

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
U N A U D I T E D

Organizational Data
August 31, 2005

BOARD OF REGENTS

Term Expires

Larry AndersJanuary 31, 2011Dallas
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. SernaJanuary 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
CENTER**

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

FINANCIAL STATEMENTS

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

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

| <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 | 111,524,275 |
| 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 | 146,502 |
| Net Cash Used for Operating Activities | <u>(109,149,445)</u> |

**TEXAS TECH UNIVERSITY HEALTH SCIENCES
CENTER**

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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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 4th 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.

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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.

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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

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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.

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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 | | | |
| Non-Depreciable Assets | | | | | | | | |
| 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 |
| Total Non-Depreciable Assets | \$ 59,808,373 | \$ (21,781,720) | \$ (15,208,726) | \$ - | \$ - | \$ 29,028,945 | \$ - | \$ 51,846,872 |
| Depreciable Assets | | | | | | | | |
| 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 |
| Total Depreciable Assets | \$ 265,450,322 | \$ 21,699,545 | \$ 15,208,726 | \$ 30,490 | \$ (660,483) | \$ 13,178,999 | \$ (2,498,802) | \$ 312,408,797 |

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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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) |
| Total Accumulated Depreciation | \$ (151,363,131) | \$ (12,115,058) | \$ - | \$ (28,398) | \$ 50,992 | \$ (12,799,944) | \$ 1,920,694 | \$ (174,334,845) |

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,

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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 | |
|---|-----------------------|
| Enterprise Funds | |
| 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.

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Notes to the Financial Statements
August 31, 2005

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

| Texas Tech University Health Sciences Center Carrying Value and Fair Value of Investments | | |
|--|-----------------------|-----------------------|
| | Carrying Value | Fair Value |
| Enterprise Funds | | |
| 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 |
| Total Investments | \$ 380,055,612 | \$ 380,055,612 |
| Non-Current Investments | | \$ 235,654,380 |
| Items in Cash and Cash Equivalents: | | |
| Repurchase Agreements | | 32,876,956 |
| TexPool and TexSTAR Investments | | 111,524,276 |
| Total Investments | | \$ 380,055,612 |

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)

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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

| |
|--|
| NOTE 3 (continued) Deposits, Investments, and Repurchase Agreements |
|--|

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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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 |
| Total Long Term Liabilities | <u>\$141,168,919</u> | <u>\$ 4,831,869</u> | <u>\$ (9,681,268)</u> | <u>\$ 136,319,520</u> | <u>\$ 9,807,067</u> |

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

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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.

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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> |

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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 78th 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.

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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, 2nd 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, 2nd 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, 7th 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

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Notes to the Financial Statements
August 31, 2005

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, 9th 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 78th 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.

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Notes to the Financial Statements
August 31, 2005

NOTE 14 Subsequent Events

Section 55.1749 of House Bill 28 of the 78th 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> |

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Notes to the Financial Statements
August 31, 2005

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

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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.

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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.

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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> |

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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.

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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 |

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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 |

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

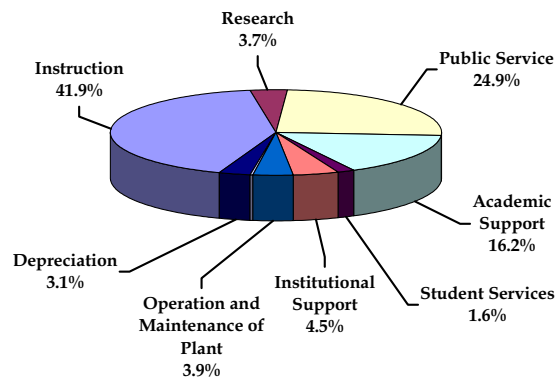
| | 2005 | 2004 | 2003 |
|----------------------|-------------|-------------|------------|
| Beginning Net Assets | 405,926 | 373,030 | 343,105 |
| Restatements | \$ (12,115) | \$ (18,673) | \$ (1,531) |
| Ending Net Assets | \$ 430,583 | \$ 405,926 | \$ 373,030 |

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.



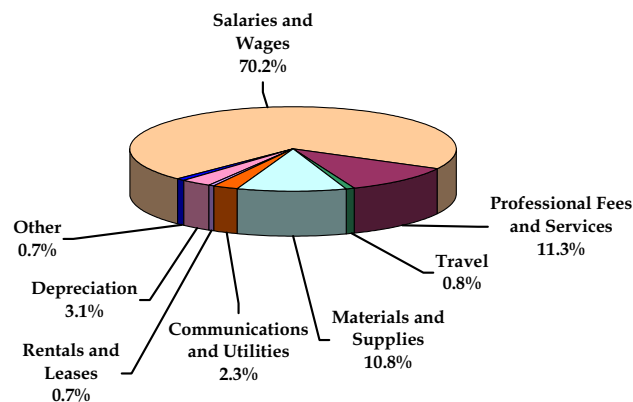
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Notes to the Financial Statements
August 31, 2005

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).

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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 79th 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.

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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 |

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Notes to the Financial Statements
August 31, 2005

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

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 78th Texas Legislature.

**TEXAS TECH UNIVERSITY HEALTH SCIENCES
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SUPPORTING SCHEDULES

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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 | Identifying Number | Agy Nbr | Pass-Through From | | | Direct Program |
|--|-------------|-----------------------|------------|-------------------|----------------------|-----------------------------------|-------------------|
| | | | | Agency Amount | University Amount | Non- State Agency Amount | |
| U. S. Department of Justice | | | | | | | |
| Crime Laboratory Improvement | | | | | | | |
| Combined Offender DNA Index | | | | | | | |
| System Backlog Reduction | 16.564 | | | \$ - | \$ - | \$ - | \$ 62,012 |
| TOTAL U. S. DEPARTMENT OF JUSTICE | | | | - | - | - | 62,012 |
| National Science Foundation | | | | | | | |
| Engineering Grants | 47.041 | | | - | - | - | 91,362 |
| Sigma Plus | | 05LN040045FNH | | - | - | - | - |
| TOTAL U. S. DEPARTMENT OF EDUCATION | | | | - | - | - | 91,362 |
| U.S. Department of Education | | | | | | | |
| 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 |
| U. S. Department of Health and Human Services | | | | | | | |
| 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 | | - | - | - | - |

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 | 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 | | |
| U. S. Department of Justice | | | | | | | |
| 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 |
| National Science Foundation | | | | | | | |
| 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 |
| U.S. Department of Education | | | | | | | |
| 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 |
| U. S. Department of Health and Human Services | | | | | | | |
| 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 | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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 | | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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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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 | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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 | 93.283 | 04EM030080FN | | - | - | 21,630 | - |
| Univ of Texas Health Science Ctr at Houston | | | | - | - | - | - |
| TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS | | | | - | 155,325 | 69,683 | 3,911,323 |
| STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | | | | |
| U. S. Department of Education | | | | | | | |
| 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 | 84.038 | | | | | | |
| New Loans Processed (Note 3) | | | | - | - | - | 602,793 |
| Administrative Costs Recovered (Note 3) | | | | - | - | - | 32,758 |
| Federal Pell Grant Program | 84.063 | | | - | - | - | 390,457 |
| TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | - | - | - | 32,346,307 |
| RESEARCH AND DEVELOPMENT (R&D) CLUSTER | | | | | | | |
| U. S. Department of Agriculture | | | | | | | |
| 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) | - | - |
| U. S. Department of Commerce | | | | | | | |
| Receptor Logic, Ltd / Advanced Technology Program | 11.612 | 70NANB4H3048 | | - | - | 70,208 | - |
| U. S. Department of Defense | | | | | | | |
| 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 | - |

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 | 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 | | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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 |
| STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | | | | |
| U. S. Department of Education | | | | | | | |
| 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 New Loans Processed (Note 3) | 84.038 | 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 |
| RESEARCH AND DEVELOPMENT (R&D) CLUSTER | | | | | | | |
| U. S. Department of Agriculture | | | | | | | |
| 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) |
| U. S. Department of Commerce | | | | | | | |
| Receptor Logic, Ltd / Advanced Technology Program | 11.612 | 70,208 | | - | - | 70,208 | 70,208 |
| U. S. Department of Defense | | | | | | | |
| 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 |

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 | Pass-Through From | | | | Non- State Agency Amount | Direct Program |
|--|-------------|-----------------------|------------|------------------|----------------------|-----------------------------------|-------------------|
| | | Identifying Number | Agy Nbr | Agency Amount | University Amount | | |
| U. S. Department of Health and Human Services | | | | | | | |
| 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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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 | | |
| U. S. Department of Health and Human Services | | | | | | | |
| 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 |

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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 | Identifying Number | Agy Nbr | Pass-Through From | | | Direct Program |
|---|-------------|-----------------------|------------|-------------------|----------------------|-----------------------------------|-------------------|
| | | | | Agency Amount | University Amount | Non- State Agency Amount | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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 | - | - |
| Non-State Entities | | | | | | | |
| 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 | | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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 |
| Non-State Entities | | | | | | | |
| 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 |

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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

| <i>Federal Grantor / Pass-Through Grantor / Program Title</i> | CFDA Nbr | <i>Identifying Number</i> | <i>Agy Nbr</i> | <i>Pass-Through From</i> | | | |
|---|-------------|-------------------------------|--------------------|--------------------------|------------------------------|---|---------------------------|
| | | | | <i>Agency Amount</i> | <i>University Amount</i> | <i>Non- State Agency Amount</i> | <i>Direct Program</i> |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| 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 |
| OTHER CLUSTERS | | | | | | | |
| Highway Safety Cluster | | | | | | | |
| 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 |

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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

| <i>Federal Grantor / Pass-Through Grantor / Program Title</i> | <i>CFDA Nbr</i> | <i>Total Pass- Through From and Direct Program</i> | <i>Pass-Through To</i> | | | <i>Expend- itures</i> | <i>Total Pass- Through To and Expend- itures</i> |
|---|---------------------|--|------------------------------------|---|--------------------|---------------------------|--|
| | | | <i>State Agency Amount</i> | <i>Non- State Agency Amount</i> | <i>Agy Nbr</i> | | |
| U. S. Department of Health and Human Services (cont) | | | | | | | |
| Oregon and Health Science University / Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | \$ 59,139 | \$ - | \$ - | \$ 59,139 | \$ 59,139 | |
| TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER | | 6,895,872 | 226,156 | 11,258 | 6,658,458 | 6,895,872 | |
| OTHER CLUSTERS | | | | | | | |
| Highway Safety Cluster | | | | | | | |
| Texas Department of Transportation / State and Community Highway Safety | 20.600 | 148,783 | - | - | 148,783 | 148,783 | |
| TOTAL OTHER CLUSTERS | | 148,783 | - | - | 148,783 | 148,783 | |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | \$ 44,030,899 | \$ 709,262 | \$ 586,027 | \$ 42,735,613 | \$ 44,030,899 | |
| | | (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) | \$ | 8,546,907 |
| Federal Grant and Contract Revenues - Pledged (SRECNA) | | 2,161,935 |
| Federal Grant and Contract Pass-Through Revenues (SRECNA) | | 694,852 |
| Non-Operating Federal Grant and Contract Revenues (SRECNA) | | <u>769,513</u> |
| TOTAL FEDERAL REVENUES (SRECNA) | | 12,173,207 |
| Reconciling Items | | |
| New Loans Processed | | 31,896,366 |
| less Nurse Faculty Loan Program Revenue | | <u>(38,674)</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> |
|--|--------------------------------|---|-----------------------------|---|
| U. S. Department of Health and Human Services | | | | |
| 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> |
| U. S. Department of Education | | | | |
| 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)

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1B: Schedule of State Grant Pass-Throughs from State Agencies
For the Year Ended August 31, 2005

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

Annual Financial Report
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Schedule 3: Reconciliation of Cash in the State Treasury
As of August 31, 2005

| | <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> |