

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER



## Annual Financial Report Fiscal Year 2005



**TEXAS TECH UNIVERSITY HEALTH SCIENCES  
CENTER**

**Annual Financial Report  
U N A U D I T E D**

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*August 31, 2005*

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## TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Office of the President

3601 4th Street  
Lubbock, Texas 79430  
(806) 743-2900  
Fax (806) 743-2910

November 15, 2005

The Honorable Rick Perry  
Governor of Texas

The Honorable Carole Keeton Strayhorn  
Comptroller of Public Accounts

Mr. John Keel, CPA  
State Auditor

Dr. Raymund A. Paredes  
Commissioner, Texas Higher Education Coordinating Board

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

To Agency Heads Addressed:

The *Annual Financial Report* for Texas Tech University Health Sciences Center (TTUHSC), with which this letter is bound, is transmitted for inclusion in the State of Texas *Comprehensive Annual Financial Report*. The accompanying *Annual Financial Report* will be considered for audit as part of the audit of the State of Texas *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of TTUHSC for the year ended August 31, 2005.

As indicated by the following letter of transmittal, this report has been prepared by TTUHSC Accounting Services to provide a summary of the institution's financial records.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Roy Wilson", followed by a horizontal line.

M. Roy Wilson, M.D., M.S.  
President



## TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Accounting Services  
Box 5868  
Lubbock, Texas 79408-5868  
(806) 743-1888  
Fax (806) 743-1893

November 15, 2005

M. Roy Wilson, M.D., M.S.  
President  
Texas Tech University Health Sciences Center  
Lubbock, Texas 79430

Dear Dr. Wilson:

Submitted herein is the *Annual Financial Report* for Texas Tech University Health Sciences Center for the fiscal year ended August 31, 2005.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying *Annual Financial Report* will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the statements and related information contained in the accompanying report.

Please feel free to contact me should you have any questions about this report.

Sincerely,

A handwritten signature in cursive script that reads "Carole Wardroup".

Carole Wardroup  
Director of Accounting Services

Approved:

Michael Crowder, CPA  
Associate Vice President for Business Affairs

A handwritten signature in cursive script that reads "Michael Crowder".

Elmo M. Cavin  
Executive Vice President for Finance & Administration

A handwritten signature in cursive script that reads "Elmo M. Cavin".

**Annual Financial Report**  
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*Organizational Data*  
*August 31, 2005*

**BOARD OF REGENTS**

Term Expires

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

**FISCAL OFFICERS**

David R. Smith, M.D. .... Chancellor  
Jim Brunjes..... Senior Vice Chancellor and Chief Financial Officer  
M. Roy Wilson, M.D., M.S. ....President  
Elmo M. Cavin.....Executive Vice President for Finance & Administration  
Michael Crowder ..... Associate Vice President for Business Affairs  
Carole Wardroup..... Director of Accounting Services

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report *U N A U D I T E D*

### *Enrollment Data*

*August 31, 2005*

<i>TYPE OF STUDENT</i>	<i>STUDENTS BY SEMESTER</i>		
	<i>FALL</i>	<i>SPRING</i>	<i>SUMMER</i>
	<i>2004</i>	<i>2005</i>	<i>2005</i>
Texas Resident	2,030	1,998	1,339
Out-of-State	71	65	62
Foreign	4	6	2
Hazelwood Act	24	24	17
Foster Care	-	-	1
Military Personnel and Dependents	2	3	-
Teachers, Professors, and Dependents	3	3	-
Competitive Scholarship	59	57	29
Deaf or Blind	3	3	5
Teaching Assistant, Research Assistant, and Dependents	35	33	31
Adjacent County	41	41	33
Total Students	2,272	2,233	1,519
<i>PROGRAM</i>			
Medical	535	529	-
Graduate Medical	99	105	82
Nursing	401	386	511
Graduate Nursing	115	145	144
Allied Health	193	184	64
Graduate Allied Health	604	559	639
Pharmacy	325	325	79
Total Students	2,272	2,233	1,519

### *ENROLLMENT TREND DATA*

<i>TERM</i>	<i>STUDENTS</i>	<i>SEMESTER</i>
		<i>HOURS</i>
Fall 2005	2,272	35,684
Fall 2004	2,105	34,548
Fall 2003	1,972	32,569
Fall 2002	1,788	28,822
Fall 2001	1,719	28,978
Fall 2000	1,649	26,153
Fall 1999	1,547	26,261
Fall 1998	1,548	25,870
Fall 1997	1,514	23,240
Fall 1996	1,326	20,389



**TEXAS TECH UNIVERSITY HEALTH SCIENCES  
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**FINANCIAL STATEMENTS**

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# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Statement of Net Assets* *As of August 31, 2005*

#### ASSETS

##### Current Assets

Unrestricted Cash and Cash Equivalents	\$ 93,777,676
Restricted Cash and Cash Equivalents	46,483,455
Balance of Legislative Appropriations	14,692,258
Accounts Receivable	
Federal Receivable	1,488,001
Interest and Dividends Receivable	650,707
Patient Accounts Receivable	37,693,120
less Allowances for Uncollectibles and Adjustments	(25,446,460)
Student Accounts Receivable	494,060
less Allowance for Uncollectibles	(35,264)
Contract Accounts Receivable	8,305,153
less Allowance for Uncollectibles	-
Pledged Gifts Receivable	1,860,327
less Allowance for Uncollectibles	(93,016)
Other	142,901
less Allowance for Uncollectibles	(85,153)
Due from Other State Agencies	4,082,160
Merchandise Inventories	704,313
Prepaid Expenses	292,240
Loans and Notes Receivable	225,576
less Allowance for Uncollectibles and Cancellations	(17,979)
Total Current Assets	<u>185,214,075</u>

##### Non-Current Assets

Restricted Cash and Cash Equivalents	155,597
Pledged Gifts Receivable	5,153,872
less Allowance for Uncollectibles	(257,694)
Loans and Notes Receivable	2,402,190
less Allowance for Uncollectibles and Cancellations	(155,842)
Investments	235,654,380
Non-Depreciable Capital Assets	51,846,872
Depreciable Capital Assets	312,408,797
less Accumulated Depreciation	(174,334,845)
Total Non-Current Assets	<u>432,873,327</u>
TOTAL ASSETS	<u>\$ 618,087,402</u>

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

**Annual Financial Report**  
**U N A U D I T E D**

*Statement of Net Assets*  
*As of August 31, 2005*

**LIABILITIES**

Current Liabilities

Accounts Payable	\$ 16,023,003
Payroll Payable	22,802,582
Due to Other State Agencies	179,557
Unclaimed Property Due to the State Treasury	14,182
Deferred Revenue	7,046,798
Bonds Payable	3,766,071
Claims Payable	2,420,242
Compensable Leave Payable	3,605,152
Payable from Restricted Assets	4,822,066
Funds Held for Others	110,051
Other	201,649
Total Current Liabilities	<u>60,991,353</u>

Non-Current Liabilities

Unclaimed Property Due to the State Treasury	73,489
Bonds Payable	90,231,792
Claims Payable	21,782,182
Compensable Leave Payable	14,420,610
Other	4,380
Total Non-Current Liabilities	<u>126,512,453</u>

**TOTAL LIABILITIES**

187,503,806

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	129,368,431
Restricted	
Capital Projects	5,319,170
Funds Held as Permanent Investments	
Nonexpendable	86,450,590
Other	17,864,082
Unrestricted	<u>191,581,323</u>
TOTAL NET ASSETS	<u>430,583,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 618,087,402</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Statement of Revenues, Expenses, and Changes in Net Assets* *For the Year Ended August 31, 2005*

Operating Revenues	
Student Tuition and Fees - Unpledged	\$ 2,794,450
less Discounts and Allowances	(2,699,252)
less Uncollectibles	495
Student Tuition and Fees - Pledged	12,068,525
Net Professional Fees	117,232,397
less Uncollectibles	(29,524,864)
Net Sales and Services of Auxiliary Enterprises - Pledged	590,667
Net Other Sales and Services - Unpledged	1,634,269
Net Other Sales and Services - Pledged	1,628,988
Federal Grant and Contract Revenues - Unpledged	8,383,715
Federal Grant and Contract Revenues - Pledged	2,161,935
Federal Grant and Contract Pass-Through Revenues	148,783
State Grant and Contract Revenues - Unpledged	82,640,013
State Grant and Contract Revenues - Pledged	72,899
State Grant and Contract Pass-Through Revenues from Other State Agencies	2,107,700
Local Grant and Contract Revenues - Unpledged	65,478,398
Local Grant and Contract Revenues - Pledged	917,100
Private Grant and Contract Revenues - Unpledged	16,514,593
Private Grant and Contract Revenues - Pledged	2,562,716
	<hr/>
Total Operating Revenues	284,713,527
Operating Expenses	
Instruction	170,683,622
Research	15,043,123
Public Service	101,430,904
Academic Support	66,103,743
Student Services	6,670,862
Institutional Support	18,508,514
Operation and Maintenance of Plant	15,980,485
Auxiliary Enterprises	351,416
Depreciation	12,799,944
	<hr/>
Total Operating Expenses	407,572,613
	<hr/>
Operating Loss	(122,859,086)
Non-Operating Revenues and Gains	
Legislative Appropriations Revenue	109,166,809
Federal Grant and Contract Revenues	769,513
less Refunds to Grantors	(173,220)
Private Gifts	16,504,348
less Uncollectibles	(436,307)

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Statement of Revenues, Expenses, and Changes in Net Assets* *For the Year Ended August 31, 2005*

Non-Operating Revenues and Gains (continued)	
Net Investment Income - Unpledged	\$ 13,170,245
Net Investment Income - Pledged	3,124,507
Net Increase in Fair Value of Investments	14,068,892
Other - Unpledged	693,775
Other - Pledged	291,751
Total Non-Operating Revenues and Gains	<u>157,180,313</u>
Non-Operating Expenses and Losses	
Interest Expense on Capital Asset Financing	1,561,415
Loss on Sale and Disposal of Capital Assets	815,316
Other	77,900
Total Non-Operating Expenses and Losses	<u>2,454,631</u>
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Contributions	585,690
Capital Recoveries	732,495
Legislative Appropriations Revenue for Capital (HEAF)	7,735,000
Net Transfers from Texas Tech University	1,570,157
Net Transfers to Texas Tech University System Administration	(5,638,242)
Set-Aside Transfers to THECB	(78,945)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>4,906,155</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 36,772,751</u>
Net Assets, September 1, 2004	405,925,977
Restatement of Net Assets, September 1, 2004 (Note 18)	<u>(12,115,132)</u>
Net Assets, August 31, 2005	<u>\$ 430,583,596</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Matrix of Operating Expenses by Natural Classification For the Year Ended August 31, 2005*

FUNCTION	SALARIES AND WAGES	PAYROLL RELATED COSTS	PROFESSIONAL FEES AND SERVICES	FEDERAL SUB-CONTRACTS
Instruction	\$ 120,108,344	\$ 28,382,535	\$ 7,513,479	\$ 143,060
Research	8,788,816	1,927,591	260,660	(401,398)
Public Service	40,281,569	9,578,147	35,554,900	842,632
Academic Support	41,502,791	10,377,347	1,405,590	-
Student Services	2,862,248	759,762	158,250	-
Institutional Support	12,034,671	2,714,870	1,023,579	-
Operation and Maintenance of Plant	5,278,987	1,297,601	48,491	-
Auxiliary Enterprises	146,793	52,444	10,375	-
Depreciation	-	-	-	-
Total Operating Expenses	231,004,218	55,090,296	45,975,323	584,294

FUNCTION	TRAVEL	MATERIALS AND SUPPLIES	COMMUNICATIONS AND UTILITIES	REPAIRS AND MAINTENANCE
Instruction	1,207,702	14,459,404	1,385,614	366,371
Research	225,126	3,593,390	99,623	309,465
Public Service	487,556	12,300,786	845,242	216,092
Academic Support	1,015,015	7,561,718	1,026,995	1,149,312
Student Services	222,667	2,117,395	105,864	42,547
Institutional Support	245,114	1,639,035	198,974	100,744
Operation and Maintenance of Plant	40,182	2,252,004	5,797,416	728,129
Auxiliary Enterprises	5,256	66,244	10,151	31,006
Depreciation	-	-	-	-
Total Operating Expenses	3,448,617	43,989,976	9,469,878	2,943,667

FUNCTION	RENTALS AND LEASES	PRINTING AND REPRODUCTION	DEPRECIATION	BAD DEBT
Instruction	742,340	556,678	-	-
Research	10,313	87,717	-	-
Public Service	805,158	201,171	-	-
Academic Support	662,922	462,555	-	-
Student Services	71,048	185,109	-	-
Institutional Support	80,315	121,325	-	(168,141)
Operation and Maintenance of Plant	509,391	17,978	-	-
Auxiliary Enterprises	9,402	10,043	-	-
Depreciation	-	-	12,799,944	-
Total Operating Expenses	2,890,890	1,642,576	12,799,944	(168,141)

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

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*Matrix of Operating Expenses by Natural Classification*  
*For the Year Ended August 31, 2005*

<u>FUNCTION</u>	<u>INTEREST</u>	<u>SCHOLARSHIPS</u>	<u>CLAIMS AND LOSSES</u>	<u>OTHER OPERATING</u>
Instruction	\$ 657	\$ 299,370	\$ 146,533	\$ (4,628,464)
Research	337	93,512	-	47,970
Public Service	462	174,542	-	142,649
Academic Support	1,173	149,895	62,500	725,930
Student Services	668	8,687	-	136,616
Institutional Support	995	108,087	108,954	299,994
Operation and Maintenance of Plant	5	-	-	10,300
Auxiliary Enterprises	72	-	-	9,630
Depreciation	-	-	-	-
Total Operating Expenses	<u>4,369</u>	<u>834,093</u>	<u>317,987</u>	<u>(3,255,373)</u>

<u>FUNCTION</u>	<u>GRAND TOTAL</u>
Instruction	170,683,622
Research	15,043,123
Public Service	101,430,904
Academic Support	66,103,743
Student Services	6,670,862
Institutional Support	18,508,514
Operation and Maintenance of Plant	15,980,485
Auxiliary Enterprises	351,416
Depreciation	12,799,944
Total Operating Expenses	<u>\$ 407,572,613</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Statement of Cash Flows* *For the Year Ended August 31, 2005*

Cash Flows from Operating Activities	
Cash Inflows	
Collections from Student Tuition and Fees	\$ 13,443,456
Collections from Grants and Contracts	180,952,320
Collections from Patients and Insurers	91,254,982
Collections of Loans to Students	1,170,731
Collections from Auxiliary Enterprises	590,667
Collections from Other Operating Activities	6,510,847
Cash Outflows	
Payments to Suppliers	171,970,662
Payments to Employees	228,670,328
Payments for Loans Issued to Students	1,027,096
Payments for Auxiliary Enterprises	351,416
Payments for Other Operating Activities	1,052,945
Net Cash Used for Operating Activities	<u>(109,149,445)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Inflows	
Proceeds from Legislative Appropriations	111,925,355
Proceeds from Net Transfers from Texas Tech University	1,570,157
Proceeds from Non-Capital Gifts and Grants	11,193,718
Proceeds from Direct Lending	31,853,978
Proceeds from Other Non-Capital Financing Activities	917,845
Cash Outflows	
Payments for Net Transfers to Texas Tech University System Administration	5,638,242
Payments for Set-Aside Transfers to THECB	78,945
Payments for Direct Lending	31,896,366
Net Cash Provided by Non-Capital Financing Activities	<u>119,847,500</u>
Cash Flows from Capital and Related Financing Activities	
Cash Inflows	
Proceeds from Legislative Appropriations for Capital	7,735,000
Proceeds from Capital Gifts and Grants	585,690
Cash Outflows	
Payments for Purchases of Capital Assets	37,945,344
Payments for Principal and Interest on Capital Debts	5,981,656
Payments for Other Capital Related Activities	62,321
Net Cash Used for Capital and Related Financing Activities	<u>(35,668,631)</u>



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Statement of Cash Flows* *For the Year Ended August 31, 2005*

Cash Flows from Investing Activities	
Cash Inflows	
Proceeds from Sales and Maturities of Investments	\$ 30,675,165
Proceeds from Interest and Dividends on Investments	20,963,939
Cash Outflows	
Payments for Purchases of Investments	41,056,318
Net Cash Provided by Investing Activities	<u>10,582,786</u>
 TOTAL NET CASH FLOWS	 <u>(14,387,790)</u>
Cash and Cash Equivalents, September 1, 2004	154,804,518
Cash and Cash Equivalents, August 31, 2005	<u>\$ 140,416,728</u>

Components of Cash and Cash Equivalents, August 31, 2005	
Cash on Hand	22,933
Cash in Bank	(10,150,595)
Reimbursements Due from the State Treasury	420,510
Local Balance of Legislative Appropriations	5,722,649
Repurchase Agreements	32,876,956
TexPool and TexStar Investments	<u>111,524,275</u>
Cash and Cash Equivalents, August 31, 2005	<u>\$ 140,416,728</u>

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(122,859,086)
Adjustments	
Depreciation Expense	12,799,944
Bad Debt Expense	(168,141)
Decrease (Increase) in Accounts Receivable	3,463,340
Decrease (Increase) in Merchandise Inventories	(16,678)
Decrease (Increase) in Prepaid Expenses	12,114
Decrease (Increase) in Loans and Notes Receivable	143,635
Increase (Decrease) in Short-Term Payables	(560,419)
Increase (Decrease) in Deferred Revenue	1,394,418
Increase (Decrease) in Claims Payable	(5,170,018)
Increase (Decrease) in Compensable Leave	1,664,944
Increase (Decrease) in Other Liabilities	<u>146,502</u>
Net Cash Used for Operating Activities	<u>(109,149,445)</u>



**TEXAS TECH UNIVERSITY HEALTH SCIENCES  
CENTER**

**Annual Financial Report**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 1 Summary of Significant Accounting Policies

#### GENERAL INTRODUCTION

Texas Tech University Health Sciences Center (TTUHSC) is a component unit of the State of Texas and its financial records reflect compliance with applicable state statutes and regulations. This *Annual Financial Report* includes all accounts of TTUHSC, a separate institution established pursuant to Texas Education Code, Chapter 110. TTUHSC is under the direction, management, and control of the Texas Tech University System Board of Regents, which acts separately and independently on all matters affecting TTUHSC.

As an institution of higher education of the State of Texas, the income of TTUHSC is generally exempt from income taxes. However, income unrelated to the exempt purpose of TTUHSC would be subject to tax under § 511(a)(2)(B) of the Internal Revenue Code. Management does not believe that there is any material unrelated income for the year ended August 31, 2005.

TTUHSC is one of three entities included in the Texas Tech University System. The other two entities, reported separately as additional component units of the State of Texas, are Texas Tech University (TTU) and Texas Tech University System Administration (TTUSA).

TTUHSC offers graduate and undergraduate programs in five schools: the School of Allied Health Sciences, the School of Medicine, the School of Nursing, the School of Pharmacy, and the Graduate School of Biomedical Sciences. Major ancillary operations include correctional health care, grant and contract activities, and comprehensive clinical operations.

TTUHSC operates four campuses, located in Amarillo, El Paso, Lubbock, and Odessa. The School of Medicine is represented at all four campuses, while other schools have a presence at only selected campuses. Most administrative functions are centralized at the Lubbock campus.

#### FUND STRUCTURE

##### Blended Component Units

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

Although legally separate from TTUHSC, TTPA is reported as a component unit because TTUHSC can impose its will on TTPA. TTPA balances and activities are blended with TTUHSC balances and activities since the sole purpose of TTPA is to financially support TTUHSC.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 1 (continued) Summary of Significant Accounting Policies

Independent financial statements for TTPA can be obtained from the Health Care Systems division of TTUHSC at 3601 4<sup>th</sup> Street, Lubbock, Texas 79430.

Texas Tech Foundation, Inc. (TTFI) is a component unit of the consolidated Texas Tech University System, since it serves the fundraising needs of TTUHSC, TTU, and TTUSA. No balances or activities associated with TTFI are included in this *Annual Financial Report*.

#### **BASIS OF ACCOUNTING**

The fiscal records of TTUHSC are maintained using a modified accrual basis of accounting. Most internal financial reports utilize this basis. However, balances and activities included in most external reports, including this *Annual Financial Report*, are converted to a full accrual basis of accounting in compliance with Governmental Accounting Standards Board (GASB) statements 34 and 35.

Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. For reporting purposes, operating activities are distinguished from non-operating activities. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the principal ongoing operations. Operating expenses include administrative expenses and depreciation on capital assets, among others.

#### **RESTRICTED NET ASSETS**

In cases where both restricted and unrestricted net assets are available for use, restricted resources are used first and then unrestricted resources are used as needed.

#### **BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are established and monitored for most TTUHSC funds, though some fund areas have a more constrictive budget structure than do other fund areas. Many of the budgets are based on legislative appropriations.

#### **ASSETS, LIABILITIES, AND FUND EQUITY**

##### **Current and Non-Current Assets**

Current assets are those that are readily available to meet current operational requirements. Non-current assets are those that are not readily available to meet current operational requirements and, instead, are intended to support longer-term institutional needs. In some cases, highly liquid assets (including cash and cash equivalents) that are not expendable and thus not available for current operational needs are classified as non-current assets.

**Annual Financial Report**  
**U N A U D I T E D**

*Notes to the Financial Statements*  
*August 31, 2005*

**NOTE 1 (continued)**  
**Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as all cash on hand, cash in banks, reimbursements due from the State Treasury, local balances of legislative appropriations (held in the State Treasury), and temporary investments with original maturities of 90 days or less.

**Investments**

Investments are reported at fair value in this *Annual Financial Report* with the following exceptions: (1) non-participating contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the financial institution's credit standing or other relevant factors; and (2) money market investments and participating interest-earning investment contracts that mature within one year of the date of their acquisition may be reported at amortized cost, assuming that the investment is not affected by the financial institution's credit standing or other relevant factors.

Fair value, which is determined based on quoted market prices, is the amount at which an investment could be exchanged in a current transaction between parties, other than in a forced or liquidation sale.

**Receivables**

The most significant categories of TTUHSC receivables are patient receivables and contract receivables. Patient receivables are reported net of allowances for contractual and similar adjustments.

Allowances for uncollectibles and other adjustments are estimated using either (1) aging schedules (for student accounts receivable), (2) percentage of revenues (for pledged gifts receivable), or (3) detailed evaluations of past collection performance (for patient accounts receivable, contract accounts receivable, loans and notes receivable, and other accounts receivable).

Receivables that are not expected to be collected within one year are reported as non-current assets, and include portions of pledged gifts receivable and loans and notes receivable.

**Inventories**

Inventories generally include both consumable inventories and merchandise inventories. Consumable inventories include supplies and postage that are on hand and available for consumption. Merchandise inventories include materials, supplies, equipment, and other items on hand and for sale. Inventories are valued at cost, generally utilizing the first-in / first-out method.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 1 (continued) Summary of Significant Accounting Policies

#### Restricted Assets

Cash and cash equivalents that are held for endowments or for special programs are reported as restricted, since they are not available for current operations. All such cash and cash equivalents are associated with programs that are restricted by an external party.

#### Capital Assets

Capital assets are recorded at cost at the date of acquisition or at fair value at the date of donation in the case of gifts.

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system as summarized below.

Capital Asset Category	Useful Life
Buildings and Building Improvements	22 years
Infrastructure	20 years
Furniture and Equipment	3 - 15 years
Vehicles	5 - 7 years
Facilities and Other Improvements	10 - 23 years

Depreciation expense is not allocated to functional categories.

TTUHSC has adopted the federal standard of capitalizing furniture and equipment assets that exceed an aggregate cost threshold of \$5,000. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), facilities and other improvements (\$100,000), and vehicles (\$5,000).

For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated with constructing the asset and, once placed in service, depreciated over the appropriate useful life.

As a result of limitations in the SPA system, capital asset betterments that do not individually exceed the full capitalization threshold described above are not generally capitalized and instead are reported as an expense of the period.



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 1 (continued) Summary of Significant Accounting Policies

#### Payables

Major categories of TTUHSC payables include bonds payable, claims payable, and general accounts payable (including payroll). Minor categories of payables include deposits payable and unclaimed property due to the State Treasury.

#### Compensable Leave

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time. Annual vacation leave and other compensated time are accrued in a manner consistent with State of Texas rules and guidelines and in accordance with generally accepted accounting principles. Within the framework of those guidelines, employees are eligible to carry forward a limited annual leave balance.

#### Overtime and Compensatory Leave

Non-exempt employees who work in excess of 40 hours in a week generally have the option of requesting additional compensation for the extra hours worked, at a rate equal to 1½ times the usual hourly wage, or requesting compensatory leave for the extra hours worked, at 1½ hours of added leave for each extra hour worked.

#### Employee Sick Leave

Employee sick leave is accrued in a manner consistent with State of Texas rules and guidelines and in accordance with generally accepted accounting principles. Within the framework of those guidelines, employees are eligible to carry forward an unlimited sick leave balance. Since sick leave is not paid out to terminating employees, accumulated sick leave balances are not recognized as an institutional liability.

#### Capital Lease Obligations

Where material, capital leases are appropriately recorded as liabilities associated with the acquisition of capital assets in compliance with the full accrual basis of accounting set forth by GASB statements 34 and 35. For purposes of complying with this requirement, a capital lease is defined by fulfilling any of the following four conditions: (1) the ownership of the asset transfers to the lessee at the end of the lease; (2) the lessee has the option of purchasing the leased asset at the end of the lease for a bargain price; (3) the term of the lease represents 75% or more of the useful life of the leased asset; or (4) the discounted present value of all future lease payments at the inception of the lease represent 90% or more of the fair value of the leased asset.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 1 (continued) Summary of Significant Accounting Policies

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding are reported as reservations of net assets and do not constitute expenditures or liabilities.

#### Net Assets

Net assets represent the excess of assets over liabilities. In most cases, as a result of the amounts invested in capital assets, net of related debt, and other external restrictions, the excess of assets over liabilities does not represent spendable resources.

#### Reservations of Net Assets

Net assets are categorized in the accounting records by degree of availability. Net assets that are encumbered or that represent certain non-cash assets, such as inventory or accounts receivable, are reserved. The table below illustrates the components of unrestricted net assets as of August 31, 2005.

Reserved		
Encumbrances	\$	9,785,873
Inventory		704,313
Prepaid Expenses		292,240
Accounts Receivable		15,218,853
Working Capital		52,673
Self Insured Plans		43,266,118
External Investment Pool		173,198
Fair Market Value Adjustment		2,653,403
Funds Functioning as Endowments		20,737,426
Unreserved		<u>98,697,226</u>
Total Unrestricted Net Assets	\$	<u>191,581,323</u>

#### Interfund Activity and Transactions

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

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Notes to the Financial Statements* *August 31, 2005*

#### NOTE 1 (continued) Summary of Significant Accounting Policies

#### **Risk Financing**

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

#### NOTE 2 Capital Assets

#### **GENERAL INTRODUCTION**

Capital assets are categorized as either (1) land and land improvements, (2) buildings and building improvements, (3) infrastructure, (4) furniture and equipment, (5) vehicles, (6) construction in progress, (7) other capital assets, or (8) facilities and other improvements. Non-depreciable capital assets include land and land improvements, construction in progress, and other capital assets (representing artwork). All other capital asset categories are depreciated.

Capital asset changes for the year ended August 31, 2005 are summarized in the table below.

Capital Asset Category	Balance 09/01/2004	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/2005
			Completed CIP	Increases - Interagency Transfers	Decreases - Interagency Transfers			
<b>Non-Depreciable Assets</b>								
Land and Land Improvements	\$ 6,307,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,307,286
Construction in Progress	31,462,462	-	(15,208,726)	-	-	28,881,445	-	45,135,181
Other	22,038,625	(21,781,720)	-	-	-	147,500	-	404,405
<b>Total Non-Depreciable Assets</b>	<b>\$ 59,808,373</b>	<b>\$ (21,781,720)</b>	<b>\$ (15,208,726)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,028,945</b>	<b>\$ -</b>	<b>\$ 51,846,872</b>
<b>Depreciable Assets</b>								
Buildings and Building Improvements	\$ 205,078,585	\$ (3,371)	\$ 13,193,837	\$ -	\$ -	\$ 3,348,161	\$ -	\$ 221,617,212
Infrastructure	2,473,453	-	1,514,889	-	-	1,106,948	-	5,095,290
Furniture and Equipment	49,201,546	(78,804)	-	30,490	(660,483)	5,759,036	(2,382,156)	51,869,629
Vehicles	1,472,743	-	-	-	-	423,104	(54,215)	1,841,632
Other	-	21,781,720	-	-	-	1,597,094	(62,431)	23,316,383
Facilities and Other Improvements	7,223,995	-	500,000	-	-	944,656	-	8,668,651
<b>Total Depreciable Assets</b>	<b>\$ 265,450,322</b>	<b>\$ 21,699,545</b>	<b>\$ 15,208,726</b>	<b>\$ 30,490</b>	<b>\$ (660,483)</b>	<b>\$ 13,178,999</b>	<b>\$ (2,498,802)</b>	<b>\$ 312,408,797</b>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Notes to the Financial Statements* *August 31, 2005*

#### NOTE 2 (continued) Capital Assets

Accumulated depreciation changes for the year ended August 31, 2005 are summarized in the table below.

Capital Asset Category	Balance 09/01/2004	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/2005
			Completed CIP	Increases - Interagency Transfers	Decreases - Interagency Transfers			
Buildings and Building Improvements	\$ (116,598,128)	\$ -	\$ -	-	-	\$ (5,616,704)	-	\$ (122,214,832)
Infrastructure	(299,692)	-	-	-	-	(187,090)	-	(486,782)
Furniture and Equipment	(32,401,315)	74	-	(28,398)	50,992	(4,348,132)	1,876,224	(34,850,555)
Vehicles	(1,082,440)	-	-	-	-	(136,608)	44,470	(1,174,578)
Facilities and Other Improvements	(981,556)	-	-	-	-	(421,395)	-	(1,402,951)
Other	-	(12,115,132)	-	-	-	(2,090,015)	-	(14,205,147)
<b>Total Accumulated Depreciation</b>	<b>\$ (151,363,131)</b>	<b>\$ (12,115,058)</b>	<b>\$ -</b>	<b>\$ (28,398)</b>	<b>\$ 50,992</b>	<b>\$ (12,799,944)</b>	<b>\$ 1,920,694</b>	<b>\$ (174,334,845)</b>

#### NOTE 3 Deposits, Investments, and Repurchase Agreements

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

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

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

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

and bond proceeds invested in external investment pools. Also, TTUHSC maintains a cash balance in the State Treasury (local balance of legislative appropriations).

As of August 31, 2005, the carrying amount of deposits was \$(10,150,595) as follows:

Texas Tech University Health Sciences Center Deposits of Cash in Bank	
<b>Enterprise Funds</b>	
Cash in Bank - Carrying Value	\$(10,150,595)
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	-
Less: Uninvested Securities Lending Cash Collateral included in carrying Value and Reported as Securities Lending Collateral	-
Less: Securities Lending CD Collateral included in carrying value and Reported as Securities Lending Collateral	-
Cash in Bank	<u>\$(10,150,595)</u>
Enterprise Funds Current Assets Cash in Bank	\$ (7,609,523)
Enterprise Funds Current Assets Restricted Cash in Bank	(2,179,508)
Enterprise Funds Non-Current Assets Restricted Cash in Bank	<u>(361,564)</u>
Cash in Bank	<u>\$(10,150,595)</u>

These amounts consist of all cash in local banks and are included on the Combined Statement of Net Assets as part of the "Cash and Cash Equivalents" accounts. As of August 31, 2005, the total bank balance for Enterprise Funds was \$1,348,837.

### INVESTMENTS

As of August 31, 2005, the carrying value and fair value of investments are summarized in the table on the following page.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

<b>NOTE 3 (continued)</b> <b>Deposits, Investments, and Repurchase Agreements</b>
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Texas Tech University Health Sciences Center Carrying Value and Fair Value of Investments		
	Carrying Value	Fair Value
<b>Enterprise Funds</b>		
U. S. Government		
U. S. Treasury Securities	\$ 43,429,707	\$ 43,429,707
U. S. Treasury Strips	-	-
U. S. Treasury TIPS	-	-
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	36,547,147	36,547,147
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	-	-
Corporate Obligations	-	-
Corporate Asset and Mortgage Backed Securities	-	-
Equity	40,498,746	40,498,746
International Obligations (Government and Corporate)	-	-
International Equity	26,005,899	26,005,899
Repurchase Agreement	32,876,956	32,876,956
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	-	-
Fixed Income Money Market and Bond Mutual Fund	39,232,420	39,232,420
Other Commingled Funds	52,788,347	52,788,347
Other Commingled Funds (TexPool)	74,785,366	74,785,366
Commercial Paper	-	-
Securities Lending Collateral Investment Pool	-	-
Real Estate	-	-
Miscellaneous (Alternative Investments, Limited Partnerships, Guaranteed Investment Contract, Political Subdivision, Bankers' Acceptance, Negotiable CD)	33,891,024	33,891,024
<b>Total Investments</b>	<u>\$ 380,055,612</u>	<u>\$ 380,055,612</u>
<b>Non-Current Investments</b>		<b>\$ 235,654,380</b>
Items in Cash and Cash Equivalents:		
Repurchase Agreements		32,876,956
TexPool and TexSTAR Investments		<u>111,524,276</u>
<b>Total Investments</b>		<u><b>\$ 380,055,612</b></u>

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER****Annual Financial Report  
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*Notes to the Financial Statements  
August 31, 2005*

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

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

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
			-	
01	0001	Argentine peso	-	1,723
01	0001	Australian dollar	-	612,334
01	0001	Bermudan dollar	-	9,879
01	0001	Brazilian real	-	1,000,580
01	0001	Bulgarian lev	-	2,184
01	0001	Canadian dollar	-	356,656
01	0001	Chilean peso	-	8,922
01	0001	Chinese yuan	-	272,578
01	0001	Cyprus pound	-	1,806
01	0001	Czech koruna	-	77,617
01	0001	Danish krone	-	184,208
01	0001	Egyptian pound	-	35,814
01	0001	Euro	-	5,847,040
01	0001	Hong Kong dollar	-	665,546
01	0001	Hungarian forint	-	202,381
01	0001	Indian rupee	-	513,304
01	0001	Indonesian rupiah	-	192,152
01	0001	Israeli shekel	-	56,629
01	0001	Japanese yen	-	3,627,654
01	0001	Jersey pound	-	5,693
01	0001	Lithuanian litas	-	1,414
01	0001	Malaysian ringgit	-	408,744
01	0001	Mexican peso	-	518,817
01	0001	New Zealand dollar	-	77,235
01	0001	Norwegian krone	-	468,463
01	0001	Phillippino peso	-	81,083
01	0001	Polish zloty	-	333,804
01	0001	Pound sterling	-	3,069,945
01	0001	Romanian leu	-	33,181

(continued on next page)

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

**Annual Financial Report**  
**U N A U D I T E D**

*Notes to the Financial Statements*  
*August 31, 2005*

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

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
01	0001	Russian ruble	-	280,626
01	0001	Singapore dollar	-	212,495
01	0001	South African rand	-	903,303
01	0001	South Korean won	-	2,329,716
01	0001	Swedish krona	-	400,834
01	0001	Swiss franc	-	868,441
01	0001	Taiwan dollar	-	1,747,416
01	0001	Thai baht	-	210,708
01	0001	Turkish lira	-	376,052
01	0001	Venezuelan bolivar	-	8,922
		Total		<u>26,005,899</u>

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

**Moody's**

Fund Type	GAAP Fund	Investment Type	Aaa	Unrated
01	0001	U. S. Government Agency Obligations	\$ 36,547,147	-
		U. S. Government Agency Obligations(Texas Treasury Safekeeping Trust Co)	-	-
		Corporate Obligations	-	-
		Corporate Asset and Mortgage Backed Securities	-	-
		International Obligation	-	-
01	0001	Repurchase Agreement	32,876,956	-
01	0001	Fixed Income Money Market and Bond Mutual Fund	-	39,232,420



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

<b>NOTE 3 (continued)</b> <b>Deposits, Investments, and Repurchase Agreements</b>
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**Standard & Poor's**

Fund Type	GAAP Fund	Investment Type	AAA	Unrated
01	0001	U. S. Government Agency Obligations	\$ 36,547,147	-
		U. S. Government Agency Obligations(Texas Treasury Safekeeping Trust Co)	-	-
		Corporate Obligations	-	-
		Corporate Asset and Mortgage Backed Securities	-	-
		International Obligation	-	-
01	0001	Repurchase Agreement	32,876,956	-
01	0001	Fixed Income Money Market and Bond Mutual Fund	-	39,232,420

**Fitch**

Fund Type	GAAP Fund	Investment Type	AAA	Unrated
01	0001	U. S. Government Agency Obligations	\$ 36,547,147	-
		U. S. Government Agency Obligations(Texas Treasury Safekeeping Trust Co)	-	-
		Corporate Obligations	-	-
		Corporate Asset and Mortgage Backed Securities	-	-
		International Obligation	-	-
01	0001	Repurchase Agreement	32,876,956	-
01	0001	Fixed Income Money Market and Bond Mutual Fund	-	39,232,420

**DERIVATIVE INVESTING**

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

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## Annual Financial Report U N A U D I T E D

### *Notes to the Financial Statements* *August 31, 2005*

#### NOTE 4 Short Term Debt

TTUHSC has at times over the past several years issued short term commercial paper to serve as an interim financing source for long term construction projects in advance of issuing authorized bonds. As of August 31, 2005, no commercial paper debt was outstanding.

#### NOTE 5 Summary of Long Term Liabilities

As indicated in the table below, several categories of long term liabilities are reported including accrued liabilities, unclaimed property due to the State Treasury, bonds payable, claims payable, and compensable leave payable.

Category	Balance 09/01/2004	Increases	Decreases	Balance 08/31/2005	Current Portion
Accrued Liabilities	\$ 2,225	\$ -	\$ (2,225)	\$ -	\$ -
Unclaimed Property Due to the State Treasury	103,312	45,588	(61,229)	87,671	14,182
Bonds Payable	95,324,712	-	(1,326,849)	93,997,863	3,766,071
Claims Payable	29,372,442	-	(5,170,018)	24,202,424	2,420,242
Compensable Leave	16,360,818	4,784,881	(3,119,937)	18,025,762	3,605,152
Other Liabilities	5,410	1,400	(1,010)	5,800	1,420
<b>Total Long Term Liabilities</b>	<b>\$141,168,919</b>	<b>\$ 4,831,869</b>	<b>\$ (9,681,268)</b>	<b>\$ 136,319,520</b>	<b>\$ 9,807,067</b>

#### NOTES AND LOANS PAYABLE

No notes payable were outstanding as of August 31, 2005.

#### CLAIMS PAYABLE

Claims payable includes estimates for both known medical malpractice claims and those that have not yet been made against the insured participants. The liability is actuarially estimated to reflect the anticipated future claims for past medical services. Some of these claims are in process, while others

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 5 (continued) Summary of Long Term Liabilities

are expected to be filed in the future. The liability estimate does not consider the probability of payment on a claim-by-claim basis, and instead considers overall probability of payment for medical malpractice claims. The reported balance of claims payable includes liabilities for both TTUHSC and TTPA, a blended component unit.

Description	Balance 09/01/2004	Increases	Decreases	Balance 08/31/2005
TTUHSC	\$ 29,367,442	\$ -	\$ (5,165,018)	\$ 24,202,424
TTPA	5,000	-	(5,000)	-
Total Claims Payable	<u>\$ 29,372,442</u>	<u>\$ -</u>	<u>\$ (5,170,018)</u>	<u>\$ 24,202,424</u>

### COMPENSABLE LEAVE

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time as of August 31, 2005. Past experience has demonstrated that approximately 20% of TTUHSC compensable leave balances will mature within one year. Therefore, the non-current portion of the liability as of August 31, 2005 was estimated at \$14,420,610, out of a total liability of \$18,025,762.

### BONDS PAYABLE

See Note 13 for detailed information on bond liability balances and transactions.

### NOTE 6 Capital Leases

As of August 31, 2005, no material outstanding TTUHSC leases satisfied the requirements for capitalization.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 7 Operating Leases

TTUHSC leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights and, therefore, the related assets and liabilities are not reported in this *Annual Financial Report*. Total rental expense under these agreements was \$2,713,022 for the year ended August 31, 2005. The table below provides the estimated minimum lease payments for operating leases for TTUHSC for the next five fiscal years.

For Years Ending August 31	Minimum Lease Payments
2006	\$ 2,794,412
2007	2,878,245
2008	2,964,592
2009	3,053,530
2010	3,145,136

TTUHSC structures all leases to allow for cancellation within the current period. Most of the cancellation clauses are based on a 30-day notice condition or on the condition of continuing appropriations. However, there is little or no historical precedence for lease cancellations at TTUHSC.

### NOTE 8 Interfund Balances / Activity

TTUHSC had an outstanding interfund receivable from the University of Texas Investment Management Company (UTIMCO) as of August 31, 2005, representing undistributed earnings from the investment assets of the Permanent Health Fund for Higher Education. As of August 31, 2005, TTUHSC had various outstanding interfund payables. These payables include amounts due to the Employees Retirement System representing payment for insurance, to Texas Tech University representing payment for shared services fees, to West Texas A&M University representing payments for subcontract agreements, and to the Higher Education Coordinating Board representing remittance for 2% medical loan set-asides. The table at the top of the next page provides additional information about these balances due.

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*Notes to the Financial Statements*  
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**NOTE 8 (continued)**  
**Interfund Balances / Activity**

Texas Tech University Health Sciences Center Due from / to Other State Agencies				
Agency Name	Agency Nbr	D23 Fund	Due from	Due to
University of Texas System	720	0810	\$ 4,082,160	\$ -
Employees Retirement System	327	0973	-	(98,529)
Texas Tech University	733	0001	-	(32,084)
West Texas A&M University	757	9999	-	(48,495)
Higher Education Coordinating Board	781	0542	-	(449)
Total Due from / to Other State Agencies			<u>\$ 4,082,160</u>	<u>\$ (179,557)</u>

Also, for the year ended August 31, 2005, TTUHSC had various transfers to and from other components of the Texas Tech University System. The majority of the net transfers in from TTU are for servicing of outstanding bonded indebtedness for which appropriations are shared. The majority of the net transfers out to TTUSA are to support system administrative functions.

Interfund activity is summarized in the table below.

Agency Name	Agency Number	D23 Fund	Transfers In	Transfers Out
Texas Tech University	733	0001	\$ 1,619,617	\$ (49,460)
Texas Tech University System Administration	793	0001	27,513	(5,665,755)
Totals			<u>\$ 1,647,130</u>	<u>\$ (5,715,215)</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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*Notes to the Financial Statements*  
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### NOTE 9 Contingent Liabilities

#### PENDING LITIGATION

At August 31, 2005, various lawsuits and claims involving TTUHSC were pending. While the ultimate liability with respect to litigation and other claims asserted against TTUHSC cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance, is not likely to have a material impact on TTUHSC.

#### REBATABLE ARBITRAGE

As of August 31, 2005, TTUHSC had no liability for rebatable arbitrage.

#### CONSTRUCTION CONTRACT COMMITMENTS

Numerous large contracts have been entered into for the purposes of planning, constructing, and equipping building additions and other projects. Outstanding commitment amounts totaled \$40,831,624 as of August 31, 2005. These commitments will be funded by donor contributions, appropriations from the state, issuance of revenue bonds, and other borrowings. As of August 31, 2005, the amount of legislative appropriations for capital from the state available for these commitments totaled \$5,046,893.

#### DIRECT LENDING

TTUHSC participates in the federal Direct Loan Program, which provides loans from the federal government to qualifying students and their families for educational purposes. While TTUHSC helps students to obtain these loans, the institution is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers. The amount of direct loans issued during the year ended August 31, 2005 was \$31,896,366.

### NOTE 10 Continuance Subject to Review

TTUHSC is not subject to the Texas Sunset Act.

### NOTE 11 Risk Financing and Related Insurance

TTUHSC has self-insured arrangements for coverage in the areas of unemployment compensation and medical malpractice. The medical malpractice plan had an actuarially determined accrued incurred but not reported (IBNR) liability at August 31, 2005 of \$24,202,424. Texas Tech Physician Associates, a

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*Notes to the Financial Statements*  
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**NOTE 11 (continued)**  
**Risk Financing and Related Insurance**

blended component unit, had no accrued IBNR at August 31, 2005. A reconciliation of IBNR is provided in the table in Note 5.

The TTUHSC medical malpractice self insurance plan, an occurrence based plan, was established in 1985. Claim limits associated with the plan are \$400,000 per occurrence and \$1,200,000 aggregate per annum for services provided by faculty physicians (unless lower limits are set by law, in which case the lower limits set by law apply), \$100,000 per occurrence and \$300,000 aggregate per annum for services provided by resident physicians, and \$25,000 per occurrence and \$75,000 aggregate per annum for services provided by students. The plan also has a \$1,000,000 total limit per claimant per occurrence.

As of September 1, 2004, providers of health care (physicians) are no longer excepted from the statutory limits of liability set for public servants as set out in § 108.002 of the Texas Civil Practices and Remedies Code. Public servants are limited in liability to \$100,000 to a single person and \$300,000 for a single occurrence. There is also a \$250,000 per person and \$500,000 per occurrence statutory limit in place for tort claims against TTUHSC as an institution.

The State of Texas provides coverage for workers compensation and unemployment benefits from appropriations made to other state agencies for TTUHSC employees. The *General Appropriations Act* of the 78<sup>th</sup> Texas Legislature provides that TTUHSC must reimburse the General Revenue Fund, from TTUHSC appropriations, one-half of the unemployment benefits expected to be paid for former and current employees. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. TTUHSC must also reimburse the General Revenue Fund for all of the cost for unemployment compensation for any employees paid from funds held in local bank accounts or from local balances of legislative appropriations held in the State Treasury. No material outstanding claims were pending as of August 31, 2005.

For workers compensation, TTUHSC remits an assessed amount from both appropriated and unappropriated fund types to the State Office of Risk Management (SORM). SORM assumes the responsibility for paying all workers compensation claims for current and former employees of TTUHSC.

**NOTE 12**  
**Segment Information**

TTUHSC has no reportable segments.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 13 Bonded Indebtedness

Several bond issues were outstanding as of August 31, 2005, as summarized in the paragraphs that follow on the next two pages.

#### **REVENUE FINANCING SYSTEM BONDS, 2<sup>nd</sup> SERIES 1995**

Purpose: Financing for the library / conference center project in Lubbock and the costs of issuing the bonds

Issued: April 25, 1995; all authorized bonds (\$11,000,000) have been issued

Outstanding: \$0 outstanding as of August 31, 2005

Interest Rates: 4.30% to 5.35%

Maturity Dates: 1996 through 2005

Balance Changes: \$0 issued; \$497,200 retired

#### **REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SERIES 1999**

Purpose: Financing for projects in Amarillo, Midland, and Lubbock, the costs of issuing the bonds, and the advance refunding of a portion of the Revenue Financing System Bonds, 2<sup>nd</sup> Series 1995

Issued: May 4, 1999; all authorized bonds (\$15,632,182) have been issued

Outstanding: \$13,147,863 outstanding as of August 31, 2005

Interest Rates: 4.00% to 5.25%

Maturity Dates: 1999 through 2029

Balance Changes: \$0 issued; \$174,649 retired

#### **REVENUE FINANCING SYSTEM BONDS, 7<sup>th</sup> SERIES 2001**

Purpose: Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper

Issued: January 23, 2002; all authorized bonds (\$19,510,000) have been issued

Outstanding: \$16,580,000 outstanding as of August 31, 2005



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
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### NOTE 13 (continued) Bonded Indebtedness

Interest Rates: 3.00% to 5.50%  
Maturity Dates: 2002 through 2021  
Balance Changes: \$0 issued; \$655,000 retired

### REVENUE FINANCING SYSTEM BONDS, 9<sup>th</sup> SERIES 2003

Purpose: Financing for projects in El Paso and Lubbock, the costs of issuing the bonds, and the retirement of outstanding commercial paper  
Issued: September 24, 2003; all authorized bonds (\$64,270,000) have been issued  
Outstanding: \$64,270,000 outstanding as of August 31, 2005  
Interest Rates: 2.00% to 5.25%  
Maturity Dates: 2006 through 2023  
Balance Changes: \$0 issued; \$0 retired

### SOURCES OF REVENUE FOR DEBT SERVICE

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

### BONDS AUTHORIZED BUT UNISSUED

Section 55.1749 of House Bill No. 28 of the 78<sup>th</sup> Texas Legislature provided authorization for TTUHSC to issue \$45,000,000 of additional Revenue Financing System bonds for construction of a medical education building at the El Paso campus. As of August 31, 2005, the entire amount of the authorization remained unissued. As of September, 2005, the Texas Legislature has authorized appropriation funding for debt service on this approved bond issue.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
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### NOTE 14 Subsequent Events

Section 55.1749 of House Bill 28 of the 78<sup>th</sup> Texas Legislature provided authorization for TTUHSC to issue \$45,000,000 of additional Revenue Financing System bonds for construction of a medical education building at the El Paso campus. TTUHSC intends to issue the entire \$45,000,000 during fiscal year 2006.

### NOTE 15 Related Parties

TTUHSC has no related parties except those identified as component units in Note 1.

### NOTE 16 Stewardship, Compliance, and Accountability

TTUHSC has no material stewardship, compliance, or accountability issues.

### NOTE 17 The Financial Reporting Entity

TTUHSC is a component unit of the State of Texas. The accompanying financial statements reflect inclusion of one blended component unit described in detail in Note 1. TTUHSC has no other related organizations or joint ventures or jointly governed organizations.

### NOTE 18 Restatement of Net Assets

The only material prior-period adjustment for TTUHSC that required the restatement of beginning net assets related to inventory adjustments made by Statewide Property Accounting.

Reported Net Assets, September 1, 2004	\$ 405,925,977
Restatements	
Increase in Accumulated Depreciation Expense Resulting from the Reclassification of Library Books to Depreciable	<u>(12,115,132)</u>
Restated Net Assets, September 1, 2004	<u>\$ 393,810,845</u>

**Annual Financial Report**  
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*Notes to the Financial Statements*  
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**NOTE 19**  
**Employee Retirement Plans**

The State of Texas has joint contributory retirement plans for substantially all regular employees. One of the primary plans in which TTUHSC participates is administered by the Teacher Retirement System (TRS) of Texas. The TRS program was established by the Texas Legislature and can only be amended by legislative action.

The TRS program is a cost sharing, multiple-employer, defined benefit pension plan. The contributory percentages currently provided by the state and by each participant are 6.00% and 6.40%, respectively, of annual participant compensation.

The TRS program covers retirement, proportional retirement, disability annuities, and death and survivor benefits. A participant is vested after five years of creditable service and is entitled to any benefit for which eligibility requirements have been met. The normal service retirement is at age 65 with five years of service, or when the sum of the participant's age and years of service equals or exceeds 80 years. Reduced service requirement is at age 55 with five years of service or any age below 50 with 30

years of service. The standard life annuity benefit formula is 2.3 percent of the average of the three highest annual salaries multiplied by the years of service. At normal retirement age, the minimum standard monthly annuity is the greater of \$150 or the formula standard annuity. Total payments shall in no case be less than accumulated contributions at the time of retirement.

Contributions made by the state on behalf of TTUHSC for the TRS program amounted to \$3,006,843 for the year ended August 31, 2005, \$2,999,565 for the year ended August 31, 2004, and \$3,038,755 for the year ended August 31, 2003.

TRS does not separately account for each of its component governmental agencies, since TRS itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the TRS *Comprehensive Annual Financial Report* submitted to the state and available from the TRS website.

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the TRS program. ORP is a defined contribution pension plan that provides for the purchase of annuity and custodial mutual fund contracts. The contributory percentages currently provided by the state and by each participant for employees who participated before September 1, 1995 are 8.50% and 6.65%, respectively, of annual participant compensation. The state's contribution is comprised of 6.00% from the ORP appropriation and 2.50% from other funding sources. The 6.00% contribution is mandatory with the other contributions being at the discretion of the governing board of TTUHSC. The governing board has approved the additional contributions for employees of TTUHSC. The contributory percentages currently provided by the state and by each participant for employees entering the program after

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Notes to the Financial Statements* *August 31, 2005*

#### **NOTE 19 (continued)** **Employee Retirement Plans**

August 31, 1995 are 6.00% and 6.65%, respectively, of annual participant compensation. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

Contributions made by the state on behalf of TTUHSC for the ORP amounted to \$2,392,447 for the year ended August 31, 2005, \$2,744,132 for the year ended August 31, 2004, and \$2,500,552 for the year ended August 31, 2003.

#### **NOTE 20** **Deferred Compensation**

TTUHSC employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the *Texas Government Code Annotated*, § 609.001. A deferred compensation plan called Texa\$aver, administered by the Employees Retirement System, is available for income deferral.

The state's 457 plan complies with the Internal Revenue Code (IRC) § 457. GASB statement 32, effective for financial statements for periods beginning after December 31, 1998, rescinds GASB statement 2 and amends GASB statement 31. GASB statement 2, *Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of the Internal Revenue Code § 457*, established reporting requirements for IRC § 457 plans. Based on the laws in effect at the time of its passage, that statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans are also required to comply with this requirement by January 1, 1999.

As of August 31, 2005, there were 156 TTUHSC participants in this deferred compensation plan.

#### **NOTE 21** **Donor Restricted Endowments**

TTUHSC endowments are categorized as either true endowments or funds functioning as endowments. As of August 31, 2005, TTUHSC had no term endowments. Expenditure of true endowment funds is not permitted without the express consent of the donor. Most TTUHSC endowments are held in perpetuity. In many cases, a portion of the endowment earnings are expendable for student financial assistance or other purposes as designated by the donor or associated agreement. In other cases, endowment earnings are fully reinvested.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
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### NOTE 21 (continued) Donor Restricted Endowments

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF), described in more detail in Note 3. The LTIF allows for quarterly spendable income distributions amounting to 1.125% of the 12-quarter rolling average unitized balance. Spendable income can be supported by both realized earnings and by unrealized earnings.

Donor restricted endowment earnings for the year ended August 31, 2005 are summarized in the table below.

Endowment Category	Net Appreciation	Statement of Net Assets Reporting Section
True Endowments	\$ 2,722,209	Restricted / Nonexpendable
True Endowments	637,013	Restricted / Expendable
True Endowments	<u>3,844,832</u>	Unrestricted / Expendable
Total	<u>\$ 7,204,054</u>	

There were also unrealized fair market value gains associated with true endowments that amounted to \$7,771,315 for the year ended August 31, 2005.

### NOTE 22 Management Discussion and Analysis

#### INTRODUCTION

This discussion and analysis provides an overview of the financial position and activities of TTUHSC for the year ended August 31, 2005. This discussion and analysis has been prepared by management and should be reviewed in conjunction with the financial statements and accompanying notes.

#### USING THE FINANCIAL STATEMENTS

Included in this *Annual Financial Report* are three basic financial statements: (1) the Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets, and (3) the Statement of Cash Flows.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
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### NOTE 22 (continued) Management Discussion and Analysis

#### FINANCIAL HIGHLIGHTS

- TTUHSC continues to experience growth in enrollment, totaling 7.9% between the fall 2003 term and the fall 2004 term. The most notable portion of this one-year growth was in the School of Nursing Graduate Program (up 23.7%). Annual enrollment increases over the last ten years have averaged 5.5%.
- Overall net assets increased by \$36.8 million for the year ended August 31, 2005, primarily due to increased investment returns, increased tuition and fee revenue, and increased pledged gift revenue.
- Capital asset additions totaled \$42.2 million for the year ended August 31, 2005.

#### CONDENSED FINANCIAL INFORMATION

In the summary financial statements presented on the next few pages, three years of comparative data are provided. Prior year amounts have, in certain instances, been restated or reclassified to conform to current year presentation.

#### Summary Schedule of Net Assets

Net assets are the difference between assets and liabilities and represent the equity component of the institution. Over time, increases or decreases in net assets are one indicator of the improvement or decline of the organization's financial health when considered with non-financial factors such as enrollment, patient levels, and the condition of facilities.

The table below shows the balances in asset, liability, and net asset categories as of August 31, 2005, 2004, and 2003 (amounts in thousands).

	2005	2004	2003
Assets			
Current Assets	\$ 185,214	\$ 202,300	\$ 155,910
Non-Current Investments	235,654	216,130	199,526
Other Non-Current Assets	7,298	5,065	(1,678)
Capital Assets, Net of Accumulated Depreciation	189,921	173,896	154,815
Total Assets	<u>\$ 618,087</u>	<u>\$ 597,391</u>	<u>\$ 508,573</u>

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### NOTE 22 (continued) Management Discussion and Analysis

	2005	2004	2003
Liabilities	60,991	57,865	52,358
Current Liabilities	126,513	133,600	83,185
Non-Current Liabilities			
	<u>\$ 187,504</u>	<u>\$ 191,465</u>	<u>\$ 135,543</u>
Total Liabilities			
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 129,368	\$ 132,683	\$ 119,005
Restricted	109,634	97,069	138,923
Unrestricted	191,581	176,174	115,102
Total Net Assets	<u>\$ 430,583</u>	<u>\$ 405,926</u>	<u>\$ 373,030</u>

#### *Current Assets and Current Liabilities*

Current assets consist primarily of cash and cash equivalents, short-term investments, balances in legislative appropriations, and various student, patient, and contract receivables. Current liabilities consist primarily of trade accounts payable, payroll payable, deferred revenues, commercial paper notes payable, and the current portions of compensable leave payable and claims payable. The institution's current ratio (current assets to current liabilities) of 3.04 reflects strong liquidity and a notable short-term ability to meet upcoming obligations.

#### *Non-Current Investments*

Non-current investments include both long-term and restricted short-term holdings. Most of these investments relate to endowment funds or securities held in reserve for estimated future medical malpractice claims.

#### *Net Assets*

Net assets invested in capital assets, net of related debt, represent capital assets net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction, or improvement of those assets. Restricted non-expendable net assets include permanent endowment funds that are subject to externally imposed restrictions governing their use.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Notes to the Financial Statements* *August 31, 2005*

#### NOTE 22 (continued) Management Discussion and Analysis

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the reported unrestricted net assets have been committed for future program budgets related to academic, patient, and research programs and initiatives, as well as capital projects.

The table below summarizes the composition of net assets at August 31, 2005, 2004, and 2003 (in thousands).

	2005	2004	2003
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 129,368	\$ 132,683	\$ 119,005
Restricted			
Capital Projects	5,319	6,354	7,660
Funds Held as Permanent Investments	86,451	73,041	81,729
Other	17,864	17,674	49,534
Unrestricted	191,581	176,174	115,102
Total Net Assets	\$ 430,583	\$ 405,926	\$ 373,030

#### Summary Schedule of Revenues, Expenses, and Changes in Net Assets

The table below (and on the next two pages) summarizes the revenues, expenses, and changes in net assets for the years ended August 31, 2005, 2004, and 2003 (in thousands).

	2005	2004	2003
Operating Revenues			
Net Student Tuition and Fees	\$ 12,164	\$ 10,661	\$ 8,998
Net Professional Fees	87,707	85,245	82,043
Grant and Contract Revenues	180,988	177,125	183,285
Net Sales and Services of Auxiliary Enterprises	591	473	491
Other	3,263	2,984	2,771
Total Operating Revenues	284,713	276,488	277,588



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 22 (continued) Management Discussion and Analysis

	2005	2004	2003
Operating Expenses			
Instruction	\$ (170,684)	\$ (151,509)	\$ (168,408)
Research	(15,043)	(16,381)	(15,806)
Public Service	(101,431)	(98,618)	(101,424)
Academic Support	(66,104)	(64,162)	(53,791)
Student Services	(6,671)	(6,250)	(5,868)
Institutional Support	(18,509)	(19,476)	(14,410)
Operation and Maintenance of Plant	(15,980)	(16,625)	(14,179)
Auxiliary Enterprises	(351)	(318)	(289)
Depreciation	(12,800)	(8,775)	(8,147)
Total Operating Expenses	(407,573)	(382,114)	(382,322)
Operating Loss	(122,860)	(105,626)	(104,734)
Non-Operating Revenues and Expenses			
Legislative Appropriations Revenue	109,167	119,907	108,257
Net Gift Income	16,068	4,659	4,921
Net Investment Income	30,364	23,443	18,563
Interest Expense on Capital Asset Financing	(1,561)	(1,732)	(755)
Other	688	3,067	(2,588)
Total Non-Operating Revenues and Expenses	154,726	149,344	128,398
Income Before Other Revenues, Expenses, Gains, Losses, and Transfers	31,866	43,718	23,664
Other Revenues, Expenses, Gains, Losses, and Transfers			
Capital Contributions and Recoveries	1,318	1,879	2,054
Legislative Appropriations Revenue for Capital	7,735	7,735	7,735
Net Transfers to Other State Agencies	(4,147)	(3,763)	(2,544)
Legislative Transfers In	-	2,000	547
Total Other Revenues, Expenses, Gains, Losses, and Transfers	4,906	7,851	7,792
Change in Net Assets	\$ 36,772	\$ 51,569	\$ 31,456

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
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### NOTE 22 (continued) Management Discussion and Analysis

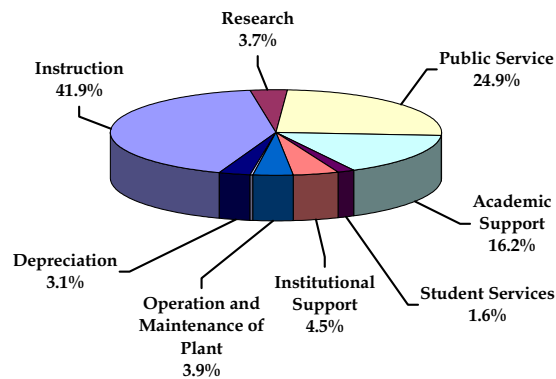
	2005	2004	2003
Beginning Net Assets	405,926	373,030	343,105
Restatements	\$ (12,115)	\$ (18,673)	\$ (1,531)
Ending Net Assets	\$ 430,583	\$ 405,926	\$ 373,030

#### Operating Revenues

Student tuition and fees, a primary source of funding for academic programs, are reflected net of associated discounts and allowances. Student tuition and fee revenues increased by 14.1% for 2005, primarily resulting from overall increases in enrollment and slight increases in tuition rates. Professional fee revenues are principally generated within the practice plans from patients or through contractual arrangements with governmental payers and private insurers. As such, professional fees revenues are subject to fluctuation due to changes in standard reimbursement rates for medical services.

#### Operating Expenses

The illustration below presents the composition of operating expenses by programmatic function for the year ended August 31, 2005.



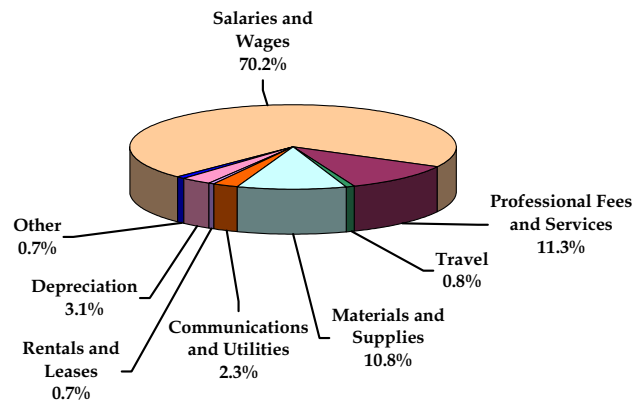
# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 22 (continued) Management Discussion and Analysis

The illustration below presents the composition of operating expenses by natural classification for the year ended August 31, 2005.



#### Non-Operating Revenues and Expenses

Numerous recurring revenues are considered non-operating, as required by generally accepted accounting principles. The largest element of recurring non-operating revenue is legislative appropriations from the state, which decreased 8.9% for the year ended August 31, 2005. Realized gains and losses from the sale of investments, along with unrealized changes in the fair market value of investments, are factored into the reported amount for net investment income. Overall net investment income increased by 29.5% for 2005.

The institution's endowment investment policies are designed to maximize long-term total return while income distribution policies are designed to preserve the value of the endowments and to generate a predictable stream of distributable income.

#### Other Revenues, Expenses, Gains, and Losses

Capital contributions for the period were comprised primarily of special-purpose gifts for facilities expansion and renovation. Capital contributions and recoveries declined for 2005. The legislative appropriations for capital represent distributions from the Higher Education Assistance Fund (HEAF).

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 22 (continued) Management Discussion and Analysis

#### Change in Net Assets

Net assets increased \$36.8 million for the year ended August 31, 2005, primarily due to increased investment returns, increased tuition and fee revenue, and increased pledged gift revenue.

#### CAPITAL ASSETS AND RELATED DEBT

Significant additional resources continue to be invested in capital assets at TTUHSC. Capital asset additions for the year ended August 31, 2005 amounted to \$42.2 million. Capital asset additions were funded by a variety of sources, including private donations and proceeds from debt issuances authorized and funded by the Texas Legislature.

As of August 31, 2005, total capital assets and related accumulated depreciation amounted to \$364.3 million and \$162.2 million, respectively. Related debt balances included \$60.6 million of bonds payable, current and non-current. As of August 31, 2005, TTUHSC had bond ratings of AA from Fitch, Aa3 from Moody's, and AA from Standard and Poor's.

Additional detailed information regarding capital assets and related debt is included in earlier notes in this *Annual Financial Report*.

#### ECONOMIC OUTLOOK

Future successes are largely dependent upon cost containment, the ability to recruit and retain the highest quality students, faculty, and staff, and ongoing financial and political support from state government.

General appropriations received during the year ended August 31, 2005 were \$91.6 million. General appropriations to TTUHSC, as included in the *General Appropriations Act* of the 79<sup>th</sup> Texas Legislature, are expected to be \$116.9 million for the year ending August 31, 2006 and \$117.1 million for the year ending August 31, 2007.

Private gift contributions are a significant factor in the growth of academic, research, and patient care units and are an important supplement to the fundamental support provided by the state and through collections from students and patients. Economic pressures affecting donors may also affect the future level of support afforded TTUHSC from corporate and individual giving.

TTUHSC will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate operations from temporary market volatility.

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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*Notes to the Financial Statements*  
*August 31, 2005*

### NOTE 23 Post Employment Health Care and Life Insurance Benefits

TTUHSC does not anticipate any institutional liability associated with post employment health care and life insurance benefits. Such liability, as it relates to former and current TTUHSC employees, is borne by the Employees Retirement System of Texas.

### NOTE 24 Special or Extraordinary Items

TTUHSC had no special or extraordinary items during the year ended August 31, 2005.

### NOTE 25 Disaggregation of Receivable and Payable Balances

#### RECEIVABLES

Components of receivables as of August 31, 2005, including current and non-current receivables, are summarized in the table below.

Description	Gross Receivables	Allowances	Net Receivables
Federal Receivable	\$ 1,488,001	\$ -	\$ 1,488,001
Interest and Dividends Receivable	650,707	-	650,707
Patient Accounts Receivable	37,693,120	(25,446,460)	12,246,660
Student Accounts Receivable	494,060	(35,264)	458,796
Contract Accounts Receivable	8,305,153	-	8,305,153
Pledged Gifts Receivable	7,014,199	(350,710)	6,663,489
Loans and Notes Receivable	2,627,766	(173,821)	2,453,945
Other	142,901	(85,153)	57,748
Total Receivables	\$ 58,415,907	\$ (26,091,408)	\$ 32,324,499

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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*Notes to the Financial Statements*  
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### NOTE 25 (continued) Disaggregation of Receivable and Payable Balances

#### Contractual Arrangements and Concentrations of Credit Risk

TTUHSC provides care to patients covered by various third party payers such as Medicare, Medicaid, and private insurance companies and health maintenance organizations (HMOs).

TTUHSC provides primary, secondary, and tertiary health care services to counties in west Texas, eastern New Mexico, and the Oklahoma panhandle region, as well as border regions in southwest Texas. Patient care centers are located in the Texas cities of Amarillo, El Paso, Lubbock, and Odessa.

Concentrations of gross patient accounts receivable are depicted in the table below. Management does not believe there are significant credit risks associated with the listed payers, other than the self pay and medically indigent category. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivables are reported in this *Annual Financial Report* net of allowances for bad debts, contractual adjustments, and charity care.

Description	Gross Receivables
Medicare	\$ 4,653,464
Medicaid	7,414,890
Managed Care, including Blue Cross	5,363,822
Commercial	4,210,188
Self Pay and Medically Indigent	15,921,089
Other	129,667
Total Gross Patient Accounts Receivable	<u>\$ 37,693,120</u>

#### PAYABLES

Short-term payables as of August 31, 2005, including payables from restricted assets, were comprised of the elements noted in the table at the top of the next page.

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

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*Notes to the Financial Statements*  
*August 31, 2005*

**NOTE 25 (continued)**  
**Disaggregation of Receivable and Payable Balances**

Description	Balance
Vendor Accounts Payable	\$ 14,273,786
Patient Refunds Payable	2,077,269
Residency Program Refunds Payable	1,872,341
Payroll Payable	25,424,255
Deposits Payable	1,420
Accrued Interest Payable	200,229
Total Short-Term Payables	<u>\$ 43,849,300</u>

**NOTE 26**  
**Medical Patient Revenues**

Patient charges for the medical practice plan are reported net of contractual adjustments and charity care. Components of gross medical patient charges for the year ended August 31, 2005 are summarized below.

Gross Medical Patient Charges	\$ 256,405,818
less Contractual Adjustments	(80,013,992)
less Charity Care	<u>(83,784,888)</u>
Net Medical Patient Charges	<u>\$ 92,606,938</u>

Certain charges processed through the medical patient accounting system (IDX) are not classified in this *Annual Financial Report* as professional fees and instead are reported as revenues from local and private grants and contracts. Also, some professional fees reported in this *Annual Financial Report* are not processed through the medical patient accounting system and include fees collected in the practice plans for allied health sciences, nursing, and pharmacy.

TTUHSC provides care to patients who meet defined criteria under the charity care policy at amounts less than established rates. A patient is classified as an eligible charity patient based on federal poverty

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*Notes to the Financial Statements*  
*August 31, 2005*

### **NOTE 26 (continued)** **Medical Patient Revenues**

guidelines. Because TTUHSC does not pursue collection of amounts determined to qualify as charity care, such charges are included in gross patient charges but are not included in net patient charges.

Patient charges earned under third party contractual arrangements are primarily from fixed rate agreements which, for Medicare and Medicaid, are updated annually by the federal government and state government, respectively. Gross patient services charges under the Medicare and Medicaid programs for the year ended August 31, 2005 were \$130,921,037. Compliance with these programs is complex and can be subject to future government interpretation as well as potential regulatory action.

For the Medicaid program in Texas, and other government programs, contractual adjustments are reported as charity care as defined in Section III of the *General Appropriations Act* of the 78<sup>th</sup> Texas Legislature.



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**SUPPORTING SCHEDULES**

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# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Agy Nbr	Pass-Through From			Direct Program
				Agency Amount	University Amount	Non- State Agency Amount	
<b>U. S. Department of Justice</b>							
Crime Laboratory Improvement							
Combined Offender DNA Index							
System Backlog Reduction	16.564			\$ -	\$ -	\$ -	\$ 62,012
TOTAL U. S. DEPARTMENT OF JUSTICE				-	-	-	62,012
<b>National Science Foundation</b>							
Engineering Grants	47.041			-	-	-	91,362
Sigma Plus		05LN040045FNH		-	-	-	-
TOTAL U. S. DEPARTMENT OF EDUCATION				-	-	-	91,362
<b>U.S. Department of Education</b>							
Fund for the Improvement of Post-Secondary Education	84.116			-	-	-	187,867
Rehabilitation Long-Term Training	84.129			-	-	-	157,426
Baylor College of Medicine / Fund for the Improvement of Post-Secondary Education	84.116	03LM030001FHN		-	-	4,942	-
TOTAL U. S. DEPARTMENT OF EDUCATION				-	-	4,942	345,293
<b>U. S. Department of Health and Human Services</b>							
Department of Health and Human Services/Fellowship							
Salary and Benefit	93.000	7730780246		-	-	-	101,878
Maternal and Child Health Federal Consolidated Programs	93.110			-	-	-	28,847
Centers of Excellence	93.157			-	-	-	149,971
University of Texas at El Paso				-	-	-	-
Health Education and Training Centers (HETCAT)	93.189			-	-	-	666,790
University of Texas Health Science Center at San Antonio				-	-	-	-
University of Texas Medical Branch at Galveston				-	-	-	-
University of North Texas Health Science Center				-	-	-	-
City of Laredo Health Department		04EM040999F9		-	-	-	-
La Clinica Guadalupeana		05EM050997F1		-	-	-	-
El Paso County Hospital District		05EM050997F2H		-	-	-	-
March of Dimes		04EM040999F7		-	-	-	-
Paso Del Norte Community		05EM050997FN		-	-	-	-
U S Mexico Border Health Association		05EM050997F5H		-	-	-	-
AHEC of the Plains		05EM050997F8H		-	-	-	-
South Plains Health Provider Organization		05EM0599F9H		-	-	-	-

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To			Expend- itures	Total Pass- Through To and Expend- itures
			Agy Nbr	State Agency Amount	Non- State Agency Amount		
<b>U. S. Department of Justice</b>							
Crime Laboratory Improvement							
Combined Offender DNA Index							
System Backlog Reduction	16.564	\$ 62,012		\$ -	\$ -	\$ 62,012	\$ 62,012
TOTAL U. S. DEPARTMENT OF JUSTICE		62,012		-	-	62,012	62,012
<b>National Science Foundation</b>							
Engineering Grants	47.041	91,362		-	-	80,898	80,898
Sigma Plus		-		-	10,464	-	10,464
TOTAL U. S. DEPARTMENT OF EDUCATION		91,362		-	10,464	80,898	91,362
<b>U.S. Department of Education</b>							
Fund for the Improvement of Post-Secondary Education	84.116	187,867		-	-	187,867	187,867
Rehabilitation Long-Term Training	84.129	157,426		-	-	157,426	157,426
Baylor College of Medicine / Fund for the Improvement of Post-Secondary Education	84.116	4,942		-	-	4,942	4,942
TOTAL U. S. DEPARTMENT OF EDUCATION		350,235		-	-	350,235	350,235
<b>U. S. Department of Health and Human Services</b>							
Department of Health and Human Services/Fellowship							
Salary and Benefit		101,878		-	-	101,878	101,878
Maternal and Child Health Federal Consolidated Programs		28,847		-	-	28,847	28,847
Centers of Excellence	93.157	149,971		-	-	167,002	167,002
University of Texas at El Paso		-	724	(17,031)	-	-	(17,031)
Health Education and Training Centers (HETCAT)	93.189	666,790				332,078	332,078
University of Texas Health Science Center at San Antonio		-	745	216,273	-	-	216,273
University of Texas Medical Branch at Galveston		-	723	65,676	-	-	65,676
University of North Texas Health Science Center		-	763	2,134	-	-	2,134
City of Laredo Health Department		-		-	471	-	471
La Clinica Guadalupeana		-		-	18,090	-	18,090
El Paso County Hospital District		-		-	1,620	-	1,620
March of Dimes		-		-	3,505	-	3,505
Paso Del Norte Community		-		-	4,514	-	4,514
U S Mexico Border Health Association		-		-	2,516	-	2,516
AHEC of the Plains		-		-	19,320	-	19,320
South Plains Health Provider Organization		-		-	594	-	594

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Agy Nbr	Pass-Through From			Direct Program
				Agency Amount	University Amount	Non- State Agency Amount	
<b>U. S. Department of Health and Human Services (cont)</b>							
Advanced Education Nursing Grant Program	93.247			\$ -	\$ -	\$ -	\$ 191,747
University of Texas at Tyler				-	-	-	-
Poison Control Stabilization and Enhancement Grants	93.253			-	-	-	73,547
Comprehensive Geriatric Education Program (CGEP)	93.265			-	-	-	192,536
Advanced Education Nursing Traineeships	93.358			-	-	-	37,275
Nurse Education, Practice and Retention Grants	93.359			-	-	-	629,646
Basic / Core Area Health Education Centers	93.824			-	-	-	854,100
West Texas A&M University				-	-	-	-
West Central Texas Council of Governments		05LT030022F3		-	-	-	-
Permian Basin Workforce		042M030022F2R		-	-	-	-
AHEC of the Plains		04LT030022FHNR		-	-	-	-
Medical Library Assistance	93.879			-	-	-	9,913
Grants for Training in Primary Care							
Medicine and Dentistry	93.884			-	-	-	259,949
Health Care and Other Facilities	93.887			-	-	-	313,656
Rural Health Care Services Outreach and Rural Health							
Network Development Program	93.912			-	-	-	145,060
University of Texas at El Paso				-	-	-	-
Scholarships for Health Professions Students							
from Disadvantaged Backgrounds	93.925			-	-	-	256,408
University of Texas Health Science Center at San Antonio /							
U S Mexico Border Center of Excellence Consortium	93.000	05EM040065FNH	745	-	2,862	-	-
Texas Tech University / Allied Health Special Projects	93.191		733	-	11,539	-	-
University of Texas at El Paso / Advanced Education							
Nursing Grant Program	93.247		724	-	(340)	-	-
University of Texas Medical Branch at Galveston / Nurse							
Education, Practice and Retention Grants	93.359		723	-	29,212	-	-
West Texas A&M University				-	-	-	-
AHEC of the Plains		05LO050995F1H		-	-	-	-
Permian Basin Workforce		05LO050995F3H		-	-	-	-
University of Texas Medical Branch at Galveston /							
Cancer Control	93.399		723	-	4,240	-	-
University of Texas Health Science Center at San Antonio /							
Geriatric Education Centers	93.969		745	-	107,812	-	-

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To			Expend- itures	Total Pass- Through To and Expend- itures
			Agy Nbr	State Agency Amount	Non- State Agency Amount		
<b>U. S. Department of Health and Human Services (cont)</b>							
Advanced Education Nursing Grant Program	93.247	\$ 191,747		\$ -	\$ -	\$ 192,117	\$ 192,117
University of Texas at Tyler		-	750	(370)	-	-	(370)
Poison Control Stabilization and Enhancement Grants	93.253	73,547		-	-	73,547	73,547
Comprehensive Geriatric Education Program (CGEP)	93.265	192,536		-	-	192,536	192,536
Advanced Education Nursing Traineeships	93.358	37,275		-	-	37,275	37,275
Nurse Education, Practice and Retention Grants	93.359	629,646		-	-	629,646	629,646
Basic / Core Area Health Education Centers	93.824	854,100		-	-	162,374	162,374
West Texas A&M University		-	757	195,270	-	-	195,270
West Central Texas Council of Governments		-		-	107,041	-	107,041
Permian Basin Workforce		-		-	198,257	-	198,257
AHEC of the Plains		-		-	191,158	-	191,158
Medical Library Assistance	93.879	9,913		-	-	9,913	9,913
Grants for Training in Primary Care							
Medicine and Dentistry	93.884	259,949		-	-	259,949	259,949
Health Care and Other Facilities	93.887	313,656		-	-	313,656	313,656
Rural Health Care Services Outreach and Rural Health							
Network Development Program	93.912	145,060		-	-	143,027	143,027
University of Texas at El Paso		-	724	2,033	-	-	2,033
Scholarships for Health Professions Students							
from Disadvantaged Backgrounds	93.925	256,408		-	-	256,408	256,408
University of Texas Health Science Center at San Antonio /							
U S Mexico Border Center of Excellence Consortium	93.000	2,862		-	-	2,862	2,862
Texas Tech University / Allied Health Special Projects	93.191	11,539		-	-	11,539	11,539
University of Texas at El Paso / Advanced Education							
Nursing Grant Program	93.247	(340)		-	-	(340)	(340)
University of Texas Medical Branch at Galveston / Nurse							
Education, Practice and Retention Grants	93.359	29,212		-	-	3,376	3,376
West Texas A&M University		-	757	8,616	-	-	8,616
AHEC of the Plains		-		-	8,616	-	8,616
Permian Basin Workforce		-		-	8,603	-	8,603
University of Texas Medical Branch at Galveston /							
Cancer Control	93.399	4,240		-	-	4,240	4,240
University of Texas Health Science Center at San Antonio /							
Geriatric Education Centers	93.969	107,812		-	-	107,812	107,812

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Agy Nbr	Pass-Through From			Direct Program
				Agency Amount	University Amount	Non- State Agency Amount	
<b>U. S. Department of Health and Human Services (cont)</b>							
Migrant Clinicians Network / Immunization Research, Demonstration, Public Information and Education:							
Training and Clinical Skills	93.185	040050FH		\$ -	\$ -	\$ 27,053	\$ -
U S Mexico Border Health Comm /							
Health Education and Training Centers (HETCAT)	93.189	040053FH		-	-	21,000	-
Association of American Medical Colleges / Centers for Disease Control and Prevention Investigations and Technical Assistance							
Univ of Texas Health Science Ctr at Houston	93.283	04EM030080FN		-	-	21,630	-
				-	-	-	-
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS				-	155,325	69,683	3,911,323
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>							
<b>U. S. Department of Education</b>							
Federal Supplemental Educational Opportunity Grants	84.007			-	-	-	26,726
Federal Family Education Loans							
New Loans Processed (Note 3)	84.032			-	-	-	31,293,573
Federal Perkins Loan Program							
New Loans Processed (Note 3)	84.038			-	-	-	602,793
Administrative Costs Recovered (Note 3)				-	-	-	32,758
Federal Pell Grant Program	84.063			-	-	-	390,457
				-	-	-	32,346,307
<b>RESEARCH AND DEVELOPMENT (R&amp;D) CLUSTER</b>							
<b>U. S. Department of Agriculture</b>							
Texas Tech University / Initiative for Future Agriculture and Food Systems							
	10.302		733	-	41,171	-	-
Texas Tech University / Scientific Cooperation and Research							
	10.961		733	-	(1,374)	-	-
<b>U. S. Department of Commerce</b>							
Receptor Logic, Ltd / Advanced Technology Program	11.612	70NANB4H3048		-	-	70,208	-
<b>U. S. Department of Defense</b>							
Texas Tech University / T0231 / SBCCOM Year 3							
	12.000	DOD - SBCCOM	733	-	259,993	-	-
The Scripps Research Institute / Military Medical Research and Development							
	12.420	W81XWH510316		-	-	51,944	-

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To			Expend- itures	Total Pass- Through To and Expend- itures
			Agy Nbr	State Agency Amount	Non- State Agency Amount		
<b>U. S. Department of Health and Human Services (cont)</b>							
Migrant Clinicians Network / Immunization Research, Demonstration, Public Information and Education:							
Training and Clinical Skills	93.185	\$ 27,053		\$ -	\$ -	\$ 27,053	\$ 27,053
U S Mexico Border Health Comm /							
Health Education and Training Centers (HETCAT)	93.189	21,000		-	-	21,000	21,000
Association of American Medical Colleges / Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	21,630				11,125	11,125
Univ of Texas Health Science Ctr at Houston		-	744	10,505	-	-	10,505
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS		4,136,328		483,106	564,305	3,088,920	4,136,328
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>							
<b>U. S. Department of Education</b>							
Federal Supplemental Educational Opportunity Grants	84.007	26,726		-	-	26,726	26,726
Federal Family Education Loans							
New Loans Processed (Note 3)	84.032	31,293,573		-	-	31,293,573	31,293,573
Federal Perkins Loan Program	84.038						
New Loans Processed (Note 3)		602,793		-	-	602,793	602,793
Administrative Costs Recovered (Note 3)		32,758		-	-	32,758	32,758
Federal Pell Grant Program	84.063	390,457		-	-	390,457	390,457
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		32,346,307		-	-	32,346,307	32,346,307
<b>RESEARCH AND DEVELOPMENT (R&amp;D) CLUSTER</b>							
<b>U. S. Department of Agriculture</b>							
Texas Tech University / Initiative for Future Agriculture and Food Systems	10.302	41,171		-	-	41,171	41,171
Texas Tech University / Scientific Cooperation and Research	10.961	(1,374)		-	-	(1,374)	(1,374)
<b>U. S. Department of Commerce</b>							
Receptor Logic, Ltd / Advanced Technology Program	11.612	70,208		-	-	70,208	70,208
<b>U. S. Department of Defense</b>							
Texas Tech University / T0231 / SBCCOM Year 3	12.000	259,993		-	-	259,993	259,993
The Scripps Research Institute / Military Medical Research and Development	12.420	51,944		-	-	51,944	51,944

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Pass-Through From			Non- State Agency Amount	Direct Program
			Agy Nbr	Agency Amount	University Amount		
<b>U. S. Department of Health and Human Services</b>							
Special Programs for the Aging / Title IV and Title II							
Discretionary Projects	93.048			\$ -	\$ -	\$ -	\$ 130,783
Maternal and Child Health Federal Consolidated Programs	93.110			-	-	-	36,785
Oral Diseases and Disorders Research	93.121			-	-	-	344,080
Mental Health Research Grants	93.242			-	-	-	3,955
Occupational Safety and Health Program / University of Texas Health Science Center at Houston	93.262			-	-	-	39,154
Alcohol National Service Research Awards for Research Training	93.272			-	-	-	3,854
Alcohol Research Programs	93.273			-	-	-	234,540
Drug Abuse and Addiction Research Programs	93.279			-	-	-	216,877
Centers for Disease Control and Prevention:							
Investigations and Technical Assistance	93.283			-	-	-	82,262
Comparative Medicine	93.306			-	-	-	12,305
Minority Health and Health Disparities Research / Texas Tech University	93.307			-	-	-	376,713
West Texas A&M University				-	-	-	-
Cancer Cause and Prevention Research	93.393			-	-	-	437,659
Cancer Treatment Research	93.395			-	-	-	433,798
Cancer Biology Research	93.396			-	-	-	528
Heart and Vascular Diseases Research	93.837			-	-	-	124,413
Lung Diseases Research	93.838			-	-	-	111,748
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846			-	-	-	128,032
Kidney Diseases, Urology, and Hematology Research	93.849			-	-	-	(580)
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			-	-	-	538,043
Biological Basis Research in the Neurosciences	93.854			-	-	-	10,625
Allergy, Immunology, and Transplantation Research	93.855			-	-	-	4,331
Microbiology and Infectious Diseases Research	93.856			-	-	-	367,666
Biomedical Research and Research Training / University of Rhode Island	93.859	05AP040026FNL		-	-	-	279,207
Population Research	93.864			-	-	-	38,759
Child Health and Human Development Extramural Research Texas Tech University	93.865			-	-	-	1,515,966



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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To			Expend- itures	Total Pass- Through To and Expend- itures
			Agy Nbr	State Agency Amount	Non- State Agency Amount		
<b>U. S. Department of Health and Human Services</b>							
Special Programs for the Aging / Title IV and Title II							
Discretionary Projects	93.048	\$ 130,783		\$ -	\$ -	\$ 130,783	\$ 130,783
Maternal and Child Health Federal Consolidated Programs	93.110	36,785		-	-	36,785	36,785
Oral Diseases and Disorders Research	93.121	344,080		-	-	344,080	344,080
Mental Health Research Grants	93.242	3,955		-	-	3,955	3,955
Occupational Safety and Health Program / University of Texas Health Science Center at Houston	93.262	39,154	744	12,249	-	26,905	26,905
Alcohol National Service Research Awards for Research							
Training	93.272	3,854		-	-	3,854	3,854
Alcohol Research Programs	93.273	234,540		-	-	234,540	234,540
Drug Abuse and Addiction Research Programs	93.279	216,877		-	-	216,877	216,877
Centers for Disease Control and Prevention:							
Investigations and Technical Assistance	93.283	82,262		-	-	82,262	82,262
Comparative Medicine	93.306	12,305		-	-	12,305	12,305
Minority Health and Health Disparities Research /	93.307	376,713		-	-	231,535	231,535
Texas Tech University		-	733	137,178	-	-	137,178
West Texas A&M University		-	757	8,000	-	-	8,000
Cancer Cause and Prevention Research	93.393	437,659		-	-	437,659	437,659
Cancer Treatment Research	93.395	433,798		-	-	433,798	433,798
Cancer Biology Research	93.396	528		-	-	528	528
Heart and Vascular Diseases Research	93.837	124,413		-	-	124,413	124,413
Lung Diseases Research	93.838	111,748		-	-	111,748	111,748
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	128,032		-	-	128,032	128,032
Kidney Diseases, Urology, and Hematology Research	93.849	(580)		-	-	(580)	(580)
Extramural Research Programs in the Neurosciences							
and Neurological Disorders	93.853	538,043		-	-	538,043	538,043
Biological Basis Research in the Neurosciences	93.854	10,625		-	-	10,625	10,625
Allergy, Immunology, and Transplantation Research	93.855	4,331		-	-	4,331	4,331
Microbiology and Infectious Diseases Research	93.856	367,666		-	-	367,666	367,666
Biomedical Research and Research Training /	93.859	279,207		-	-	277,080	277,080
University of Rhode Island		-		-	2,127	-	2,127
Population Research	93.864	38,759		-	-	38,759	38,759
Child Health and Human Development Extramural Research	93.865	1,515,966		-	-	1,455,229	1,455,229
Texas Tech University		-	733	60,737	-	-	60,737

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Identifying Number	Agy Nbr	Pass-Through From			Direct Program
				Agency Amount	University Amount	Non- State Agency Amount	
<b>U. S. Department of Health and Human Services (cont)</b>							
Aging Research	93.866			\$ -	\$ -	\$ -	\$ 264,256
Texas Agricultural Experiment Station				-	-	-	-
Specially Selected Health Projects	93.888			-	-	-	90,218
Fogarty International Research Collaboration Award	93.934			-	-	-	1,645
Cooperative Agreement for State-Based Diabetes							
Control Programs and Evaluation of							
Surveillance Systems	93.988			-	-	-	254
International Research and Research Training /	93.989			-	-	-	13,862
Universidad Complutense de Madrid Spain		00LM030021NN		-	-	-	-
University of Texas at El Paso / Mental Health Research							
Grants	93.242		724	-	35,175	-	-
University of Texas Health Science Center at Houston /				-	-	-	-
Occupational Safety and Health Training Grants	93.263		744	-	10,717	-	-
University of North Texas Health Science Center /							
Extramural Research Programs in the							
Neurosciences and Neurological Disorders	93.853		763	-	45,062	-	-
<b>Non-State Entities</b>							
Kentucky Research Foundation / Drug Abuse							
and Addiction Research Programs	93.279	05PA030016N1L		-	-	44,331	-
Kentucky Research Foundation / Bioengineering							
Research	93.287	03AP010085FA1		-	-	2,471	-
Oklahoma University Health Sciences Center /							
National Center for Research Resources	93.389	05LM030014F2H		-	-	143,264	-
Loyola University of Chicago / Heart and Vascular							
Diseases Research	93.837	5R01HL05783207		-	-	107,071	-
Barlow Scientific, Inc. / Heart and Vascular Diseases							
Research	93.837	03LM020054FN		-	-	25,802	-
George Washington State University / Heart and							
Vascular Diseases Research	93.837	05LM050025NNL		-	-	41,037	-
Ohio State University Research Foundation / Heart							
and Vascular Diseases Research	93.837	05LM050030FNL		-	-	53,155	-
University of South Florida / Extramural Research							
Programs in the Neurosciences and							
Neurological Disorders	93.853	04LM020034F2		-	-	64,968	-

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## Annual Financial Report U N A U D I T E D

### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To			Expend- itures	Total Pass- Through To and Expend- itures
			Agy Nbr	State Agency Amount	Non- State Agency Amount		
<b>U. S. Department of Health and Human Services (cont)</b>							
Aging Research	93.866	\$ 264,256		\$ -	\$ -	\$ 256,264	\$ 256,264
Texas Agricultural Experiment Station		-	556	7,992	-	-	7,992
Specially Selected Health Projects	93.888	90,218		-	-	90,218	90,218
Fogarty International Research Collaboration Award	93.934	1,645		-	-	1,645	1,645
Cooperative Agreement for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	254		-	-	254	254
International Research and Research Training / Universidad Complutense de Madrid Spain	93.989	13,862		-	-	4,731	4,731
University of Texas at El Paso / Mental Health Research Grants	93.242	35,175		-	-	35,175	35,175
University of Texas Health Science Center at Houston / Occupational Safety and Health Training Grants	93.263	10,717		-	-	10,717	10,717
University of North Texas Health Science Center / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	45,062		-	-	45,062	45,062
<b>Non-State Entities</b>							
Kentucky Research Foundation / Drug Abuse and Addiction Research Programs	93.279	44,331		-	-	44,331	44,331
Kentucky Research Foundation / Bioengineering Research	93.287	2,471		-	-	2,471	2,471
Oklahoma University Health Sciences Center / National Center for Research Resources	93.389	143,264		-	-	143,264	143,264
Loyola University of Chicago / Heart and Vascular Diseases Research	93.837	107,071		-	-	107,071	107,071
Barlow Scientific, Inc. / Heart and Vascular Diseases Research	93.837	25,802		-	-	25,802	25,802
George Washington State University / Heart and Vascular Diseases Research	93.837	41,037		-	-	41,037	41,037
Ohio State University Research Foundation / Heart and Vascular Diseases Research	93.837	53,155		-	-	53,155	53,155
University of South Florida / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	64,968		-	-	64,968	64,968

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

<i>Federal Grantor / Pass-Through Grantor / Program Title</i>	CFDA Nbr	Identifying Number	Agy Nbr	Pass-Through From			
				Agency Amount	University Amount	Non- State Agency Amount	Direct Program
<b>U. S. Department of Health and Human Services (cont)</b>							
Oregon and Health Science University / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	04AP030069NHN		\$ -	\$ -	\$ 59,139	\$ -
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER				-	390,744	663,390	5,841,738
<b>OTHER CLUSTERS</b>							
<b>Highway Safety Cluster</b>							
Texas Department of Transportation / State and Community Highway Safety	20.600		601	148,783	-	-	-
TOTAL OTHER CLUSTERS				148,783	-	-	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 148,783	\$ 546,069	\$ 738,015	\$ 42,598,035

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

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*Schedule 1A: Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2005*

<i>Federal Grantor / Pass-Through Grantor / Program Title</i>	CFDA Nbr	Total Pass- Through From and Direct Program	Pass-Through To		Expend- itures	Total Pass- Through To and Expend- itures
			Agy Nbr	State Agency Amount		
<b>U. S. Department of Health and Human Services (cont)</b>						
Oregon and Health Science University / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	\$ 59,139		\$ -	\$ -	\$ 59,139
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER		6,895,872		226,156	11,258	6,658,458
<b>OTHER CLUSTERS</b>						
<b>Highway Safety Cluster</b>						
Texas Department of Transportation / State and Community Highway Safety	20.600	148,783		-	-	148,783
TOTAL OTHER CLUSTERS		148,783		-	-	148,783
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 44,030,899		\$ 709,262	\$ 586,027	\$ 42,735,613
		(Note 2)				(Note 2)

# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

## Annual Financial Report U N A U D I T E D

### *Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2005*

**Note 1    Nonmonetary Assistance**

Texas Tech University Health Sciences Center (TTUHSC) did not receive any nonmonetary assistance for the year ended August 31, 2005.

**Note 2    Reconciliation**

Federal Grant and Contract Revenues - Unpledged (SRECNA)	\$	8,383,715
Federal Grant and Contract Revenues - Pledged (SRECNA)		2,161,935
Federal Grant and Contract Pass-Through Revenues (SRECNA)		148,783
Non-Operating Federal Grant and Contract Revenues (SRECNA)		<u>769,513</u>
TOTAL FEDERAL REVENUES (SRECNA)		11,463,946
 Reconciling Items		
New Loans Processed		31,896,366
less Nurse Faculty Loan Program Revenue		(38,674)
Federal Grant and Contract Pass-Throughs to Other State Agencies		660,766
New Loans Processed		<u>48,495</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE	\$	<u><u>44,030,899</u></u>

**Note 3    Student Loans**

<i>Federal Grantor / CFDA Number / Program Title</i>	<i>New Loans Processed</i>	<i>Administrative Costs Recovered</i>	<i>Total</i>	<i>Ending Balances of Previous Years' Loans</i>
<b>U. S. Department of Health and Human Services</b>				
93.342 Health Professions Student Loans	\$ -	\$ -	\$ -	\$ 90,014
93.364 Nursing Student Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,923</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,937</u>
<b>U. S. Department of Education</b>				
84.032 Federal Family Education Loan Program	31,293,573	-	31,293,573	-
84.038 Federal Perkins Loan Program	<u>602,793</u>	<u>32,758</u>	<u>635,551</u>	<u>1,737,613</u>
TOTAL U. S. DEPARTMENT OF EDUCATION	<u>31,896,366</u>	<u>32,758</u>	<u>31,929,124</u>	<u>1,737,613</u>
TOTAL STUDENT LOANS	<u><u>\$ 31,896,366</u></u>	<u><u>\$ 32,758</u></u>	<u><u>\$ 31,929,124</u></u>	<u><u>\$ 1,884,550</u></u>

**Note 4    Petroleum Violation Escrow Funds** (does not apply to TTUHSC)

**Note 5    Depository Libraries for Government Publications** (does not apply to TTUHSC)

**Note 6    Unemployment Insurance** (does not apply to TTUHSC)

**Note 7    Rebates from the Special Supplemental Food Program for Women, Infant, and Children** (does not apply to TTUHSC)

**Note 8    Federal Deferred Revenue** (does not apply to TTUHSC)

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<b>TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER</b>
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*Schedule 1B: Schedule of State Grant Pass-Throughs from State Agencies*  
*For the Year Ended August 31, 2005*

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**State Grant Pass-Through Revenues From Other State Agencies**

Texas Higher Education Coordinating Board (Agency Number 781)	
Family Practice Residency	1,135,872
Family Practice Rural and Public Health Rotation	36,315
Financial Aid Professional Nursing	8,843
Graduate Medical Education	234,121
Texas Grant Program	197,067
Advanced Technology Program	(4,321)
Primary Care Residency Program	359,679
Nursing and Allied Health	3,491
Minority Health Research / Education	<u>136,634</u>
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD	<u>2,107,700</u>
TOTAL STATE GRANT PASS-THROUGH REVENUES FROM OTHER STATE AGENCIES	<u><u>\$ 2,107,700</u></u>

**TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER**

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*Schedule 3: Reconciliation of Cash in the State Treasury*  
*As of August 31, 2005*

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	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Local Revenue (Fund 0239)	\$ 3,869,617	\$ -	\$ 3,869,617
Permanent Health Fund - El Paso Campus (Fund 0820)	1,560,055	-	1,560,055
Permanent Health Fund - Other Campuses (Fund 0821)	<u>292,977</u>	<u>-</u>	<u>292,977</u>
TOTAL CASH IN THE STATE TREASURY	<u>\$ 5,722,649</u>	<u>\$ -</u>	<u>\$ 5,722,649</u>