

**RETIREMENT PLAN
FOR
EMPLOYEES OF NORTHWEST TEXAS
HEALTHCARE SYSTEM**

Amarillo, Texas

ANNUAL FINANCIAL REPORT

September 30, 2005 and 2004

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Independent Auditor's Report

The Board of Managers
Amarillo Hospital District
Amarillo, Texas

We have audited the accompanying statements of plan net assets of the Retirement Plan for Employees of Northwest Texas Healthcare System (the Plan) as of September 30, 2005 and 2004 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Plan as of September 30, 2005 and 2004, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis presented on pages 3 through 5 and the Schedules of Funding Progress and Employer Contributions presented in the supplementary schedules are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Amarillo, Texas
December 13, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ending September 30, 2005 and 2004**

The financial statements contained in this Annual Financial Report consist of:

The Statements of Plan Net Assets, which reports the pension trust fund's assets, liabilities, and resultant net assets; where assets minus liabilities equals net assets available at the end of the fiscal year. It can be thought of as a snapshot of the financial position of the pension trust funds at that specific point in time.

The Statements of Changes in Plan Net Assets, which reports the pension fund transactions that occurred during the fiscal year; where additions minus deductions equals net change in net assets. It can be thought of as a movie that has recorded the action that occurred over the specified time period of a fiscal year, and supports the change that has occurred to the prior year's net asset value on the Statements of Plan Net Assets.

The Summary of Significant Accounting Policies and the Notes to the Financial Statements are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

The plan assets increased significantly this year while the net assets actually decreased. The increase in the plan assets is due to the addition of a securities lending program in 2005. At the end of 2005, the Plan had \$7,166,159 in collateral from securities lending which increased the plan assets to \$25,276,749 in 2005 compared to \$19,098,032 in 2004. The change in the amount of securities out on loan at year-end could cause significant changes in the Plan's total assets, but not net assets.

The net assets of the Retirement Plan for Employees of Northwest Texas Healthcare System (the Plan) decreased \$987,442 in the 2005 fiscal year compared to a decrease of \$408,479 in the preceding year. While there was \$354,580 net appreciation in the Plan's assets, the appreciation along with the other income of the Plan was not sufficient to exceed the benefits and administrative costs of the Plan. Last year the Plan had \$640,679 in net appreciation in the value of investments. Interest income was down compared to 2004. In 2004 the Plan had \$504,087 in interest income compared to \$421,942 in 2005. Dividend income is up significantly. In 2005, the Plan had \$214,395 in dividend income compared to \$132,400 in 2004. The Amarillo Hospital District's (the District) contribution to the Plan increased again in 2005. The District contributed \$1,253,567 in 2005 compared to \$1,152,924 in 2004.

The Plan has an 8% actuarial earnings assumption along with an asset allocation of about half to fixed income and half to equities. Historically, a plan that is 50% invested in fixed income and 50% invested in equities should produce about an 8% return. However, the required 8% return has been difficult to obtain in recent years with a 50% fixed income and 50% equity allocation. In 2005 the District revised their pension plan investment policy to include a more significant commitment to equities. The Plan is now allowed to have equity exposure in the range of 55% to 70% of the market value of the portfolio. Fixed income securities should be in a range of 30% to 40% of the market value of the portfolio. The balance of the Plan's funds is to be invested in interest bearing cash equivalents (securities maturing in one year or less). The Board utilized an investment consultant working with the Plan's money manager to develop the policy, which was only adopted October 1, 2005. The revised investment policy should increase the probability of achieving the required 8% return. To the extent the Plan does not earn the required 8%, the

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ending September 30, 2005 and 2004**

District's contributions to the Plan will remain at the level we have experienced over the last few years or even increase.

In total, the Plan had an increase in deductions in 2005. In 2004, the Plan's deductions were \$2,924,740 compared to \$3,237,316 in 2005. Administrative expenses decreased slightly in 2005. The increase in deductions is attributable to an overall increase in benefit payments in 2005.

Excluding securities lending, the overall investment portfolio, which includes cash and cash equivalents, decreased from \$18,986,758 in 2004 to \$18,009,936 in 2005 corresponding with the overall decrease in net assets. However, the composition of total plan assets was about the same in 2005 as it was in 2004. The Plan's cash position decreased slightly from \$734,886 at the end of 2004 to \$409,644 at the end of 2005, a change from 4% of total plan assets to 2%.

The investment in equity securities, which includes common equity trust funds, increased from \$8,328,828 in 2004 to \$8,477,850 in 2005. However, the investments in equities increased slightly as a percentage of the investment portfolio from 44% in 2004 to 47% in 2005.

Fixed income investments decreased in real dollars and as a percent. Fixed income investments decreased from \$9,923,044 in 2004 to \$9,122,442 in 2005. The most significant decrease in fixed income investments was in mortgage-backed securities. Mortgage-backed securities decreased from \$3,543,859 in 2004 to \$2,230,593 in 2005. The investment in government agency securities increased from \$5,341,100 in 2004 to \$6,071,249 in 2005. The investment in corporate bonds is not significant but did decrease from \$501,945 in 2004 to \$296,035 in 2005. The Plan also has a small investment in taxable municipal bonds.

Overall, the portfolio is almost fully invested at the end of 2005 with only 2% cash. The composition of the portfolio will likely change next year as the money manager takes advantage of recent changes in the Plan's investment policy.

The most significant change to the investments in 2005 was the addition of a securities lending program. Under the securities lending program, the Plan's investment securities are made available to qualified broker dealers. The qualified broker dealer borrows the security from the Plan's agent while simultaneously delivering either cash collateral or other securities that exceed the market value of the securities borrowed. The lending agent and the Plan split the net investment earnings from the reinvestment of the cash collateral after remitting the cash rebate to the borrower of the securities. At the end of 2005, the Plan had \$7,166,159 in collateral from securities lending meaning about 40% of the investment securities were out on loan. The change in the amount of securities out on loan at year-end could cause significant changes in the Plan's total investments from year to year.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ending September 30, 2005 and 2004**

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Cash and cash equivalents	\$ 409,644	2%	\$ 734,886	4%
Investments at fair value				
Equities				
Common stocks, including common trust funds and Mutual Funds	7,286,765	40%	7,361,787	39%
Foreign stock, including Mutual Funds	<u>1,191,085</u>	<u>7%</u>	<u>967,041</u>	<u>5%</u>
	<u>8,477,850</u>	<u>47%</u>	<u>8,328,828</u>	<u>44%</u>
Fixed income				
Corporate bonds	296,035	2%	501,945	2%
Taxable municipal bonds	524,565	3%	536,140	3%
Government Agency securities	6,071,249	34%	5,341,100	28%
Mortgage-backed securities	<u>2,230,593</u>	<u>12%</u>	<u>3,543,859</u>	<u>19%</u>
	<u>9,122,442</u>	<u>51%</u>	<u>9,923,044</u>	<u>52%</u>
Total direct investments	18,009,936	<u>100%</u>	18,986,758	<u>100%</u>
Securities lending collateral	<u>7,166,159</u>		—	
Total cash and cash equivalents and investments	<u>\$ 25,176,095</u>		<u>\$ 18,986,758</u>	

At the October 31, 2004 valuation, the Plan had 967 participants, a decrease of 13. Participants receiving benefits increased from 337 at the October 31, 2003 valuation to 357 at the 2004 valuation. Vested termination participants also increased from 221 for 2003 to 226 for 2004. Active participants decreased from 422 in 2003 to 384 in 2004. All other Plan participants would be fully vested.

FINANCIAL STATEMENTS

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
STATEMENTS OF PLAN NET ASSETS
September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
INVESTMENTS, AT FAIR VALUE	\$ 24,766,451	\$ 18,251,872
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	100,654	111,274
CASH AND CASH EQUIVALENTS	<u>409,644</u>	<u>734,886</u>
Total assets	<u>25,276,749</u>	<u>19,098,032</u>
LIABILITIES		
SECURITIES LENDING COLLATERAL	<u>7,166,159</u>	<u>—</u>
Total liabilities	<u>7,166,159</u>	<u>—</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (a schedule of funding progress is presented on page 16)	<u>\$ 18,110,590</u>	<u>\$ 19,098,032</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
Years ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ADDITIONS		
Investment income:		
Net appreciation in fair value of investments	\$ 354,580	\$ 640,679
Interest	421,942	504,087
Dividends	214,395	132,400
	990,917	1,277,166
Other income	5,390	86,171
Employer contributions	1,253,567	1,152,924
	2,249,874	2,516,261
Total additions		
DEDUCTIONS		
Benefits paid directly to participants	3,117,139	2,791,911
Administrative expenses	120,177	132,829
	3,237,316	2,924,740
Total deductions		
Net decrease	(987,442)	(408,479)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR		
	19,098,032	19,506,511
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR		
	<u>\$ 18,110,590</u>	<u>\$ 19,098,032</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005 and 2004**

BASIS OF PRESENTATION

The accompanying financial statements of the Retirement Plan for Employees of Northwest Texas Healthcare System (the Plan) have been prepared on the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

The Plan follows GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The Statement establishes a financial reporting framework for defined benefit pension plans, including current financial information about plan assets and financial activities and actuarially determined information about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

Plan participants include employees of the Amarillo Hospital District (the District). The District is the Plan sponsor, and was comprised primarily of Northwest Texas Healthcare System (the Hospital). Effective May 7, 1996, the District sold the Hospital to Universal Health Services, Inc. (UHS). Upon the sale of the Hospital, the Plan was "frozen" as it relates to the District's participants. The Plan is now closed to new entrants. Changes in the Plan as a result of the sale of the Hospital and the Plan being frozen are discussed in the following disclosures.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an initial maturity of three months or less.

INVESTMENTS

Investments are stated at fair value, as of the last day of the Plan's fiscal year. The fair value of common stocks and mutual funds are based upon published market quotations. Corporate bonds and other debt securities are stated at their quoted market value. The fair value of common trust funds is based on the current market values of the underlying assets of the fund.

CONTRIBUTIONS

The Plan provides that all contributions are to be made by the District.

OPERATING EXPENSES

All expenses of maintaining the Plan are paid by the Plan.

RECLASSIFICATIONS

Certain amounts in 2004 have been reclassified to conform with 2005 presentations.

This information is an integral part of the accompanying financial statements.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan, a Public Employee Retirement System, is a single-employer defined benefit plan that provides retirement income and death and disability benefits to eligible employees of the District. The Plan is administered by the Board of Managers of the District (the Board). The Plan's benefit provisions and obligations to contribute are established under the authority of Title 8 of Texas Government Code.

For District employees who became employees of UHS upon the sale of the Hospital as discussed in the summary of significant accounting policies, service (for determining the amount of retirement benefits) and average monthly compensation are determined as of May 8, 1996 instead of the employee's later date of termination with UHS. Service (for determining vesting or early retirement eligibility) includes service with the District and with UHS.

In the normal course of business, UHS has outsourced several functions including food service, housekeeping, pharmacy, and outpatient services. As these functional areas were outsourced, service in the plan was also extended to the new employer by amending the plan.

Eligibility

Full-time employees are eligible for participation in the Plan after completing one year of service and upon attainment of age 25. At October 1, 2004 and 2003, the most recent valuation dates, Plan membership consisted of the following:

	<u>2004</u>	<u>2003</u>
Retirees and beneficiaries currently receiving benefits	357	337
Terminated vested participants	226	221
Active participants:		
Fully vested	<u>384</u>	<u>422</u>
Total participants	<u>967</u>	<u>980</u>

Pension Benefits and Vesting Provisions

Participants vest 100% upon completion of five years of service. There have not been any new members into the Plan since the sale of the hospital in May 1996 and all members have vested. Vested participants are entitled to monthly benefits beginning at the normal retirement age of 65 equal to a percentage of compensation earned or at any age with 20 years of service. Reduced benefits are available upon early retirement at age 55 with ten or more years of credited service. Benefits are generally payable in monthly installments, lump sum distribution or a combination thereof.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

Forfeitures

Forfeitures are not used to increase the benefits that any participant would otherwise receive under the Plan at any time prior to the termination of the Plan, but are anticipated in determining the costs under the Plan.

Death and Disability Benefits

If a vested employee dies, the beneficiary is entitled to receive monthly benefits (on a ten years certain and life thereafter basis) derived from the greater of (a) the present value amount of the participant's deferred monthly retirement income commencing at normal retirement date as defined in the Plan accrued to the date of death or (b) an amount equal to 24 times the monthly salary on the date of death. Participants who become totally disabled receive monthly disability benefits in an amount equal to 50% of final average monthly salary reduced by 64% of the monthly disability benefit payable under Social Security. Disability benefits are paid until normal retirement age, at which time disabled participants begin receiving normal retirement benefits computed as though they had been employed to normal retirement age with their monthly compensation remaining the same as at the time they became disabled.

NOTE 2 - CONTRIBUTIONS

The Plan Sponsor contributed approximately \$1,254,000 and \$1,153,000 to the Plan for the years ended September 30, 2005 and 2004, respectively. Contributions by the Plan Sponsor are actuarially determined.

NOTE 3 - PLAN TERMINATION

The Plan may be terminated at any time by the Board. In the event the Plan terminates, the net assets available for benefits held by the Plan shall be allocated and distributed among the participants and beneficiaries of the Plan as follows:

- (a) Benefits that former employees or their beneficiaries are receiving or the employees eligible for retirement would have been receiving had they retired;
- (b) Other vested benefits; and
- (c) All other accrued benefits.

If assets remain after the above allocation, they would be distributed to the District.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 4 - INVESTMENTS

Under the terms of trust agreements, Amarillo National Bank executed investment transactions at the direction of the Board.

The following presents the fair value of investments as of September 30, 2005 and 2004. Investments that represent five percent or more of Plan assets are separately identified.

	<u>2005</u>	<u>2004</u>
Investments at fair value as determined by quoted market price:		
Common trust funds	\$ 2,212,874	\$ 2,010,004
Corporate bonds and debentures	296,035	501,945
Foreign stocks	547,684	436,018
Government agency securities	6,071,249	5,341,100
Ishares S&P 500/Barra Growth	1,328,419	-
Other common stocks	3,745,472	5,351,783
Mortgage-backed securities	2,230,593	3,543,859
Municipal bonds	524,565	536,140
Mutual funds	643,401	531,023
Securities lending collateral	<u>7,166,159</u>	<u>-</u>
Total investments	<u>\$ 24,766,451</u>	<u>\$ 18,251,872</u>

The Plan's investments, as determined by quoted market prices, (including investments bought and sold as well as those held during the year) appreciated (depreciated) in value as follows:

	<u>2005</u>	<u>2004</u>
Common trust funds	\$ 202,871	\$ 212,403
Corporate bonds and debentures	(4,467)	(38,055)
Common stocks	91,863	422,617
Foreign stocks	111,666	45,080
Government agency securities	(133,908)	(22,728)
Mortgage-backed securities	(14,248)	(29,976)
Municipal bonds	(11,575)	(11,845)
Mutual funds	<u>112,378</u>	<u>63,183</u>
Net appreciation in fair value of investments	<u>\$ 354,580</u>	<u>\$ 640,679</u>

The Plan participates in a securities lending program as a means to augment income. Securities are lent to select brokerage firms for which collateral is received that exceeds the fair value of such investments during the period of the loan. Collateral may be cash or securities issued by the U.S. Government or its agencies, or the sovereign or provincial debt of foreign countries. Any collateral securities cannot be pledged or sold by the Plan unless the borrower defaults. Securities loans immediately terminate upon notice by either the Plan or the borrower.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 4 - INVESTMENTS (CONTINUED)

Loans of domestic equities and all fixed income securities are initially collateralized at 102 percent of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value falls to less than 100 percent of the fair value of securities lent.

Securities loans immediately terminate upon notice by either the Plan or the borrower. Cash collateral received from the borrower is invested by the lending agent, as an agent for the Plan, in a short-term investment pool in the name of the Plan, with guidelines approved by the Plan. These short-term investments are included as investments in the statement of net assets. The Plan records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net assets.

At September 30, 2005, the Plan had no credit risk exposure to borrowers because the amounts the Plan owed the borrowers exceeded the amounts the borrowers owed the Plan. The Plan is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

The following represents the balances relating to the securities lending transactions at September 30, 2005:

<u>Securities Lent</u>	<u>Fair Value of Underlying Securities</u>	<u>Cash Collateral Received/ Securities Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for cash collateral	\$ 5,486,474	\$ 5,651,600	\$ 5,651,600
Lent for securities collateral	<u>1,482,195</u>	<u>1,514,559</u>	<u>—</u>
	<u>\$ 6,968,669</u>	<u>\$ 7,166,159</u>	<u>\$ 5,651,600</u>

The lending agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent.

NOTE 5 - TAX STATUS

The Internal Revenue Service has determined and informed the Plan by a letter dated July 13, 2004, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE 6 - RELATED PARTY TRANSACTIONS

District personnel provide certain administrative services to the Plan. The cost of the services is not reflected in these financial statements.

NOTE 7 - ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial methods for the latest actuarial valuations, October 1, 2004 and 2003, include the entry age normal cost method and the smoothed market value method. There were no significant changes in actuarial assumptions in the current valuation.

NOTE 8 - HISTORICAL TREND INFORMATION

A schedule of funding progress and a schedule of employer contributions are presented in the supplementary schedules.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM**

**Required Supplementary Information -
Schedule of Funding Progress (Unaudited)**

September 30, 2005

	(a)	(b)	(c) = (b) – (a)	(d) = (a) ÷ (b)	(e)	(f) = (c) ÷ (e)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded (Assets in Excess of) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability to Annual Covered Payroll Ratio
10/1/99	\$ 22,901,000	\$ 23,724,000	\$ 823,000	97	N/A	N/A
10/1/00	23,014,000	24,329,000	1,315,000	95	N/A	N/A
10/1/01	22,335,000	25,013,000	2,678,000	89	N/A	N/A
10/1/02	21,091,000	27,019,000	5,928,000	78	N/A	N/A
10/1/03	20,528,000	27,866,000	7,338,000	74	N/A	N/A
10/1/04	19,622,000	29,172,000	9,550,000	67	N/A	N/A

See notes to supplementary information.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM**

**Required Supplementary Information -
Schedule of Employer Contributions (Unaudited)**

September 30, 2005

<u>Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2000	\$ 672,000	108%
2001	672,000	113%
2002	762,000	123%
2003	977,000	114%
2004	1,001,000	115%
2005	1,154,000	109%

See notes to supplementary information.

**RETIREMENT PLAN FOR EMPLOYEES OF
NORTHWEST TEXAS HEALTHCARE SYSTEM
NOTES TO SUPPLEMENTARY INFORMATION (Unaudited)
September 30, 2005**

NOTE 1 - PLAN AMENDMENTS AND OTHER

In 1994, the Plan's actuarial valuation was changed to October 1 from January 1. In 1995, the Plan was amended to include Healthcare Professional Associates (HPA). On May 7, 1996, the District sold Northwest Texas Healthcare Systems and, accordingly, the Plan was "frozen" as it relates to District participants. On September 27, 1999, the Plan was amended and HPA ceased to be a participating employer as of the close of business September 30, 1999.

NOTE 2 - ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Actuarial methods used for the latest actuarial valuation, October 1, 2004, include the entry age normal cost method to determine the actuarial accrued liability and the smoothed market value method to determine the asset valuation. Actuarial assumptions used for the latest actuarial valuation include an investment return of 8% annually. Compensation and cost of living increases do not apply to participants for the most recent valuation due to the Plan being frozen. There were no significant changes in actuarial assumptions in the current valuation.

NOTE 3 - CONTRIBUTIONS

Employer fiscal year contributions are actuarially determined in the preceding valuation. The range of recommended contributions was based on amortization of the actuarial accrued liability over a period ranging from 10 to 30 years. The amortization period as of October 1, 2004 was 23 years, taking into account the contributions made between October 1, 2004 and September 30, 2005. The amortization method was the level dollar method and the amortization period is an open amortization period. The annual contributions for the Plan years ending September 30, 2005 and 2004 were \$1,253,567 and \$1,152,924, respectively.

This information is an integral part of the accompanying supplementary information.