $114.4 million in cash and cash equivalents designated for payment of claims. At June 30, 2004, the Risk Management fund held $101.1 million in cash and cash equivalents designated for payment of claims.

At June 30, 2005, the scheduled coverage for the university was $230,195,100 for buildings and $92,500,200 for contents. At June 30, 2004, the scheduled coverage for the university was $221,215,400 for buildings and $91,226,900 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Sick Leave - The university records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $23,531,032.68 at June 30, 2005, and $22,506,843.69 at June 30, 2004.

Operating Leases - The university has entered into various operating leases for equipment. Such leases will probably continue to be required. Expenses under operating leases were $238,270.29 for the year ended June 30, 2005, and $272,981.04 for the year ended June 30, 2004. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2005, outstanding commitments under construction contracts totaled $961,300.00 for the nursing building, mechanical system upgrade, fire alarm system upgrade, housing fire safety, central cooling deficiency, Bruner Hall electrical upgrade, and ADA, of which $841,300.00 will be funded by future state capital outlay appropriations.

Contract - In December 2004, the Tennessee Board of Regents system entered into a contract with SungardSCT for the purchase of a comprehensive enterprise resource planning system. The contract includes a multi-year phase-in of administrative software for financial, human resource, and student systems. The university's outstanding liability for this contract is estimated as $2,774,816.24 at June 30, 2005.

NOTE 14. CHAIRS OF EXCELLENCE

The university had $4,974,056.01 on deposit at June 30, 2005, and $4,871,160.85 on deposit at June 30, 2004, with the State Treasurer for the university's Chairs of Excellence program. These funds are held in trust by the state and are not included in the financial statements.

NOTE 15. FUNDS HELD IN TRUST BY OTHERS

The university is a beneficiary under the CTC Charitable Lead Trust, Odom Family Trust, and Odom Tennessee Tech Charitable Lead Trust. The underlying assets are not considered assets of the university and are not included in the university's financial statements. The university received $44,032.86, $36,250.00, and $22,520.55, respectively, from these funds during the year ended June 30, 2005, for a total of $102,803.41 and $80,282.86 during the year ended June 30, 2004.

NOTE 16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The university's operating expenses by functional classification for the year ended June 30, 2005, are as follows:

			Natural Classification			
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$29,557,528.04	$ 8,087,630.94	$ 6,400,061.02	$ -	$ -	$ 44,045,220.00
Research	4,191,322.34	892,407.06	2,246,013.34	-	-	7,329,742.74
Public service	2,050,177.76	553,134.50	1,609,346.72	-	-	4,212,658.98
Academic support	5,721,511.90	1,857,193.86	(1,186,994.76)	-	-	6,391,711.00
Student services	4,322,791.46	1,462,852.89	3,405,317.16	-	-	9,190,961.51
Institutional support	5,826,411.66	2,010,431.70	907,528.03	-	-	8,744,371.39
Operation & maintenance	3,405,332.15	1,648,847.80	5,135,942.20	-	-	10,190,122.15
Scholar. & fellow.	-	-	-	8,262,782.45	-	8,262,782.45
Auxiliary	2,066,245.04	714,298.41	3,012,091.27	-	-	5,792,634.72
Depreciation	-	-	-	-	4,054,125.10	4,054,125.10
Total	$57,141,320.35	$17,226,797.16	$21,529,304.98	$8,262,782.45	$4,054,125.10	$108,214,330.04

The university's operating expenses by functional classification for the year ended June 30, 2004, are as follows:

			Natural Classification			
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$27,641,647.83	$ 7,107,206.81	$ 5,991,647.58	$ -	$ -	$ 40,740,502.22
Research	4,133,153.41	825,746.30	1,858,779.11	-	-	6,817,678.82
Public service	2,093,185.58	562,310.30	1,385,548.50	-	-	4,041,044.38
Academic support	5,387,263.26	1,628,020.04	(1,276,807.90)	-	-	5,738,475.40
Student services	4,062,899.80	1,332,089.88	2,983,430.50	-	-	8,378,420.18

Institutional support	5,360,313.32	1,708,348.43	899,175.97	-	-	7,967,837.72
Operation & maintenance	3,181,450.13	1,393,213.24	6,583,985.92	-	-	11,158,649.29
Scholar. & fellow.	-	-	-	6,007,460.01	-	6,007,460.01
Auxiliary	1,929,796.03	596,045.67	2,926,859.84	-	-	5,452,701.54
Depreciation	-	-	-	-	4,092,194.64	4,092,194.64
Total	$53,789,709.36	$15,152,980.67	$21,352,619.52	$6,007,460.01	$4,092,194.64	$100,394,964.20

NOTE 17. SEGMENT INFORMATION

The Tennessee Technological University Dormitory Corporation (TTUDC), on behalf of the university, issued revenue bonds to finance the construction of, and to maintain and operate, student apartments and dormitory housing. Investors in those bonds relied solely on the revenue generated by the individual activities for repayment. The TTUDC board met on June 23, 2005, and voted to dissolve the corporation since all of the corporation's liabilities had been paid. Upon dissolution of the corporation, all of its assets were transferred to the university. Therefore, there is no segment reporting for the year ended June 30, 2005. Descriptive information for the university's segment for the year ended June 30, 2004, is shown below:

TTUDC Revenue Bonds of 1967

The TTUDC revenue bonds of 1967 were issued to build the Jobe and Murphy residence halls.

Condensed financial information for the university's segment follows:

Condensed Statement of Net Assets	**June 30, 2004**
Assets:	
Current assets	$ -
Noncurrent assets	85,928.93
Capital assets (net)	167,732.77
Total assets	253,661.70
Liabilities:	
Current liabilities	80,789.00
Noncurrent liabilities	-
Total liabilities	80,789.00

Net assets:	
Invested in capital assets, net of related debt	87,732.77
Restricted - expendable for debt service	85,139.93
Unrestricted	-
Total net assets	$ 172,872.70

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	**FY 2004**
Operating revenues	$ 646,312.23
Operating expenses	509,062.23
Depreciation expense	41,933.15
Net operating income	95,316.85
Nonoperating revenues (expenses):	
Investment income	1,442.33
Interest on capital asset-related debt	(10,341.00)
Other nonoperating revenues (expenses)	(2,487.87)
Transfer (to) from reserve	(54,171.81)
Change in net assets	29,758.50
Net assets, beginning of year	143,114.20
Net assets, end of year	$ 172,872.70

Condensed Statement of Cash Flows	**FY 2004**
Net cash flows provided (used) by:	
Operating activities	$ 137,250.00
Noncapital financing activities	(54,171.81)
Capital and related financing activities	(84,520.52)
Investing activities	1,442.33
Net increase (decrease) in cash	-
Cash, beginning of year	-
Cash, end of year	$ -

NOTE 18. COMPONENT UNIT

The Tennessee Technological University Foundation is a legally separate, tax-exempt organization supporting Tennessee Technological University. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of its programs. The 22-member board of the foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2005, the foundation made distributions of $961,030.70 to or on behalf of the university for both restricted and unrestricted purposes. During the year ended June 30, 2004, the foundation made distributions of $1,121,901.87 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Tennessee Technological University, Office of the Vice President for Business and Fiscal Affairs, P.O. Box 5037, Cookeville, Tennessee 38505.

<u>Cash and cash equivalents</u> - In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2005, cash and cash equivalents consisted of $3,309,704.90 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer and $5,675,725.68 in custodial accounts of the investment managers for the foundation. At June 30, 2004, cash and cash equivalents consisted of $3,634,114.97 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer and $5,618,186.99 in custodial accounts of the investment managers for the foundation.

<u>Deposits</u> - The foundation has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and required risk disclosures are presented in the *Tennessee Comprehensive Annual Financial Report.* That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312

Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

Investments - The foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

At June 30, 2005, the foundation had the following investments and maturities.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury bonds	$ 15,006.25	$ -	$ -	$ -	$ 15,006.25
U.S. Treasury strips	6,356.20	-	-	6,356.20	-
Certificates Accrual Treasury Securities	6,148.23	-	-	6,148.23	-
Federal Home Loan Banks	496,627.37	-	246,551.29	-	250,076.08
Federal Home Loan Mortgage	639,553.86	-	293,259.98	346,293.88	-
Federal National Mortgage Association	700,654.98	-	612,682.37	-	87,972.61
Government National Mortgage Association	90,106.60	-	-	-	90,106.60
Corporate stocks	24,203,755.63	-	-	-	24,203,755.63
Corporate bonds	1,700,871.25	101,266.00	487,973.75	974,074.00	137,557.50
Mutual funds	19,347.11	-	-	-	19,347.11
Hedge funds	2,114,262.74	-	-	-	2,114,262.74
Total	$29,992,690.22	$101,266.00	$1,640,467.39	$1,332,872.31	$26,918,084.52

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The foundation has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. At June 30, 2005, the foundation's investments were rated as follows by nationally recognized statistical rating organizations:

Investment Type	Moody's	Standard and Poor's	Fitch	Fair Value
LGIP	unrated	unrated	unrated	$3,309,704.90
Federal Home Loan Banks	Aaa	AAA	AAA	$ 496,627.37
Federal Home Loan Mortgage	Aaa	AAA	AAA	$ 639,553.86
Federal National Mortgage Association	Aaa	AAA	AAA	$ 700,654.98
Corporate bonds:				
Standard Motor Products	B3	CCC	unrated	$ 184,233.75
Legg Mason Inc.	A3	BBB+	unrated	$ 101,266.00
North Fork Cap Tr II	A3	BBB-	BBB+	$ 27,445.50
Sempra Energy	Baa1	BBB+	A	$ 213,180.00
ML Capital Trust	unrated	unrated	BB	$ 110,112.00
Chevrontexaco Capital	Aa2	AA	AA	$ 98,220.00
Morgan Stanley	Aa3	A+	AA-	$ 207,848.00
Goldman Sachs Group	Aa3	A+	AA-	$ 206,786.00
Chevy Chase Bank FSB	Ba3	BB-	unrated	$ 123,900.00
Morgan Stanley Group	Aa3	A+	AA-	$ 222,360.00
Wells Fargo & Co.	Aa1	AA-	AA	$ 205,520.00
Mutual funds	unrated	unrated	unrated	$ 19,347.11

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The foundation does not have a policy for custodial credit risk. At June 30, 2005, the foundation had no uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the foundation's name.

Concentration of credit risk - The foundation places no limit on the amount it may invest in any one issuer. At June 30, 2005, the foundation did not have more than 5% invested in any single issuer.

Foreign currency risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The foundation places no limit on the amount it may invest in foreign currency. At June 30, 2005, the foundation had no exposure to foreign currency risk.

The foundation's investments at June 30, 2004, are categorized below to indicate the level of risk assumed by the foundation at year-end. Category 1 consists of insured or registered investments or investments for which the securities are held by the foundation or its agent in the foundation's name.

Category 1:	
U.S. government securities	$ 2,556,117.52
Corporate bonds	1,704,272.73
Corporate stocks	18,887,830.31
Investments not susceptible to credit risk categorization:	
Mutual funds	20,920.92
Total	$23,169,141.48

Capital assets - Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$342,064.28	$ -	$ -	$ -	$342,064.28

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$291,064.28	$51,000.00	$ -	$ -	$342,064.28

Endowments - If a donor has not provided specific instructions to the foundation, state law permits the foundation to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the foundation is required to consider the foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation spent is required to be spent for the purposes for which the endowment was established.

The foundation chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, a percentage (as defined by the foundation) of the book value of an endowment, or a percentage of the actual earnings as designated by the donor, has been authorized for expenditure. The remaining amount, if any, becomes part of the permanent endowment.

TENNESSEE BOARD OF REGENTS
TENNESSEE TECHNOLOGICAL UNIVERSITY
SUPPLEMENTARY INFORMATION
STATEMENT OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004

		Year Ended June 30, 2005		Year Ended June 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Gifts and contributions	$	1,639,350.14	$	1,180,726.22
Endowment income per spending plan		1,248,380.14		856,927.57
Sales and services of educational activities		1,065,856.77		912,137.11
Payments to suppliers and vendors		(1,726,057.91)		(1,036,000.51)
Payments for scholarships and fellowships		(947,461.17)		(939,607.76)
Payments to Tennessee Technological University		(707,850.30)		(1,053,288.57)
Other receipts (payments)		126,108.02		26,413.67
Net cash provided (used) by operating activities		698,325.69		(52,692.27)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Private gifts for endowment purposes		1,675,833.25		1,820,210.53
Net cash provided by noncapital financing activities		1,675,833.25		1,820,210.53
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants and gifts received		463,217.81		585,447.42
Purchases of capital assets and construction		(12,649.48)		(51,000.00)
Net cash provided by capital and related financing activities		450,568.33		534,447.42
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments		12,096,189.82		13,481,115.12
Income on investments		266,404.82		432,599.91
Purchases of investments		(15,454,193.29)		(13,119,861.96)
Net cash provided (used) by investing activities		(3,091,598.65)		793,853.07
Net increase (decrease) in cash and cash equivalents		(266,871.38)		3,095,818.75
Cash and cash equivalents - beginning of year		9,252,301.96		6,156,483.21
Cash and cash equivalents - end of year	$	8,985,430.58	$	9,252,301.96
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$	446,645.29	$	(121,201.07)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Gifts in-kind		253,180.40		68,613.30
Change in assets and liabilities:				
Receivables, net		(1,500.00)		15.00
Accounts payable		-		(119.50)
Net cash provided (used) by operating activities	$	698,325.69	$	(52,692.27)
Noncash transactions				
Gifts in-kind	$	52,194.34	$	43,960.67
Gifts in-kind - capital	$	240,530.92	$	126,889.60
Unrealized gains/losses on investments	$	692,778.38	$	864,365.56