

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER



Annual Financial Report Fiscal Year 2006

**TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER**



**Annual Financial Report
Fiscal Year 2006**

**TEXAS TECH UNIVERSITY HEALTH SCIENCES
CENTER**

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Letter to Governor

Letter to President

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Organizational Data
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BOARD OF REGENTS

Term Expires

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

FISCAL OFFICERS

Donald R. Haragan, Ph.D.	Interim Chancellor
Jim Brunjes	Senior Vice Chancellor and Chief Financial Officer
Bernard T. Mittemeyer, M.D.	Interim President
Elmo M. Cavin	Executive Vice President for Finance & Administration
Michael Crowder	Associate Vice President for Business Affairs
Carole Wardroup	Director of Accounting Services

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*Enrollment Data
August 31, 2006*

<i>TYPE OF STUDENT</i>	<i>STUDENTS BY SEMESTER</i>		
	<i>FALL 2005</i>	<i>SPRING 2006</i>	<i>SUMMER 2006</i>
Texas Resident	2,149	2,123	1,371
Out-of-State	60	67	72
Foreign	3	2	8
Hazelwood Act	26	25	25
Foster Care	1	1	1
Teachers, Professors, and Dependents	1	-	1
Competitive Scholarship	66	70	33
Deaf or Blind	6	6	5
Teaching Assistant, Research Assistant, and Dependents	34	29	29
Adjacent County	40	38	30
Katrina Relief	5	1	-
Total Students	2,391	2,362	1,575
<i>PROGRAM</i>			
Medical	537	533	-
Graduate Medical	91	87	71
Nursing	454	434	568
Graduate Nursing	178	225	168
Allied Health	179	172	45
Graduate Allied Health	616	583	646
Pharmacy	336	328	77
Total Students	2,391	2,362	1,575

ENROLLMENT TREND DATA

<i>TERM</i>	<i>STUDENTS</i>	<i>SEMESTER</i>
		<i>HOURS</i>
Fall 2005	2,391	38,402
Fall 2004	2,272	35,684
Fall 2003	2,105	34,548
Fall 2002	1,972	32,569
Fall 2001	1,788	28,822
Fall 2000	1,719	28,978
Fall 1999	1,649	26,153
Fall 1998	1,547	26,261
Fall 1997	1,548	25,870
Fall 1996	1,514	23,240

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FINANCIAL STATEMENTS

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Statement of Net Assets *As of August 31, 2006*

ASSETS

Current Assets

Unrestricted Cash and Cash Equivalents	\$ 94,091,555
Restricted Cash and Cash Equivalents	74,978,154
Balance of Legislative Appropriations	20,519,527
Accounts Receivable	
Federal Receivable	1,622,787
Interest and Dividends Receivable	888,467
Patient Accounts Receivable	42,887,984
less Allowances for Uncollectibles and Adjustments	(26,317,771)
Student Accounts Receivable	635,281
less Allowance for Uncollectibles	(50,854)
Contract Accounts Receivable	11,740,034
Pledged Gifts Receivable	2,045,886
less Allowance for Uncollectibles	(102,294)
Other	184,327
less Allowance for Uncollectibles	(91,487)
Due from Other State Agencies	4,007,462
Merchandise Inventories	630,303
Prepaid Expenses	460,882
Loans and Notes Receivable	254,481
less Allowance for Uncollectibles and Cancellations	(29,991)
Total Current Assets	<u>228,354,734</u>

Non-Current Assets

Restricted Cash and Cash Equivalents	583,659
Pledged Gifts Receivable	8,343,616
less Allowance for Uncollectibles	(417,181)
Loans and Notes Receivable	2,344,199
less Allowance for Uncollectibles and Cancellations	(209,864)
Investments	253,931,353
Non-Depreciable Capital Assets	92,834,490
Depreciable Capital Assets	321,348,776
less Accumulated Depreciation	(179,745,117)
Total Non-Current Assets	<u>499,013,931</u>
TOTAL ASSETS	<u>\$ 727,368,665</u>

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Statement of Net Assets *As of August 31, 2006*

LIABILITIES

Current Liabilities

Accounts Payable	\$ 20,175,641
Payroll Payable	27,251,345
Due to Other State Agencies	200,362
Unclaimed Property Due to the State Treasury	65,427
Deferred Revenue	7,664,579
Bonds Payable	5,669,315
Claims Payable	2,354,453
Compensable Leave Payable	4,116,725
Funds Held for Others	82,056
Other	277,287

Total Current Liabilities 67,857,190

Non-Current Liabilities

Unclaimed Property Due to the State Treasury	78,043
Bonds Payable	126,382,001
Claims Payable	21,190,080
Compensable Leave Payable	16,466,902
Other	7,799

Total Non-Current Liabilities 164,124,825

TOTAL LIABILITIES 231,982,015

NET ASSETS

Invested in Capital Assets, Net of Related Debt	145,413,767
Restricted	
Capital Projects	7,437,541
Funds Held as Permanent Investments	
Nonexpendable	96,686,439
Other	31,876,095
Unrestricted	213,972,807

TOTAL NET ASSETS 495,386,649

TOTAL LIABILITIES AND NET ASSETS \$ 727,368,665

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Statement of Revenues, Expenses, and Changes in Net Assets *For the Year Ended August 31, 2006*

Operating Revenues	
Student Tuition and Fees - Unpledged	\$ 3,971,991
less Discounts and Allowances	(3,272,945)
less Uncollectibles	(15,590)
Student Tuition and Fees - Pledged	14,859,638
Net Professional Fees	136,474,548
less Uncollectibles	(28,473,622)
Net Sales and Services of Auxiliary Enterprises - Pledged	496,997
Net Other Sales and Services - Unpledged	1,784,153
Net Other Sales and Services - Pledged	1,806,695
Federal Grant and Contract Revenues - Unpledged	11,069,316
Federal Grant and Contract Revenues - Pledged	2,401,511
Federal Grant and Contract Pass-Through Revenues	319,782
Interagency Contracts	13,500,000
State Grant and Contract Revenues - Unpledged	84,834,922
State Grant and Contract Revenues - Pledged	74,822
State Grant and Contract Pass-Through Revenues from Other State Agencies	2,598,873
Local Grant and Contract Revenues - Unpledged	66,412,752
Local Grant and Contract Revenues - Pledged	658,783
Private Grant and Contract Revenues - Unpledged	15,411,846
Private Grant and Contract Revenues - Pledged	2,546,464
Total Operating Revenues	<u>327,460,936</u>
Operating Expenses	
Instruction	198,157,033
Research	16,600,949
Public Service	104,484,229
Academic Support	74,400,160
Student Services	6,967,380
Institutional Support	16,074,473
Operation and Maintenance of Plant	17,986,310
Auxiliary Enterprises	308,194
Depreciation	12,280,496
Total Operating Expenses	<u>447,259,224</u>
Operating Loss	<u>(119,798,288)</u>
Non-Operating Revenues and Gains	
Legislative Appropriations Revenue	131,521,636
Federal Grant and Contract Revenues	1,035,779
less Refunds to Grantors	(11,843)
Private Gifts	19,743,259
less Uncollectibles	(583,488)

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Statement of Revenues, Expenses, and Changes in Net Assets *For the Year Ended August 31, 2006*

Non-Operating Revenues and Gains (continued)	
Net Investment Income - Unpledged	\$ 21,054,409
Net Investment Income - Pledged	4,947,581
Other - Unpledged	942,175
Other - Pledged	241,105
Total Non-Operating Revenues and Gains	<u>178,890,613</u>
Non-Operating Expenses and Losses	
Interest Expense on Capital Asset Financing	1,747,224
Net Decrease in Fair Value of Investments	230,390
Loss on Sale and Disposal of Capital Assets	1,240,534
Other	37,290
Total Non-Operating Expenses and Losses	<u>3,255,438</u>
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Contributions	351,287
Capital Recoveries	147,142
Legislative Appropriations Revenue for Capital (HEAF)	11,899,627
Net Transfers from Texas Tech University	1,485,018
Net Transfers to Texas Tech University System Administration	(1,516,543)
Set-Aside Transfers to THECB	(106,243)
Legislative Transfers Out (System Administration Support)	(3,294,122)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>8,966,166</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 64,803,053</u>
Net Assets, September 1, 2005	430,583,596
Net Assets, August 31, 2006	<u>\$ 495,386,649</u>

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Matrix of Operating Expenses by Natural Classification For the Year Ended August 31, 2006

FUNCTION	SALARIES AND WAGES	PAYROLL RELATED COSTS	PROFESSIONAL FEES AND SERVICES	FEDERAL SUB-CONTRACTS
Instruction	\$ 136,024,047	\$ 31,859,163	\$ 8,065,925	\$ 176,265
Research	8,812,034	2,400,019	237,662	452,231
Public Service	40,297,750	9,990,861	37,358,622	672,293
Academic Support	46,164,557	11,358,717	2,253,853	(1,218)
Student Services	2,902,805	790,174	136,805	-
Institutional Support	11,878,600	2,775,137	1,162,353	-
Operation and Maintenance of Plant	5,408,598	1,377,112	83,228	-
Auxiliary Enterprises	136,064	47,132	3,338	-
Depreciation	-	-	-	-
Total Operating Expenses	251,624,455	60,598,315	49,301,786	1,299,571

FUNCTION	TRAVEL	MATERIALS AND SUPPLIES	COMMUNICATIONS AND UTILITIES	REPAIRS AND MAINTENANCE
Instruction	1,443,574	16,179,433	1,704,713	432,956
Research	271,937	3,883,747	43,134	192,066
Public Service	544,220	13,206,154	772,407	239,334
Academic Support	1,178,524	10,324,573	1,441,164	1,052,227
Student Services	243,432	2,308,913	113,500	54,663
Institutional Support	290,624	(493,002)	211,653	24,353
Operation and Maintenance of Plant	41,230	3,187,378	6,474,781	865,189
Auxiliary Enterprises	7,558	64,738	9,799	10,713
Depreciation	-	-	-	-
Total Operating Expenses	4,021,099	48,661,934	10,771,151	2,871,501

FUNCTION	RENTALS AND LEASES	PRINTING AND REPRODUCTION	DEPRECIATION	BAD DEBT
Instruction	754,858	579,901	-	2,768
Research	43,988	73,641	-	-
Public Service	777,689	207,443	-	-
Academic Support	677,308	512,891	-	218,061
Student Services	71,865	205,219	-	-
Institutional Support	50,489	90,459	-	-
Operation and Maintenance of Plant	515,122	23,024	-	-
Auxiliary Enterprises	10,787	12,013	-	-
Depreciation	-	-	12,280,496	-
Total Operating Expenses	2,902,106	1,704,591	12,280,496	220,829

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*Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2006*

<u>FUNCTION</u>	<u>INTEREST</u>	<u>SCHOLARSHIPS</u>	<u>CLAIMS AND LOSSES</u>	<u>OTHER OPERATING</u>
Instruction	\$ 1,004	\$ 276,257	\$ (40)	\$ 656,208
Research	186	73,696	71,100	45,508
Public Service	2,689	239,543	-	175,226
Academic Support	1,007	200,638	100,000	(1,082,144)
Student Services	-	4,056	-	135,949
Institutional Support	3,113	113,230	(52,583)	20,049
Operation and Maintenance of Plant	20	547	-	10,080
Auxiliary Enterprises	-	-	-	6,051
Depreciation	-	-	-	-
Total Operating Expenses	<u>8,019</u>	<u>907,967</u>	<u>118,477</u>	<u>(33,073)</u>

<u>FUNCTION</u>	<u>GRAND TOTAL</u>
Instruction	198,157,033
Research	16,600,949
Public Service	104,484,229
Academic Support	74,400,160
Student Services	6,967,380
Institutional Support	16,074,473
Operation and Maintenance of Plant	17,986,310
Auxiliary Enterprises	308,194
Depreciation	12,280,496
Total Operating Expenses	<u>\$ 447,259,224</u>

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Statement of Cash Flows *For the Year Ended August 31, 2006*

Cash Flows from Operating Activities	
Cash Inflows	
Collections from Student Tuition and Fees	\$ 16,035,244
Collections from Grants and Contracts	196,259,404
Collections from Patients and Insurers	103,677,373
Collections of Loans to Students	1,206,451
Collections from Auxiliary Enterprises	496,997
Collections from Other Operating Activities	4,294,648
Cash Outflows	
Payments to Suppliers	180,961,638
Payments to Employees	247,138,157
Payments for Loans Issued to Students	1,111,331
Payments for Auxiliary Enterprises	308,193
Payments for Other Operating Activities	858,166
Net Cash Used for Operating Activities	<u>(108,407,368)</u>
Cash Flows from Non-Capital Financing Activities	
Cash Inflows	
Proceeds from Legislative Appropriations	125,073,656
Proceeds from Net Transfers from Texas Tech University	1,485,018
Proceeds from Non-Capital Gifts and Grants	16,756,340
Proceeds from Direct Lending	34,404,059
Proceeds from Other Non-Capital Financing Activities	1,155,285
Cash Outflows	
Payments for Net Transfers to Texas Tech University System Administration	4,810,665
Payments for Set-Aside Transfers to THECB	106,243
Payments for Direct Lending	34,273,647
Net Cash Provided by Non-Capital Financing Activities	<u>139,683,803</u>
Cash Flows from Capital and Related Financing Activities	
Cash Inflows	
Proceeds from Capital Debt Issuances	46,105,251
Proceeds from Legislative Appropriations for Capital	11,899,627
Proceeds from Capital Gifts and Grants	351,287
Cash Outflows	
Payments for Purchases of Capital Assets	54,116,188
Payments for Principal on Capital Debts	6,356,071
Payments for Interest on Capital Debts	5,446,391
Payments for Other Capital Related Activities	(434,154)
Net Cash Used for Capital and Related Financing Activities	<u>(7,128,331)</u>

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Statement of Cash Flows *For the Year Ended August 31, 2006*

Cash Flows from Investing Activities	
Cash Inflows	
Proceeds from Sales and Maturities of Investments	\$ 20,964,153
Proceeds from Interest and Dividends on Investments	37,260,373
Cash Outflows	
Payments for Purchases of Investments	53,135,990
Net Cash Provided by Investing Activities	5,088,536
TOTAL NET CASH FLOWS	
	29,236,640
Cash and Cash Equivalents, September 1, 2005	140,416,728
Cash and Cash Equivalents, August 31, 2006	\$ 169,653,368

Components of Cash and Cash Equivalents, August 31, 2006	
Cash on Hand	17,908
Cash in Bank	4,392,719
Reimbursements Due from the State Treasury	3,700,003
Local Balance of Legislative Appropriations	7,639,098
Repurchase Agreements	18,705,389
TexPool and TexStar Investments	135,198,251
Cash and Cash Equivalents, August 31, 2006	\$ 169,653,368

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(119,798,288)
Adjustments	
Depreciation Expense	12,280,496
Bad Debt Expense	220,829
Decrease (Increase) in Accounts Receivable	(7,433,233)
Decrease (Increase) in Merchandise Inventories	74,010
Decrease (Increase) in Prepaid Expenses	(168,642)
Decrease (Increase) in Loans and Notes Receivable	95,120
Increase (Decrease) in Short-Term Payables	3,648,474
Increase (Decrease) in Deferred Revenue	617,781
Increase (Decrease) in Claims Payable	(657,891)
Increase (Decrease) in Compensable Leave	2,557,865
Increase (Decrease) in Other Liabilities	156,110
Net Cash Used for Operating Activities	(108,407,368)

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NOTES TO THE FINANCIAL STATEMENTS

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Notes to the Financial Statements
August 31, 2006

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, 2006.

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

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

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Notes to the Financial Statements
August 31, 2006

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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Notes to the Financial Statements
August 31, 2006

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. TTUHSC utilizes bank deposits, repurchase agreements, and eligible investment pools as cash equivalents in its Short/Intermediate Term Investment Fund. Per policy and state statute, all bank deposits are fully collateralized. Eligible investment pools must maintain a \$1 net asset value and be continuously rated no lower than AAA or AAA-m by at least one nationally recognized rating service. TTUHSC currently utilizes TexPool and TexStar as eligible investment pools.

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

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Notes to the Financial Statements
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NOTE 1 (continued) Summary of Significant Accounting Policies

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.

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.

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Notes to the Financial Statements
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NOTE 1 (continued) Summary of Significant Accounting Policies

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.

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)

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Notes to the Financial Statements
August 31, 2006

NOTE 1 (continued) Summary of Significant Accounting Policies

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.

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, 2006.

Reserved	
Encumbrances	\$ 10,546,696
Inventory	630,303
Prepaid Expenses	460,882
Accounts Receivable	25,442,202
Working Capital	45,607
Self Insured Plans	45,861,528
Funds Functioning as Endowments	21,729,144
Unreserved	<u>109,256,445</u>
Total Unrestricted Net Assets	<u>\$ 213,972,807</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.

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Notes to the Financial Statements
August 31, 2006

NOTE 1 (continued) Summary of Significant Accounting Policies

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.

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, 2006 are summarized in the table at the top of the next page.

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Notes to the Financial Statements
August 31, 2006

NOTE 2 (continued) Capital Assets

Capital Asset Category	Balance 09/01/2005	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/2006
			Completed CIP	Increases - Interagency Transfers	Decreases - Interagency Transfers			
Non-Depreciable Assets								
Land and Land Improvements	\$ 6,307,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,307,286
Construction in Progress	45,135,181	-	-	-	-	40,861,618	-	85,996,799
Other	404,405	-	-	-	-	126,000	-	530,405
Total Non-Depreciable Assets	\$ 51,846,872	\$ -	\$ -	\$ -	\$ -	\$ 40,987,618	\$ -	\$ 92,834,490
Depreciable Assets								
Buildings and Building Improvements	\$ 221,617,212	\$ -	\$ -	\$ -	\$ -	\$ 7,740,271	\$ -	\$ 229,357,483
Infrastructure	5,095,290	(39,424)	-	-	-	-	-	5,055,866
Furniture and Equipment	51,869,629	(134,765)	-	-	(1,196,739)	7,020,607	(7,009,862)	50,548,870
Vehicles	1,841,632	-	-	20,200	-	44,345	(88,631)	1,817,546
Other	23,316,383	(45,827)	-	-	-	2,164,995	-	25,435,551
Facilities and Other Improvements	8,668,651	-	-	-	-	464,809	-	9,133,460
Total Depreciable Assets	\$ 312,408,797	\$ (220,016)	\$ -	\$ 20,200	\$ (1,196,739)	\$ 17,435,027	\$ (7,098,493)	\$ 321,348,776

Accumulated depreciation changes for the year ended August 31, 2006 are summarized in the table below.

Capital Asset Category	Balance 09/01/2005	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/2006
			Completed CIP	Increases - Interagency Transfers	Decreases - Interagency Transfers			
Buildings and Building Improvements	\$ (122,214,832)	\$ -	\$ -	-	-	\$ (5,945,437)	-	\$ (128,160,269)
Infrastructure	(486,782)	-	-	-	-	(211,779)	-	(698,561)
Furniture and Equipment	(34,850,555)	-	-	-	60,189	(4,523,166)	6,740,931	(32,572,601)
Vehicles	(1,174,578)	-	-	(19,526)	-	(131,200)	88,631	(1,236,674)
Facilities and Other Improvements	(1,402,951)	-	-	-	-	(460,379)	-	(1,863,330)
Other	(14,205,147)	-	-	-	-	(1,008,535)	-	(15,213,682)
Total Accumulated Depreciation	\$ (174,334,845)	\$ -	\$ -	\$ (19,526)	\$ 60,189	\$ (12,280,496)	\$ 6,829,562	\$ (179,745,117)

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Notes to the Financial Statements
August 31, 2006

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

As of August 31, 2006, the carrying amount of deposits was \$4,291,154 as detailed in the table on the following page.

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Notes to the Financial Statements
August 31, 2006

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

Texas Tech University Health Sciences Center Deposits of Cash in Bank

Enterprise Funds

Cash in Bank - Carrying Value	\$ 4,291,154
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	-
	<hr/>
Cash in Bank	\$ 4,291,154
	<hr/>
Enterprise Funds Current Assets Cash in Bank	\$ 10,661,098
Enterprise Funds Current Assets Restricted Cash in Bank	1,074,650
Enterprise Funds Non-Current Assets Restricted Cash in Bank	(7,444,594)
	<hr/>
Cash in Bank	\$ 4,291,154
	<hr/>

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, 2006, the total bank balance for Enterprise Funds was \$2,584,067.

INVESTMENTS

As of August 31, 2006, the carrying value and fair value of investments are summarized in the table on the following page.

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements
August 31, 2006

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	\$ 54,244,679	\$ 54,244,679
U. S. Treasury Strips	-	-
U. S. Treasury TIPS	-	-
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	32,294,195	32,294,195
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	-	-
Corporate Obligations	-	-
Corporate Asset and Mortgage Backed Securities	-	-
Equity	32,653,810	32,653,810
International Obligations (Government and Corporate)	-	-
International Equity	36,450,420	36,450,420
Repurchase Agreement	18,705,387	18,705,387
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	-	-
Fixed Income Money Market and Bond Mutual Fund	32,573,139	32,573,139
Other Commingled Funds	79,608,898	79,608,898
Other Commingled Funds (TexPool)	73,880,605	73,880,605
Commercial Paper	-	-
Securities Lending Collateral Investment Pool	-	-
Real Estate	-	-
Miscellaneous (Alternative Investments, Limited Partnerships, Guaranteed Investment Contract, Political Subdivision, Bankers' Acceptance, Negotiable CD)	47,423,857	47,423,857
Total Investments	\$ 407,834,990	\$ 407,834,990
Non-Current Investments		\$ 253,931,353
Items in Cash and Cash Equivalents:		
Repurchase Agreements		18,705,387
TexPool and TexSTAR Investments		135,198,250
Total Investments		\$ 407,834,990

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Notes to the Financial Statements
August 31, 2006

**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, 2006 is as follows:

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
01	0001	Argentine peso	-	-
01	0001	Australian dollar	-	597,316
01	0001	Bermudan dollar	-	-
01	0001	Brazilian real	-	1,180,027
01	0001	Bulgarian lev	-	4,034
01	0001	Canadian dollar	-	320,668
01	0001	Cayman dollar	-	13,267
01	0001	Chilean peso	-	71,274
01	0001	Chinese yuan	-	616,401
01	0001	Cyprus pound	-	55,462
01	0001	Czech koruna	-	169,884
01	0001	Danish krone	-	111,969
01	0001	Egyptian pound	-	5,042
01	0001	Euro	-	10,476,990
01	0001	Hong Kong dollar	-	761,542
01	0001	Hungarian forint	-	209,480
01	0001	Indian rupee	-	555,366
01	0001	Indonesian rupiah	-	76,665
01	0001	Israeli shekel	-	113,314
01	0001	Japanese yen	-	5,671,984
01	0001	Lithuanian litas	-	11,092
01	0001	Malaysian ringgit	-	396,724
01	0001	Mexican peso	-	487,670
01	0001	New Zealand dollar	-	37,700
01	0001	Norwegian krone	-	430,341
01	0001	Phillippino peso	-	100,774
01	0001	Polish zloty	-	573,900
01	0001	Pound sterling	-	5,017,949
01	0001	Romanian leu	-	68,571

(continued on next page)

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Notes to the Financial Statements
August 31, 2006

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

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
01	0001	Russian ruble	-	1,011,288
01	0001	Singapore dollar	-	245,529
01	0001	South African rand	-	629,699
01	0001	South Korean won	-	2,070,128
01	0001	Swedish krona	-	642,330
01	0001	Swiss franc	-	1,516,783
01	0001	Taiwan dollar	-	1,724,180
01	0001	Thai baht	-	313,074
01	0001	Turkish lira	-	162,003
01	0001	Venezuelan bolivar	-	-
Total				36,450,420

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.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	Unrated
01	0001	U. S. Government Agency Obligations	\$ 32,294,195	-
		U. S. Government Agency Obligations(Texas Treasury Safekeeping Trust Co)	-	-
		Corporate Obligations	-	-
		Corporate Asset and Mortgage Backed Securities	-	-
		International Obligation	-	-
01	0001	Repurchase Agreement	18,705,387	-
01	0001	Fixed Income Money Market and Bond Mutual Fund	-	32,573,139

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Notes to the Financial Statements
August 31, 2006

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

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.

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, 2006, 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 09/01/2005	Increases	Decreases	Balance 08/31/2006	Current Portion
Unclaimed Property Due to the State Treasury	87,671	149,905	(94,106)	143,470	65,427
Bonds Payable	93,997,863	59,694,524	(21,641,071)	132,051,316	5,669,315
Claims Payable	24,202,424	-	(657,891)	23,544,533	2,354,453
Compensable Leave	18,025,762	2,653,254	(95,389)	20,583,627	4,116,725
Other Liabilities	5,800	4,419	(1,220)	8,999	1,200
Total Long Term Liabilities	\$136,319,520	\$ 62,502,102	\$ (22,489,677)	\$ 176,331,945	\$12,207,120

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Notes to the Financial Statements
August 31, 2006

NOTE 5 (continued) Summary of Long Term Liabilities

NOTES AND LOANS PAYABLE

No notes payable were outstanding as of August 31, 2006.

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 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 09/01/2005	Increases	Decreases	Balance 08/31/2006
TTUHSC	\$ 24,202,424	\$ -	\$ (657,891)	\$ 23,544,533
TTPA	-	-	-	-
Total Claims Payable	\$ 24,202,424	\$ -	\$ (657,891)	\$ 23,544,533

COMPENSABLE LEAVE

Compensable leave balances represent the approximate value of unused employee vacation time and other compensated time as of August 31, 2006. 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, 2006 was estimated at \$16,466,902, out of a total liability of \$20,583,627.

BONDS PAYABLE

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

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Notes to the Financial Statements *August 31, 2006*

NOTE 6 **Capital Leases**

As of August 31, 2006, no material outstanding TTUHSC leases satisfied the requirements for capitalization.

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 \$3,572,132 for the year ended August 31, 2006. 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
2007	\$ 3,679,296
2008	3,789,675
2009	3,903,366
2010	4,020,467
2011	4,141,080

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, 2006, representing undistributed earnings from the investment assets of the Permanent Health Fund for Higher Education. As of August 31, 2006, TTUHSC had an outstanding interfund payable to Texas Tech University representing payment for shared services fees. 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
August 31, 2006*

**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	\$ 4,007,462	\$ -
Texas Tech University	733	0001	<u>-</u>	<u>(200,362)</u>
Total Due from / to Other State Agencies			<u>\$ 4,007,462</u>	<u>\$ (200,362)</u>

Also, for the year ended August 31, 2006, TTUHSC had various transfers to and from other components of the Texas Tech University System and other state agencies. 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. The transfers to the Texas Higher Education Coordinating Board are for 2% Medical Loan and B-On-Time set-asides.

Interfund transfer activity is summarized in the table below.

Texas Tech University Health Sciences Center Transfers from / to Other State Agencies				
Agency Name	Agency Nbr	D23 Fund	Transfers In	Transfers Out
Texas Tech University	733	0001	\$ 1,580,042	\$ (95,024)
Texas Tech University System Administration	768	0001	290,515	(1,807,058)
Texas Higher Education Coordinating Board	781	0542	-	(69,608)
Texas Higher Education Coordinating Board	781	5103	<u>-</u>	<u>(36,635)</u>
Total Transfers from / to Other State Agencies			<u>\$ 1,870,557</u>	<u>\$ (2,008,325)</u>

For the year ended August 31, 2006, TTUHSC recorded a Legislative transfer out to TTUSA for system administration support. Details of that transfer are shown in the table on the following page.

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Notes to the Financial Statements
August 31, 2006

NOTE 8 (continued) Interfund Balances / Activity

Texas Tech University Health Sciences Center Legislative Transfers in/out				
Agency Name	Agency Nbr	D23 Fund	Transfers In	Transfers Out
Texas Tech University System Administration	768	0001	\$ -	\$ (3,294,122)
Total Legislative Transfers from / to Other State Agencies			\$ -	\$ (3,294,122)

NOTE 9 Contingent Liabilities

PENDING LITIGATION

At August 31, 2006, various lawsuits and claims involving TTUHSC were pending. While the ultimate liability with respect to litigation and other claims asserted against TTUHSC for the majority of the claims cannot be reasonably estimated at this time, a liability was recorded for the claims that were probable and estimable. These claims amounted to \$186,100 which is reported as a component of Accounts Payable. The liability for other claims filed, to the extent not provided for by insurance, is not likely to have a material impact on TTUHSC.

REBATABLE ARBITRAGE

As of August 31, 2006, TTUHSC had no liability for rebatable arbitration.

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 \$43,578,869 as of August 31, 2006. These commitments will be funded by donor contributions, appropriations from the state, issuance of revenue bonds, and other borrowings. As of August 31, 2006, the amount of legislative appropriations for capital from the state available for these commitments totaled \$2,308,142.

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Notes to the Financial Statements
August 31, 2006

NOTE 9 (continued)
Contingent Liabilities

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, 2006 was \$34,273,647.

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, 2006 of \$23,544,533. Texas Tech Physician Associates, a blended component unit, had no accrued IBNR at August 31, 2006. 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

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Notes to the Financial Statements
August 31, 2006

NOTE 11 (continued) Risk Financing and Related Insurance

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, 2006.

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.

NOTE 13 Bonded Indebtedness

Several bond issues were outstanding as of August 31, 2006, as summarized in the paragraphs that follow on the next two pages.

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SERIES 1999

Purpose:	Financing for projects in Amarillo, Midland, and Lubbock, the costs of issuing the bonds, and the advance refunding of a portion of the Revenue Financing System Bonds, 2 nd Series 1995
Issued:	May 4, 1999; all authorized bonds (\$15,632,182) have been issued
Outstanding:	\$7,166,791 outstanding as of August 31, 2006
Interest Rates:	4.00% to 5.25%
Maturity Dates:	1999 through 2029
Balance Changes:	\$0 issued; \$706,071 retired; \$5,275,000 refunded

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

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: \$5,885,000 outstanding as of August 31, 2006

Interest Rates: 3.00% to 5.50%

Maturity Dates: 2002 through 2021

Balance Changes: \$0 issued; \$685,000 retired; \$10,010,000 refunded

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: \$61,895,000 outstanding as of August 31, 2006

Interest Rates: 5.00% to 5.25%

Maturity Dates: 2006 through 2023

Balance Changes: \$0 issued; \$2,375,000 retired

REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, 10th SERIES 2006

Purpose: Financing for Medical Education Building project in El Paso, the costs of issuing the bonds, and the advance refunding of a portion of the Revenue Financing System Bonds, Series 1999 and Revenue Financing System Bonds, 7th Series 2001

Issued: February 1, 2006; all authorized bonds (\$59,694,524) have been issued which includes \$45,000,000 of new bonds for the project

Outstanding: \$57,104,525 outstanding as of August 31, 2006

Interest Rates: 4.00% to 5.00%

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Notes to the Financial Statements
August 31, 2006

NOTE 13 (continued) Bonded Indebtedness

Maturity Dates: 2006 through 2029
Balance Changes: \$59,694,524 issued; \$2,590,000 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

As of August 31, 2006, TTUHSC had no authorized bonds that were not issued.

DEFEASED BONDS OUTSTANDING

As of August 31, 2006, a total of \$15,285,000 of defeased bonds were outstanding related to an advance refunding of a portion of the Revenue Financing System Bonds, 3rd Series, 1999 and Revenue Financing System Bonds, 7th Series, 2001.

NOTE 14 Subsequent Events

TTUHSC experienced no material subsequent events.

NOTE 15 Related Parties

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

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Notes to the Financial Statements
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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

TTUHSC had no material prior-period adjustments that would require a restatement of net assets for the year ended August 31, 2006.

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.

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Notes to the Financial Statements
August 31, 2006

NOTE 19 (continued) Employee Retirement Plans

Contributions made by the state on behalf of TTUHSC for the TRS program amounted to \$3,157,045 for the year ended August 31, 2006, \$3,006,843 for the year ended August 31, 2005, and \$2,999,565 for the year ended August 31, 2004.

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 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 \$2,781,324 for the year ended August 31, 2006, \$2,392,447 for the year ended August 31, 2005, and \$2,744,132 for the year ended August 31, 2004.

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

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Notes to the Financial Statements *August 31, 2006*

NOTE 20 (continued) Deferred Compensation

§ 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, 2006, there were 168 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, 2006, 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.

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, 2006 are summarized in the table below.

Endowment Category	Net Appreciation	Statement of Net Assets Reporting Section
True Endowments	\$ 5,921,855	Restricted / Nonexpendable
True Endowments	1,012,501	Restricted / Expendable
True Endowments	4,230,734	Unrestricted / Expendable
Total	\$ 11,165,090	

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Notes to the Financial Statements
August 31, 2006

NOTE 21 (continued) Donor Restricted Endowments

There were also unrealized fair market value gains associated with true endowments that amounted to \$1,076,925 for the year ended August 31, 2006.

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, 2006. 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.

FINANCIAL HIGHLIGHTS

- TTUHSC continues to experience growth in enrollment totaling 5.2% between the fall 2004 term and the fall 2005 term. The most notable portion of this one-year growth was in the School of Nursing Graduate Program (up 54.8%). Annual enrollment increases over the last ten years have averaged 6.1%.
- Overall net assets increased by \$64.8 million for the year ended August 31, 2006, primarily due to increased state appropriations, increased tuition and fee revenue, and increased patient revenue.
- Capital asset additions totaled \$49.9 million for the year ended August 31, 2006.

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

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

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, 2006, 2005, and 2004 (amounts in thousands).

	2006	2005	2004
Assets			
Current Assets	\$ 228,355	\$ 185,214	\$ 202,300
Non-Current Investments	253,931	235,654	216,130
Other Non-Current Assets	10,645	7,298	5,065
Capital Assets, Net of Accumulated Depreciation	234,438	189,921	173,896
Total Assets	<u>\$ 727,369</u>	<u>\$ 618,087</u>	<u>\$ 597,391</u>
Liabilities			
Current Liabilities	67,857	60,991	57,865
Non-Current Liabilities	164,125	126,513	133,600
Total Liabilities	<u>\$ 231,982</u>	<u>\$ 187,504</u>	<u>\$ 191,465</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 145,414	\$ 129,368	\$ 132,683
Restricted	136,000	109,634	97,069
Unrestricted	213,973	191,581	176,174
Total Net Assets	<u>\$ 495,387</u>	<u>\$ 430,583</u>	<u>\$ 405,926</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 3.37 reflects strong liquidity and a notable short-term

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Notes to the Financial Statements
August 31, 2006

NOTE 22 (continued) Management Discussion and Analysis

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.

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, 2006, 2005, and 2004 (in thousands).

	2006	2005	2004
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 145,414	\$ 129,368	\$ 132,683
Restricted			
Capital Projects	7,438	5,319	6,354
Funds Held as Permanent Investments	96,686	86,451	73,041
Other	31,876	17,864	17,674
Unrestricted	213,973	191,581	176,174
Total Net Assets	<u>\$ 495,387</u>	<u>\$ 430,583</u>	<u>\$ 405,926</u>

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

The table on the following pages summarizes the revenues, expenses, and changes in net assets for the years ended August 31, 2006, 2005, and 2004 (in thousands).

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NOTE 22 (continued) Management Discussion and Analysis

	2006	2005	2004
Operating Revenues			
Net Student Tuition and Fees	\$ 15,543	\$ 12,164	\$ 10,661
Net Professional Fees	108,001	87,707	85,245
Grant and Contract Revenues	199,829	180,988	177,125
Net Sales and Services of Auxiliary Enterprises	497	591	473
Other	3,591	3,263	2,984
	327,461	284,713	276,488
Total Operating Revenues			
Operating Expenses			
Instruction	\$ (198,157)	\$ (170,684)	\$ (151,509)
Research	(16,601)	(15,043)	(16,381)
Public Service	(104,484)	(101,431)	(98,618)
Academic Support	(74,400)	(66,104)	(64,162)
Student Services	(6,968)	(6,671)	(6,250)
Institutional Support	(16,074)	(18,509)	(19,476)
Operation and Maintenance of Plant	(17,986)	(15,980)	(16,625)
Auxiliary Enterprises	(308)	(351)	(318)
Depreciation	(12,281)	(12,800)	(8,775)
	(447,259)	(407,573)	(382,114)
Total Operating Expenses			
Operating Loss	(119,798)	(122,860)	(105,626)
Non-Operating Revenues and Expenses			
Legislative Appropriations Revenue	131,522	109,167	119,907
Net Gift Income	19,160	16,068	4,659
Net Investment Income	25,771	30,364	23,443
Interest Expense on Capital Asset Financing	(1,747)	(1,561)	(1,732)
Other	929	688	3,067
	175,635	154,726	149,344
Total Non-Operating Revenues and Expenses			
Income Before Other Revenues, Expenses, Gains, Losses, and Transfers	55,837	31,866	43,718

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August 31, 2006

NOTE 22 (continued) Management Discussion and Analysis

Other Revenues, Expenses, Gains, Losses, and Transfers			
Capital Contributions and Recoveries	498	1,318	1,879
Legislative Appropriations Revenue for Capital	11,900	7,735	7,735
Net Transfers to Other State Agencies	(3,432)	(4,147)	(3,763)
Legislative Transfers In	-	-	2,000
Total Other Revenues, Expenses, Gains, Losses, and Transfers	8,966	4,906	7,851
Change in Net Assets	\$ 64,803	\$ 36,772	\$ 51,569
Beginning Net Assets	\$ 430,584	\$ 405,926	\$ 373,030
Restatements	-	(12,115)	(18,673)
Ending Net Assets	\$ 495,387	\$ 430,584	\$ 405,926

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 27.8% for 2006. This increase primarily resulted 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

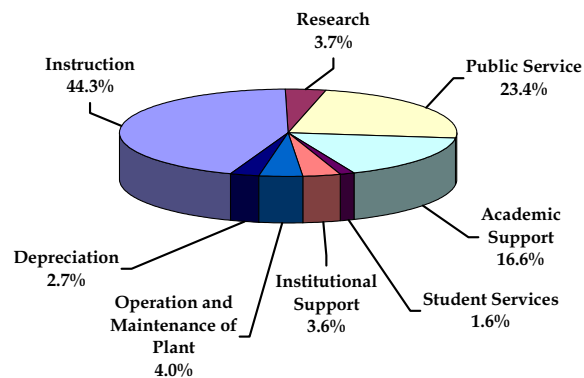
The illustration on the following page presents the composition of operating expenses by programmatic function for the year ended August 31, 2006.

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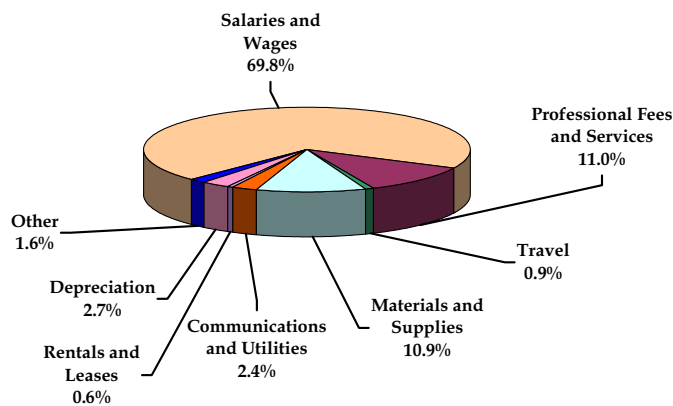
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Notes to the Financial Statements
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NOTE 22 (continued) Management Discussion and Analysis



The illustration below presents the composition of operating expenses by natural classification for the year ended August 31, 2006.



Non-Operating Revenues and Expenses

Numerous recurring revenues are considered non-operating, as required by generally accepted

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Notes to the Financial Statements
August 31, 2006

NOTE 22 (continued) Management Discussion and Analysis

accounting principles. The largest element of recurring non-operating revenue is legislative appropriations from the state, which increased 20.5% for the year ended August 31, 2006. 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 decreased by 15.1% for 2006.

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 2006. The legislative appropriations for capital represent distributions from the Higher Education Assistance Fund (HEAF).

Change in Net Assets

Net assets increased \$64.8 million for the year ended August 31, 2006, primarily due to increased state appropriations, increased tuition and fee revenue, and increased patient 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, 2006 amounted to \$49.9 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, 2006, total capital assets and related accumulated depreciation amounted to \$414.2 million and \$179.7 million, respectively. Related debt balances included \$89 million of bonds payable, current and non-current. As of August 31, 2006, TTUHSC had bond ratings of 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.

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NOTE 22 (continued) Management Discussion and Analysis

General appropriations received during the year ended August 31, 2006 were \$116.9 million. General appropriations to TTUHSC, as included in the *General Appropriations Act* of the 79th Texas Legislature, are expected to be \$117.1 million for the year ending August 31, 2007. Appropriations for the years ending August 31, 2008 and August 31, 2009 will be determined during the 80th Texas Legislature, which is scheduled to begin session in January 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.

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, 2006.

NOTE 25 Disaggregation of Receivable and Payable Balances

RECEIVABLES

Components of receivables as of August 31, 2006, including current and non-current receivables, are summarized in the table on the following page.

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

Description	Gross Receivables	Allowances	Net Receivables
Federal Receivable	\$ 1,622,787	\$ -	\$ 1,622,787
Interest and Dividends Receivable	888,467	-	888,467
Patient Accounts Receivable	42,887,984	(26,317,771)	16,570,213
Student Accounts Receivable	635,281	(50,854)	584,427
Contract Accounts Receivable	11,740,034	-	11,740,034
Pledged Gifts Receivable	10,389,502	(519,475)	9,870,027
Loans and Notes Receivable	2,598,680	(239,855)	2,358,825
Other	184,327	(91,487)	92,840
Total Receivables	<u>\$ 70,947,062</u>	<u>\$ (27,219,442)</u>	<u>\$ 43,727,621</u>

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 on the following page. 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.

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Notes to the Financial Statements
August 31, 2006

NOTE 25 (continued)
Disaggregation of Receivable and Payable Balances

Description	Gross Receivables
Medicare	\$ 5,275,441
Medicaid	7,725,313
Managed Care, including Blue Cross	6,128,762
Commercial	4,478,158
Self Pay and Medically Indigent	18,958,081
Other	<u>322,229</u>
Total Gross Patient Accounts Receivable	<u>\$ 42,887,984</u>

PAYABLES

Short-term payables as of August 31, 2006, were comprised of the elements noted in the table below.

Description	Balance
Vendor Accounts Payable	\$ 15,491,431
Patient Refunds Payable	1,795,865
Residency Program Refunds Payable	2,888,345
Payroll Payable	27,251,345
Deposits Payable	1,200
Accrued Interest Payable	<u>276,087</u>
Total Short-Term Payables	<u>\$ 47,704,273</u>

NOTE 26
Termination Benefits

TTUHSC had no reportable termination benefits during the year ended August 31, 2006.

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Notes to the Financial Statements
August 31, 2006

NOTE 27 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, 2006 are summarized below.

Gross Medical Patient Charges	\$ 276,207,023
less Contractual Adjustments	(82,756,232)
less Charity Care	<u>(85,644,627)</u>
Net Medical Patient Charges	<u>\$ 107,806,164</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 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, 2006 were \$148,927,305. 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 Article III of the *General Appropriations Act* of the 79th Texas Legislature.

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SUPPORTING SCHEDULES

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Schedule 1A: Schedule of Expenditures of Federal Awards *For the Year Ended August 31, 2006*

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	\$ 494,137		\$ -	\$ -	\$ 494,137	\$ 494,137
Edward Byrne Memorial State and Local Law Enforcement							
Assistance Discretionary Grants Program	16.580	13,200		-	-	13,200	13,200
TOTAL U. S. DEPARTMENT OF JUSTICE		507,337		-	-	507,337	507,337
National Science Foundation							
Engineering Grants		437,511		-	-	302,962	302,962
Austin Community College		-		-	117,245	-	117,245
Sigma Plus		-		-	17,304	-	17,304
TOTAL NATIONAL SCIENCE FOUNDATION		437,511		-	134,549	302,962	437,511
U.S. Department of Education							
Fund for the Improvement of Post-Secondary Education	84.116	114,059		-	-	114,059	114,059
Rehabilitation Long-Term Training	84.129	159,913		-	-	159,913	159,913
Brigham Young University / Fund for the Improvement of Post-Secondary Education	84.116	10,940		-	-	10,940	10,940
TOTAL U. S. DEPARTMENT OF EDUCATION		284,912		-	-	284,912	284,912
U. S. Department of Health and Human Services							
Department of Health and Human Services / Fellowship							
Salary and Benefit	93.000	61,956		-	-	61,956	61,956
Maternal and Child Health Federal Consolidated Programs	93.110	16,714		-	-	16,714	16,714
Centers of Excellence	93.157	354,700		-	-	354,700	354,700
Health Education and Training Centers (HETCAT)	93.189	409,638		-	-	205,322	205,322
University of Texas Health Science Center							
at San Antonio		-	745	57,440	-	-	57,440
University of Texas Medical Branch at Galveston		-	723	121,525	-	-	121,525
University of North Texas Health Science Center		-	763	4,800	-	-	4,800
National Alliance for Mentally Ill		-		-	2,534	-	2,534
Clinica Guadalupana		-		-	9,720	-	9,720
March of Dimes		-		-	2,700	-	2,700
El Paso Independent School District		-		-	1,817	-	1,817
West Texas Regional Poison Center		-		-	1,080	-	1,080
Midland Hospital		-		-	2,700	-	2,700

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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	Agency Amount		
U. S. Department of Health and Human Services (cont)								
Advanced Education Nursing Grant Program	93.247			\$ -	\$ -	\$ -	\$ -	\$ 148,186
Poison Control Stabilization and Enhancement Grants	93.253			-	-	-	-	98,375
Comprehensive Geriatric Education Program (CGEP)	93.265			-	-	-	-	121,552
Advanced Education Nursing Traineeships	93.358			-	-	-	-	41,208
Nurse Education, Practice and Retention Grants	93.359			-	-	-	-	725,878
Health Careers Opportunity Program	93.822			-	-	-	-	74,437
Basic / Core Area Health Education Centers	93.824			-	-	-	-	831,219
West Texas A&M University				-	-	-	-	-
West Central Texas Council of Governments		06OL030022F1H		-	-	-	-	-
Permian Basin Workforce		06OL030022F3H		-	-	-	-	-
AHEC of the Plains		06OL030022FNH		-	-	-	-	-
Grants for Training in Primary Care								
Medicine and Dentistry	93.884			-	-	-	-	188,870
Health Care and Other Facilities	93.887			-	-	-	-	521,172
Rural Health Care Services Outreach and Rural Health								
Network Development Program	93.912			-	-	-	-	47,967
Scholarships for Health Professions Students								
from Disadvantaged Backgrounds	93.925			-	-	-	-	541,745
University of Texas Health Science Center at San Antonio /								
U S Mexico Border Center of Excellence Consortium	93.000	06ET040065F2H	745	-	24,932	-	-	-
Texas Tech University / Allied Health Special Projects	93.191		733	-	6,092	-	-	-
University of Texas Medical Branch at Galveston /								
Cancer Control	93.399		723	-	2,310	-	-	-
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	06EM040050F2H		-	-	35,415	-	-
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS				-	33,334	35,415	-	4,183,617
STUDENT FINANCIAL ASSISTANCE CLUSTER								
U. S. Department of Education								
Federal Supplemental Educational Opportunity Grants	84.007			-	-	-	-	36,779
Federal Family Education Loans								
New Loans Processed (Note 3)	84.032			-	-	-	-	33,823,324
Federal Perkins Loan Program / Federal Capital Contributor								

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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	\$ 148,186	-	-	-	\$ 148,186	\$ 148,186
Poison Control Stabilization and Enhancement Grants	93.253	98,375	-	-	-	98,375	98,375
Comprehensive Geriatric Education Program (CGEP)	93.265	121,552	-	-	-	121,552	121,552
Advanced Education Nursing Traineeships	93.358	41,208	-	-	-	41,208	41,208
Nurse Education, Practice and Retention Grants	93.359	725,878	-	-	-	725,878	725,878
Health Careers Opportunity Program	93.822	74,437	-	-	-	74,437	74,437
Basic / Core Area Health Education Centers	93.824	831,219	-	-	-	184,331	184,331
West Texas A&M University		-	757	166,035	-	-	166,035
West Central Texas Council of Governments		-	-	-	169,167	-	169,167
Permian Basin Workforce		-	-	-	147,811	-	147,811
AHEC of the Plains		-	-	-	163,875	-	163,875
Grants for Training in Primary Care							
Medicine and Dentistry	93.884	188,870	-	-	-	188,870	188,870
Health Care and Other Facilities	93.887	521,172	-	-	-	521,172	521,172
Rural Health Care Services Outreach and Rural Health							
Network Development Program	93.912	47,967	-	-	-	47,967	47,967
Scholarships for Health Professions Students							
from Disadvantaged Backgrounds	93.925	541,745	-	-	-	541,745	541,745
University of Texas Health Science Center at San Antonio /							
U S Mexico Border Center of Excellence Consortium	93.000	24,932	-	-	-	24,932	24,932
Texas Tech University / Allied Health Special Projects	93.191	6,092	-	-	-	6,092	6,092
University of Texas Medical Branch at Galveston /							
Cancer Control	93.399	2,310	-	-	-	2,310	2,310
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	35,415	-	-	-	35,415	35,415
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SVCS		4,252,367		349,800	501,404	3,401,162	4,252,366
STUDENT FINANCIAL ASSISTANCE CLUSTER							
U. S. Department of Education							
Federal Supplemental Educational Opportunity Grants	84.007	36,779	-	-	-	36,779	36,779
Federal Family Education Loans							
New Loans Processed (Note 3)	84.032	33,823,324	-	-	-	33,823,324	33,823,324

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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 Education (cont)							
New Loans Processed (Note 3)	84.038			\$ -	\$ -	\$ -	\$ 450,323
Administrative Costs Recovered (Note 3)				-	-	-	25,703
Federal Pell Grant Program	84.063			-	-	-	392,473
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				-	-	-	34,728,602
RESEARCH AND DEVELOPMENT (R&D) CLUSTER							
U. S. Department of Agriculture							
Grants for Agricultural Research Competitive Research Grant Texas Tech University	10.206			-	-	-	154,482
Texas Tech University / Initiative for Future Agriculture and Food Systems	10.302	1300 / 0938-01	733	-	210	-	-
U. S. Department of Commerce							
Receptor Logic, Ltd / Advanced Technology Program	11.612	06AP050017F1H		-	-	113,582	-
U. S. Department of Defense							
Military Medical Research and Development	12.420			-	-	-	54,729
Texas Tech University / T0231 / SBCCOM Year 3	12.000	DOD - SBCCOM	733	-	79,087	-	-
T. R. U. E. Research Foundation / Military Medical Research and Development	12.420	06AP050072FNL		-	-	127,148	-
The Scripps Research Institute / Military Medical Research and Development	12.420	W81XWH510316		-	-	92,613	-
U. S. Department of Health and Human Services							
Special Programs for the Aging / Title IV and Title II Discretionary Projects	93.048			-	-	-	90
Oral Diseases and Disorders Research	93.121			-	-	-	236,779
Research and Training in Complementary and Alternative Medicine	93.213			-	-	-	6,611
Mental Health Research Grants / University of Virginia	93.242	06LP050090FL		-	-	-	177,520
Occupational Safety and Health Program / University of Texas Health Science Center at Houston	93.262			-	-	-	79,313
Comprehensive Geriatric Education Program (CGEP) Training	93.265			-	-	-	25,640
Alcohol Research Programs	93.273			-	-	-	254,724
Drug Abuse and Addiction Research Programs	93.279			-	-	-	357,299

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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 Education (cont)							
New Loans Processed (Note 3)	84.038	\$ 450,323		\$ -	\$ -	\$ 450,323	\$ 450,323
Administrative Costs Recovered (Note 3)		\$ 25,703		-	-	25,703	25,703
Federal Pell Grant Program	84.063	392,473		-	-	392,473	392,473
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		34,728,602		-	-	34,728,602	34,728,602
RESEARCH AND DEVELOPMENT (R&D) CLUSTER							
U. S. Department of Agriculture							
Grants for Agricultural Research Competitive Research Grant	10.206	154,482		-	-	112,740	112,740
Texas Tech University		-	733	41,742	-	-	41,742
Texas Tech University / Initiative for Future Agriculture and Food Systems	10.302	210		-	-	210	210
U. S. Department of Commerce							
Receptor Logic, Ltd / Advanced Technology Program	11.612	113,582		-	-	113,582	113,582
U. S. Department of Defense							
Military Medical Research and Development	12.420	54,729		-	-	54,729	54,729
Texas Tech University / T0231 / SBCCOM Year 3	12.000	79,087		-	-	79,087	79,087
T. R. U. E. Research Foundation / Military Medical Research and Development	12.420	127,148		-	-	127,148	127,148
The Scripps Research Institute / Military Medical Research and Development	12.420	92,613		-	-	92,613	92,613
U. S. Department of Health and Human Services							
Special Programs for the Aging / Title IV and Title II							
Discretionary Projects	93.048	90		-	-	90	90
Oral Diseases and Disorders Research	93.121	236,779		-	-	236,779	236,779
Research and Training in Complementary and Alternative Medicine	93.213	6,611		-	-	6,611	6,611
Mental Health Research Grants / University of Virginia	93.242	177,520		-	54,921	-	54,921
Occupational Safety and Health Program / University of Texas Health Science Center at Houston	93.262	79,313	744	25,226	-	54,087	54,087
Comprehensive Geriatric Education Program (CGEP)							
Training	93.265	25,640		-	-	25,640	25,640
Alcohol Research Programs	93.273	254,724		-	-	254,724	254,724
Drug Abuse and Addiction Research Programs	93.279	357,299		-	-	357,299	357,299

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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 (cont)							
Centers for Disease Control and Prevention:							
Investigations and Technical Assistance	93.283			\$ -	\$ -	\$ -	\$ 18,497
Comparative Medicine	93.306			-	-	-	(211)
Minority Health and Health Disparities Research /	93.307			-	-	-	366,352
AHEC of the Plains		06OL040084FHN		-	-	-	-
Texas Tech University				-	-	-	-
University of Texas Health Science Center at Houston				-	-	-	-
National Center for Research Resources /	93.389			-	-	-	337,197
Medical College of Ohio		06LM050050FL		-	-	-	-
Cancer Cause and Prevention Research	93.393			-	-	-	275,921
Cancer Treatment Research	93.395			-	-	-	610,392
Heart and Vascular Diseases Research	93.837			-	-	-	8,760
Lung Diseases Research	93.838			-	-	-	81,243
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846			-	-	-	223,490
Kidney Diseases, Urology, and Hematology Research	93.849			-	-	-	41,444
Extramural Research Programs in the Neurosciences							
and Neurological Disorders	93.853			-	-	-	457,998
Microbiology and Infectious Diseases Research	93.856			-	-	-	309,879
Biomedical Research and Research Training /	93.859			-	-	-	503,949
University of Rhode Island		05AP040026FNL		-	-	-	-
Child Health and Human Development Extramural Research	93.865			-	-	-	1,261,730
Texas Tech University				-	-	-	-
Aging Research	93.866			-	-	-	577,736
Health Care and Other Facilities	93.887			-	-	-	951,383
Specially Selected Health Projects	93.888			-	-	-	301,155
International Research and Research Training /	93.989			-	-	-	56,608
Universidad Complutense de Madrid Spain		00LM030021NN		-	-	-	-
University of Texas at El Paso / Mental Health Research							
Grants	93.242		724	-	26,578	-	-
University of North Texas Health Science Center /							
Extramural Research Programs in the							
Neurosciences and Neurological Disorders	93.853		763	-	37,799	-	-
University of Texas Southwestern Medical Center at Dallas /							
Child Health and Human Development Extramural							
Research	93.865		729	-	11,407	-	-

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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)							
Centers for Disease Control and Prevention:							
Investigations and Technical Assistance	93.283	\$ 18,497		\$ -	\$ -	\$ 18,497	\$ 18,497
Comparative Medicine	93.306	(211)		-	-	(211)	(211)
Minority Health and Health Disparities Research / AHEC of the Plains	93.307	366,352		-	11,000	-	11,000
Texas Tech University		-	733	91,115	-	-	91,115
University of Texas Health Science Center at Houston		-	744	4,276	-	-	4,276
National Center for Research Resources / Medical College of Ohio	93.389	337,197		-	27,606	-	27,606
Cancer Cause and Prevention Research	93.393	275,921		-	-	275,921	275,921
Cancer Treatment Research	93.395	610,392		-	-	610,392	610,392
Heart and Vascular Diseases Research	93.837	8,760		-	-	8,760	8,760
Lung Diseases Research	93.838	81,243		-	-	81,243	81,243
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846	223,490		-	-	223,490	223,490
Kidney Diseases, Urology, and Hematology Research	93.849	41,444		-	-	41,444	41,444
Extramural Research Programs in the Neurosciences							
and Neurological Disorders	93.853	457,998		-	-	457,998	457,998
Microbiology and Infectious Diseases Research	93.856	309,879		-	-	309,879	309,879
Biomedical Research and Research Training / University of Rhode Island	93.859	503,949		-	38,028	-	38,028
Child Health and Human Development Extramural Research Texas Tech University	93.865	1,261,730	733	7,730	-	-	7,730
Aging Research	93.866	577,736		-	-	577,736	577,736
Health Care and Other Facilities	93.887	951,383		-	-	951,383	951,383
Specially Selected Health Projects	93.888	301,155		-	-	301,155	301,155
International Research and Research Training / Universidad Complutense de Madrid Spain	93.989	56,608		-	16,038	-	16,038
University of Texas at El Paso / Mental Health Research Grants	93.242	26,578		-	-	26,578	26,578
University of North Texas Health Science Center / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	37,799		-	-	37,799	37,799
University of Texas Southwestern Medical Center at Dallas / Child Health and Human Development Extramural Research	93.865	11,407		-	-	11,407	11,407

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

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)							
Non-State Entities							
University of Kansas Medical Center / Analysis of Diindolymethane in Human Plasma	93.000	05DP050061FNL		\$ -	\$ -	\$ 45,057	\$ -
Oklahoma University Health Sciences Center / Alcohol Research Programs	93.273	06LM050047NL		-	-	4,617	-
Kentucky Research Foundation / Drug Abuse and Addiction Research Programs	93.279	06AP030016NNL		-	-	46,111	-
Oklahoma University Health Sciences Center / National Center for Research Resources	93.389	06LM030014F3H		-	-	161,888	-
Loyola University of Chicago / Heart and Vascular Diseases Research	93.837	05LM040129NL		-	-	(3,986)	-
Rush University Medical Center / Heart and Vascular Diseases Research	93.837	06LM040129N3L		-	-	104,297	-
Ohio State University Research Foundation / Heart and Vascular Diseases Research	93.837	05LM050030FNL		-	-	13,591	-
University of South Florida / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	04LM020034F2		-	-	92,268	-
Oregon and Health Science University / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	04AP030069NHN		-	-	31,117	-
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER				-	155,081	828,303	7,730,710
OTHER CLUSTERS							
Highway Safety Cluster							
Texas Department of Transportation / State and Community Highway Safety	20.600		601	131,366	-	-	-
TOTAL OTHER CLUSTERS				131,366	-	-	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 131,366	\$ 188,416	\$ 874,659	\$ 47,861,750

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*Schedule 1A: Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2006*

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)							
Non-State Entities							
University of Kansas Medical Center / Analysis of Diindoylmethane in Human Plasma	93.000	\$ 45,057		\$ -	\$ -	\$ 45,057	\$ 45,057
Oklahoma University Health Sciences Center / Alcohol Research Programs	93.273	4,617		-	-	4,617	4,617
Kentucky Research Foundation / Drug Abuse and Addiction Research Programs	93.279	46,111		-	-	46,111	46,111
Oklahoma University Health Sciences Center / National Center for Research Resources	93.389	161,888		-	-	161,888	161,888
Loyola University of Chicago / Heart and Vascular Diseases Research	93.837	(3,986)		-	-	(3,986)	(3,986)
Rush University Medical Center / Heart and Vascular Diseases Research	93.837	104,297		-	-	104,297	104,297
Ohio State University Research Foundation / Heart and Vascular Diseases Research	93.837	13,591		-	-	13,591	13,591
University of South Florida / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	92,268		-	-	92,268	92,268
Oregon and Health Science University / Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	31,117		-	-	31,117	31,117
TOTAL RESEARCH AND DEVELOPMENT (R&D) CLUSTER		<u>8,714,094</u>		<u>170,089</u>	<u>147,593</u>	<u>8,396,412</u>	<u>8,714,095</u>
OTHER CLUSTERS							
Highway Safety Cluster							
Texas Department of Transportation / State and Community Highway Safety	20.600	131,366		-	-	131,366	131,366
TOTAL OTHER CLUSTERS		<u>131,366</u>		<u>-</u>	<u>-</u>	<u>131,366</u>	<u>131,366</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 49,056,191</u>		<u>\$ 519,889</u>	<u>\$ 783,546</u>	<u>\$ 47,752,756</u>	<u>\$ 49,056,191</u>
		(Note 2)					(Note 2)

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

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Schedule 1A: Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2006

Note 1 Nonmonetary Assistance

Texas Tech University Health Sciences Center (TTUHSC) did not receive any nonmonetary assistance for the year ended August 31, 2006.

Note 2 Reconciliation

Federal Grant and Contract Revenues - Unpledged (SRECNA)	\$	11,069,316
Federal Grant and Contract Revenues - Pledged (SRECNA)		2,401,511
Federal Grant and Contract Pass-Through Revenues (SRECNA)		319,782
Non-Operating Federal Grant and Contract Revenues (SRECNA)		<u>1,035,779</u>
TOTAL FEDERAL REVENUES (SRECNA)		14,826,388
Reconciling Items		
New Loans Processed		34,273,647
less Nurse Faculty Loan Program Revenue		<u>(43,844)</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE	\$	<u><u>49,056,191</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	\$ -	\$ -	\$ -	\$ 92,611
93.364 Nursing Student Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,741</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,352</u>
U. S. Department of Education				
84.032 Federal Family Education Loan Program	33,823,324	-	33,823,324	-
84.038 Federal Perkins Loan Program	<u>450,323</u>	<u>25,703</u>	<u>476,026</u>	<u>1,550,859</u>
TOTAL U. S. DEPARTMENT OF EDUCATION	<u>34,273,647</u>	<u>25,703</u>	<u>34,299,350</u>	<u>1,550,859</u>
TOTAL STUDENT LOANS	<u><u>\$ 34,273,647</u></u>	<u><u>\$ 25,703</u></u>	<u><u>\$ 34,299,350</u></u>	<u><u>\$ 1,736,211</u></u>

Note 4 Depository Libraries for Government Publications (does not apply to TTUHSC)

Note 5 Unemployment Insurance (does not apply to TTUHSC)

Note 6 Rebates from the Special Supplemental Food Program for Women, Infant, and Children (does not apply to TTUHSC)

Note 7 Deferred Federal Revenue (does not apply to TTUHSC)

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*Schedule 1B: Schedule of State Grant Pass-Throughs from / to State Agencies
For the Year Ended August 31, 2006*

State Grant Pass-Through Revenues From Other State Agencies

Texas Higher Education Coordinating Board (Agency Number 781)	
Family Practice Residency	1,067,168
Family Practice Rural and Public Health Rotation	23,000
Financial Aid Professional Nursing	111,402
Graduate Medical Education	231,303
Texas Grant Program	212,794
Advanced Technology Program	83,200
Primary Care Residency Program	345,000
Nursing and Allied Health	109,016
Minority Health Research / Education	53,845
<i>TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD</i>	<u>2,236,728</u>
University of Texas at El Paso (Agency Number 724)	
MHGP Hispanic Elderly Care	<u>2,305</u>
<i>TOTAL UNIVERSITY OF TEXAS AT EL PASO</i>	<u>2,305</u>
Employee Retirement System of Texas (Agency Number 327)	
State Kids Insurance Program	<u>61,360</u>
<i>TOTAL EMPLOYEE RETIREMENT SYSTEM OF TEXAS</i>	<u>61,360</u>
Department of State Health Services (Agency Number 537)	
DSHS Program Funding	<u>298,480</u>
<i>TOTAL DEPARTMENT OF STATE HEALTH SERVICES</i>	<u>298,480</u>
<i>TOTAL STATE GRANT PASS-THROUGH REVENUES FROM OTHER STATE AGENCIES</i>	<u><u>\$ 2,598,873</u></u>

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Schedule 2A: Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2006

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Rev Fin Sys Ref & Imp Bonds Series 1999	\$ 15,632,182	4.00%	5.25%	1999	2029	2/15/2009
Rev Fin Sys Bonds 7th Series 2001	19,510,000	3.00%	5.50%	2002	2021	2/15/2012
Rev Fin Sys Bonds 9th Series 2003	64,270,000	5.00%	5.25%	2006	2023	8/15/2013
Rev Fin Sys Ref & Imp Bonds Series 2006	59,694,524	4.00%	5.00%	2006	2029	2/15/2016
	\$ 159,106,706					

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*Schedule 2B: Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2006*

Description of Issue	Bonds Outstanding 9/01/2005	Bonds Issued	Bonds Matured or Retired
Rev Fin Sys Ref & Imp Bonds Series 1999	\$ 13,147,863	\$ -	\$ 706,071
Rev Fin Sys Bonds 7th Series 2001	16,580,000	-	685,000
Rev Fin Sys Bonds 9th Series 2003	64,270,000	-	2,375,000
Rev Fin Sys Ref & Imp Bonds Series 2006	-	59,694,524	2,590,000
	<u>\$ 93,997,863</u>	<u>\$ 59,694,524</u>	<u>\$ 6,356,071</u>

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Schedule 2B: Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2006

Description of Issue	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2006	Amt's Due Within One Year
Rev Fin Sys Ref & Imp Bonds Series 1999	\$ 5,275,000	\$ 7,166,791	\$ 734,647
Rev Fin Sys Bonds 7th Series 2001	10,010,000	5,885,000	720,000
Rev Fin Sys Bonds 9th Series 2003	-	61,895,000	2,435,000
Rev Fin Sys Ref & Imp Bonds Series 2006	-	57,104,525	1,779,668
	\$ 15,285,000	\$ 132,051,316	\$ 5,669,315

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Schedule 2C: Debt Service Requirements For the Fiscal Year Ended August 31, 2006

Description of Issue	Year	Principal	Interest
Revenue Bonds, Rev Fin Sys Ref & Imp Bonds Series 1999	2007	\$ 734,647	\$ 332,196
	2008	768,843	300,247
	2009	807,056	266,255
	2010	847,025	229,542
	2011	718,130	191,633
	2012 - 2016	3,291,090	357,090
			\$ 7,166,791
Revenue Bonds, Rev Fin Sys Bonds 7th Series 2001	2007	\$ 720,000	\$ 310,025
	2008	755,000	274,025
	2009	795,000	236,275
	2010	835,000	194,538
	2011	880,000	150,700
	2012 - 2016	1,900,000	158,125
			\$ 5,885,000
Revenue Bonds, Rev Fin Sys Bonds 9th Series 2003	2007	\$ 2,435,000	\$ 2,987,850
	2008	2,520,000	2,900,925
	2009	2,630,000	2,797,925
	2010	2,735,000	2,690,625
	2011	2,860,000	2,564,425
	2012 - 2016	16,705,000	10,424,156
	2017 - 2021	21,680,000	5,451,344
	2022 - 2026	10,330,000	523,000
		\$ 61,895,000	\$ 30,340,250
Revenue Bonds, Rev Fin Sys Ref & Imp Bonds Series 2006	2007	\$ 1,779,669	\$ 2,632,210
	2008	1,363,607	2,569,345
	2009	1,421,234	2,513,648
	2010	1,476,713	2,455,689
	2011	1,709,285	2,391,969
	2012 - 2016	13,280,882	10,350,929
	2017 - 2021	19,325,637	6,363,816
	2022 - 2026	15,582,901	2,316,862
	2027 - 2031	1,164,596	89,005
		\$ 57,104,524	\$ 31,683,473

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*Schedule 2D: Analysis of Funds Available for Debt Service
For the Fiscal Year Ended August 31, 2006*

<u>Description of Issue</u>	<u>Pledged and Other Sources and Related Expenditures for FY 2006</u>			
	<u>Net Available for</u>			
	<u>Debt Service</u>			
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenditures and Capital Outlay</u>	<u>Debt Service</u>	
		<u>Principal</u>	<u>Interest</u>	
Rev Fin Sys Ref & Imp Bonds Series 1999				
Rev Fin Sys Bonds 7th Series 2001				
Rev Fin Sys Bonds 9th Series 2003				
Rev Fin Sys Ref & Imp Bonds Series 2006				
	<u>\$ 49,397,499</u>	<u>\$ 20,317,233</u>	<u>\$ 6,356,071</u>	<u>\$ 5,446,391</u>

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Schedule 2E: Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2006

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds, Rev Fin Sys Ref & Imp Bonds Series 1999	2006	5,275,000
Revenue Bonds, Rev Fin Sys Bonds 7th Series 2001	2006	10,010,000
		<u>\$ 15,285,000</u>

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Schedule 2F: Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2006

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Revenue Bonds, Rev Fin Sys Ref & Imp Bonds Series 1999	Advance Refunding	\$ 5,275,000	\$ 5,832,250	\$ (651,756)	\$ (445,766)
Revenue Bonds, Rev Fin Sys Bonds 7th Series 2001	Advance Refunding	10,010,000	10,142,274	1,052,397	623,058
TOTAL REVENUE BONDS		15,285,000	15,974,524	400,641	177,292
TOTAL GOVERNMENTAL ACTIVITIES		\$ 15,285,000	\$ 15,974,524	\$ 400,641	\$ 177,292

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Schedule 3: Reconciliation of Cash in the State Treasury
As of August 31, 2006

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Local Revenue (Fund 0239)	\$ 4,225,940	\$ -	\$ 4,225,940
Permanent Health Fund - El Paso Campus (Fund 0820)	2,321,872	-	2,321,872
Permanent Health Fund - Other Campuses (Fund 0821)	1,090,409	-	1,090,409
Permanent Health Fund - Other Campuses (Fund 9016)	877	-	877
TOTAL CASH IN THE STATE TREASURY	<u>\$ 7,639,098</u>	<u>\$ -</u>	<u>\$ 7,639,098</u>