

UNIVERSITY OF HOUSTON

**COST ACCOUNTING
STANDARDS BOARD**

**DISCLOSURE STATEMENT
FOR EDUCATIONAL INSTITUTIONS**

CASB DS-2

REVISION NUMBER: 1

EFFECTIVE DATE: MAY 1, 2002

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

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GENERAL INSTRUCTIONS

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1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the Educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 -CFR (48 CFR 9903).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a Central or Group office and are allocated to one or more segments performing under Federally sponsored agreements.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Part I through VI.
4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V, and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.
8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a Continuation sheet and

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incorporated by reference to the pertinent Disclosure Statement Part. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).
10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.
11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number _____" and "Effective Date _____" in the Item Description block; and insert "Revised" under each item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.

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0.1	EDUCATIONAL INSTITUTION	
	(A) Name: (b) Street Address: (c) City, <i>State</i> and ZIP Code: (d) Division or Campus of (if applicable)	University of Houston 4800 Calhoun Houston, Texas 77004
0.2	REPORTING UNIT IS: (Mark one).	
	A. <input type="checkbox"/> Independently Administered Public Institution B. <input type="checkbox"/> Independently Administered Nonprofit Institution C. <input checked="" type="checkbox"/> Administered as Part of a Public System D. <input type="checkbox"/> Administered as Part of a Nonprofit System E. <input type="checkbox"/> Other (Specify)	
0.3 Revised	OFFICIAL TO CONTACT CONCERNING THIS STATEMENT:	
	(A) Name and Title: Jim McShan, Associate Vice Chancellor/Associate Vice President for Finance (b) Phone Number: (713) 743-8750	
0.4 Revised	STATEMENT TYPE AND EFFECTIVE DATE:	
	A. (Mark type of submission. If a revision, enter number) (a) <input type="checkbox"/> Original Statement (b) <input checked="" type="checkbox"/> Amended Statement; Revision No. 1	
	B. Effective Date of this Statement: (Specify) May 1, 2002	
0.4.1	STATEMENT SUBMITTED TO (Provide office name, location and telephone number, include area code and extension):	
	A. Cognizant Federal Agency	Dept. of Health & Human Svcs. Division of Cost Allocation 1200 Main Tower, Room 1130 Dallas, TX 75202 (214) 767-3261
	B. Cognizant Federal Auditor	Dept. of Health & Human Svcs. Office of the Inspector General Office of Audit Services 1100 Commerce St., Room 4A5 Dallas, TX 75242

COVER SHEET & CERTIFICATION
(Continued)

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CERTIFICATION

I certify that to the best of my knowledge and belief, this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. 422.

Date of Certification _____

(Signature)

(Print or Type Name)

(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN 18 U.S.C.1001.

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Part I

- 1.1.0 Description of Your Cost Accounting System for recording expenses charged to Federally sponsored -
-agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than
one is marked, explain on a continuation sheet.)
- A. Accrual
B. Modified Accrual Basis 1/
C. Cash Basis
Y. Other 1/
- 1.2.0 Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C
is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)
- A. Integrated with financial accounting records (Subsidiary cost accounts are all controlled
by general ledger control accounts.)
B. Not integrated with financial accounting records (Cost data are accumulated on
memorandum records.)
C. Continuation of A and B
- 3.0 Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored
agreements are: (Mark one)
- A. Specifically identified and recorded separately in the formal financial accounting records. 1/
B. Identified in separately maintained accounting records or workpapers. 1/
C. Identifiable through use of less formal accounting techniques that permit audit verification.
D. Combination of AB or C 1/
E. Determinable by other means. 1/
- 1.3.1 Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly
associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a
major function or activity; when determining indirect cost rates; or when a central office or group office
allocates costs to a segment.)

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- 1.4.0 Cost Accounting Period: September 1 to August 31 (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the Institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)
- 1.5.0 State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g. State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

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1.3.0 Unallowable Costs.

The costs of unallowable activities (e.g. fundraising), are not charged to any sponsored agreement as either a direct or indirect cost. These costs are treated as part of Other Institutional Activities for determining indirect costs rates.

Unallowable expenses of allowable indirect costs activities are not allocated to sponsored agreements as either direct or indirect cost.

The University's accounting system specifically identifies unallowable costs in the formal financial accounting records at two levels.

(1) At the expenditure level -

- Each expenditure classification is identified within the system as "allowable" or "unallowable" as defined by A-21.
- No unallowable expenditures codes are allowed to be charged to accounts with federal funding sources.

(2) At the account level -

- A specific range of accounts is used for federally funded programs. Expenditures which are to be charged to federally funded projects are subject to additional documented review for allowability by the Office of Sponsored Programs personnel.
- For indirect cost rate purposes, each account is assigned an "A-21" attribute based upon the definitions included in A-21. Unallowable activities are classified and reported as "Other Institutional Activities".

1.3.1 Treatment of Unallowable Costs.

Unallowable costs are identified as described in 1.3.0, above and, as required, reclassified from the functional activity classification used in the financial statements to "Other Institutional Activities", a direct cost objective identified in A-21. Expenditures accounted for as "Other Institutional Activities" receive an appropriate allocation of indirect costs through the procedures outlined in A-21 which allocate indirect expenses on the basis of Modified Total Direct Costs (MTDC). Space used by offices and departments specifically identified as unallowable is also classified as used by the "Other Institutional Activities" which causes Building and Equipment Use Charges, Equipment Depreciation and Operation and Maintenance of Plant Expenses to be allocated to this activity. The use of these procedures assures that the appropriate share of indirect costs is allocated to unallowable costs and other activities are not charged for support costs that benefit unallowable expenses and activities.

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1.5.0 State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g. State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

A. Employees' Retirement Plan.

The State of Texas requires that all benefits-eligible employee participate in one of two State defined retirement programs. Benefits-eligible employees are defined as regular employees working 20 or more hours per week for a period of more than four and one half months.

The University participates in the State of Texas joint contributory retirement plans, and thereby provides retirement plans for substantially all its employees designated as "benefits eligible". One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas. The contributory percentage of participant salaries by the employer and by each participant is 6.00 percent and 6.40 percent, respectively, of annual compensation.

The State has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity or mutual fund contracts. For employees participating prior to September 1, 1995, the contributory percentages of participant salaries provided by the employer and by each participant was 8.50 percent (2.50 percent from funding sources available to the System and 6.00 percent from State General Revenue funds) and 6.65 percent, respectively, of annual compensation. For employees hired September 1, 1995, or later, the contributory percentages of participant salaries provided by the State and by each participant was 6.00 percent and 6.65 percent, respectively, of annual compensation.

B. Employees' Health Care, Life and Other Insurance Plans.

The State requires health, life and other insurance be made available to all benefits-eligible employees. The University provides group health and other insurance to eligible employees and dependents, both active and retired. The programs are funded by State defined maximum monthly payments by the employer (during fiscal year 1997, \$186 per eligible person for employee only coverage or \$257 per eligible person for employee plus child coverage or \$292 for employee plus spouse coverage or \$363 for employee plus family coverage), and by participants' payments, and were administered by the Employees Retirement System (ERS).

C. Post Employment Health Care and Life Insurance Benefits.

Per State regulations, substantially all employees may become eligible for health care and life insurance benefits if they reach normal retirement age while working for the University. This program is funded by monthly maximum payments by the employer (during fiscal year 1997, \$186 per eligible person for employee only coverage or \$257 per eligible person for employee plus child coverage or \$292 for employee plus spouse coverage or \$363 for employee plus family coverage) and by retiree payments.

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D. Compensated Absences.

Per State regulations, full-time State employees earn annual leave from seven to fourteen hours per month depending on the respective employees' years of State employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 376 for those employees with 20 or more years of State service. Accrued leave in excess of the normal maximum is converted to sick leave at the conclusion of fiscal year 1997. Employees with at least six months of State service-who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed.

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month. Payment is made only (1) when an employee is absent because of illness or (2), with defined limitations, to the estate of a deceased employee at one half of the employee's accumulated entitlement up to 336 hours. The cost of sick leave is recognized when paid.

END OF PART I

PART II – DIRECT COSTS

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Instructions for Part II

Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

- 2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)
- 2.2.0 Description of Direct Materials. All materials and supplies identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes or materials which are charged as direct materials and supplies.)
- 2.3.0 Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
 - 2.3.1 Direct Purchases for Projects are Charged to Project at:
 - A. Actual Invoiced Costs
 - B. Actual Invoiced Costs Net of Discounts Taken
 - Y. Other(s) 1 /
 - Z. Not Applicable
 - 2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):
 - A. First In, First Out
 - B. Last In, Last Out
 - C. Average Costs 1/
 - D. Predetermined Costs 1/
 - Y. Others) 1/
 - Z. Not Applicable

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2.4.0 Description of Direct Personal Services. All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services costs within each major institutional function or activity that are changed as direct personal services.)

2.5.0 Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

<u>Direct Personal Services Category</u>			
Faculty	Staff	Students	Other 1/
(1)	(2)	(3)	(4)

- A. Payroll Distribution Method
(Individual time card/actual hours and rates)
- B. Plan - Confirmation (Budgeted, Planned or assigned work Activity, updated to reflect Significant changes)
- C. After-the-fact Activity Records
(Percentage Distribution of employee activity)
- D. Multiple Confirmation Records
(Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified Separately.)

	X	X		
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	X	X		
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B. Others) 1/

2.5.1 Salary and Wage Cost Distribution Systems

Within each major function or activity, are the methods marked in Item 2.3.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.)

 X Yes
 No

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- 2.5.2 Salary and Wage Cost Accumulation System.
 (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)

- 2.6.0 Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)

- 2.6.1 Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0 is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)

- 2.7.0 Description of Other Direct Costs. All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charge directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)

- 2.7.1 Employee Travel Expense for lodging and subsistence charged directly to Federally sponsored agreements or similar cost objectives are based on:
 - A. Charges normally allowed in regular operations as a result of an established institutional employee travel cost policy that is applied consistently to all employees or groups of employees.
 - B. The rates and amounts established under Subchapter 1 of Chapter 57 of Title 5, United States Code, or by the Administrator of General Services or the President (or his designee (Section 24 of 41 U.S.C. 420), as amended.
 - C. Combination of A and B 1/
 - Y. Other Method 1/

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2.8.0 Cost Transfers. When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods.) Mark one, if "No", explain on a continuation sheet how the credit differs from the original charge.)

Yes
 No

2.9.0 Inter-organizational Transfers. This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost of price of inter-organizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

	Materials (1)	Supplies (2)	Services (3)
A. At full cost excluding indirect costs attributable to group or central office expenses.			
B. At full cost including indirect costs attributable to group or central office expenses.			
C. At established catalog or market price or prices based on adequate competition.			
Y. Other(s) <u>1/</u>			
Z. Inter-organizational transfers are not applicable.	X	X	X

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2.1.0 Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)

The University follows the provisions of OMB A-21, A-110 and other pertinent government regulations in order to charge costs to federally sponsored agreements and similar objectives. Identification with a particular activity, rather than the nature of the cost is the determining factor in distinguishing a direct cost from an indirect cost.

The primary direct cost functions of the University of Houston are Instruction, Research, Other Sponsored Projects, Service/Recharge Centers, Auxiliaries and Other Institutional Activities. Cost that can be identified with a particular sponsored project, instructional activity, or any other institutional activity, with relative ease and a high degree of accuracy, are charged directly to the benefiting activity or project. Typical costs charged as direct costs are salaries and wages, fringe benefits, materials and supplies, equipment and other operating expenses. Costs are considered direct when they can be:

- Identified specifically with a particular sponsored project, instructional activity or similar cost objective or,
- Measured and assigned to the specific benefiting activities relatively easily, in proportion that can be determined without undue effort or expense and with a high degree of accuracy.

Institutional accounting procedures are designed to assure that all costs incurred would be considered reasonable, necessary, allowable and in accordance with the terms and conditions of the sponsored agreements.

Costs incurred for administrative and support services that benefit departmental instructional and general activities and costs incurred by separate departments and organizations established primarily to administer sponsored projects are identified separately in the accounting records and recognized as indirect expenses. These accounts, required to recognize the expenses incurred for general departmental and institutional business, include charges for administrative and clerical salaries, related fringe benefits, supplies, postage, telecommunications, equipment, and general costs.

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Costs that are normally considered indirect may be treated as direct costs if the purposes and circumstances for which the costs are incurred are different, and they meet all of the following conditions:

- The cost is required to be incurred by the project.
- The cost can be specifically identified to the project.
- The cost is explicitly budgeted in the award.

2.2.0 Description of Direct Materials.

The principal classes of materials and supplies that are charged to federally sponsored agreements and similar costs objectives are:

- Repairs and maintenance
- Supplies and materials
- Lab instruments and supplies
- Equipment (not capital)
- Professional and technical publications directly related to the project
- Professional services

2.4.0 Description of Direct Personal Services.

Direct personal services costs consist of salaries and wages plus fringe benefits of faculty, principal investigators, professional and administrative staff, temporary academic or research professionals, part-time employees and student employees. Salaries and wages are charged directly to the benefiting sponsored project or other direct activity in proportion to their effort on each direct activity. Hourly, non-exempt employees are paid bi-weekly while salaried, exempt employees are paid monthly.

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2.5.0 Method of Charging Direct Salaries and Wages

A. Payroll Distribution Method (Individual time cards/actual hours and rates)

The payroll distribution method (individual time sheets/actual hours and rates) is used for all positions which are not exempt by definition from the overtime and minimum wage requirements of the Fair Labor Standards Act (FLSA). (Non-exempt employees)

B. Plan Confirmation Method (Budgeted, Planned or Assigned work activity updated to reflect significant changes)

The Plan Confirmation Method is used for all positions which are exempt by definition from the overtime and minimum wage requirements of the FLSA. (Exempt employees)

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2.5.2 Revised Salary and Wage Cost Accumulation System. (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)

The specific accounting records and reports are used to record the share of total salary and wage costs attributable to each direct and indirect cost objective. Employee salaries and wages are accumulated in the University's computerized Human Resource System(HRS). The records used to initiate, record and verify salary and wage costs are:

The Personnel Action Request (PAR) identifies the salaries and wages to be paid and the specific budgetary accounts) to charged for a particular employee based upon planned distribution of effort. This form must be approved by the individual responsible for the expenditure of funds from this account. This form establishes the appointment, rate of pay and funding source.

Monthly (salaried) employees complete and sign a monthly timesheet to certify that the (1) individual was employed by the University, (2) hours worked and leave taken is correct, (3) distribution / assignment of effort is correct. The employee's supervisor must also sign the timesheet to certify the time and effort information. All mandatory and committed cost sharing effort will be included in the monthly timesheet document effective immediately.

Bi-weekly employees complete and sign a biweekly timesheet. The timesheet establishes the number of hours worked on a daily basis and the distribution of the hours worked to the appropriate funding source. The timesheets are signed by the employee and supervisor to certify that the (1) individual was employed by the University, (2) hours worked and leave taken is correct, (3) distribution / assignment of effort is correct. The employee's supervisor must also sign the timesheet to certify the same information.

Payroll data in the HRS system electronically updates University's accounting system. Monthly account statements are prepared for each budgetary account and forwarded to the budget manager. University policy requires monthly verification of account activity. The payroll distribution is reconciled to the accounting records by the payroll accounting office on a monthly basis.

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2.6.0 Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)

The following fringe benefits are attributable to direct salaries and wages and charged directly to all funding sources:

Insurance Premium sharing (Health, dental, vision care, disability or term life) - rate set by the State to cover a portion of the insurance premium costs. Applicable to benefits-eligible employees.

Social Security and Medicare - the rate established by the federal government for employee matching contributions. Applicable to all employees other than those non-residents who qualify for exemption.

Workman's Compensation Insurance - Fringe benefit expense for the payments made into the University's self insurance fund. All employees are covered whenever performing work for the University. The plan covers job related injury or accidental death expenditures that fall under the State regulatory provisions.

Unemployment Compensation Insurance - Fringe benefit expense for the payments made into the University's self insurance fund. The plan provides for funding of the expense of unemployment payments made to employees terminated from the University. The State's unemployment compensation program is administered by the State of Texas Workforce Commission.

Teachers Retirement System is a cost sharing, multiple employer, public retirement system that is administered by the Sate of Texas for teachers and employees of educational institutions. All benefits-eligible employees are eligible for participation in this program.

Optional Retirement Program is a defined contribution plan available to certain employees of educational institutions as an option to the Teachers Retirement System. Contributions by the employer and the employee are a mandated percentage of income defined by the State.

Compensated Absences - holidays, vacation, sick pay and other paid leave permitted under University policy or State law (e.g., jury duty). Compensated absences are expensed on cash basis to the salary funding source as leave is taken.

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2.6.1 Revised Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0 is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)

Fringe benefits costs attributable to sponsored programs and non-sponsored programs are charged on the basis of actual costs.

Compensated absences and tuition remission expense are charged directly, as the expense is incurred, to the salary / wage funding source of the employee. In those cases where there are multiple salary / wages funding sources the fringe benefits expense is charged proportionately to each funding source.

2.7.0 Description of Other Direct Costs. All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charge directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)

The principal classes of other costs which are charged directly to sponsored agreements include:

- Travel
- Subcontracts
- Computer Equipment
- Other Equipment

END OF PART II

PART III – INDIRECT COSTS

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Instructions for Part III

Institutions should disclose how the institution's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and-allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used whenever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with items 3.1.0 and 3.3.0.

- A. Direct Charge or Allocation
- B. Total Expenditures
- C. Modified Total Cost Basis
- D. Modified Total Direct Cost Basis
- E. Salaries and Wages
- F. Salaries, Wages and Fringe Benefits
- G. Number of Employees (head count)
- H. Number of Students (full-time equivalent basis)
- I. Number of Students (head count)
- J. Number of Students (full-time equivalent basis)
- K. Student Hours - classroom and work performed
- L. Square Footage
- M. Usage
- N. Unit of Product
- O. Total Production
- P. More than one base (Separate Cost Groupings) 1/
- Y. Other(s) 1/
- Z. Category or Pool not applicable

PART III – INDIRECT COSTS

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3.1.0 Revised Indirect Cost Categories - Accumulation. and Allocation.

This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to applicable indirect costs categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 neat to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

Indirect Cost Category	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>
(a) Depreciation/Use Allowance/ Interest			
Building	<u>Yes</u>	<u>L</u>	<u>1</u>
Equipment	<u>Yes</u>	<u>L</u>	<u>1</u>
Capital Improvements to Land <u>1/</u>	<u>Yes</u>	<u>L</u>	<u>1</u>
Interest <u>I/</u>	<u>Yes</u>	<u>L</u>	<u>1</u>
(b) Operation and Maintenance	<u>Yes</u>	<u>L</u>	<u>2</u>
(c) General Administration and General Expense	<u>Yes</u>	<u>D</u>	<u>3</u>
(d) Departmental Administration	<u>Yes</u>	<u>D</u>	<u>5</u>
(e) Sponsored Projects Admin.	<u>Yes</u>	<u>D</u>	<u>4</u>
(f) Library	<u>Yes</u>	<u>Y</u>	<u>6</u>
(g) Student Admin. & Services	<u>Yes</u>	<u>D</u>	<u>7</u>
(h) Other <u>1/</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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3.2.0 Service Centers. Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a continuation sheet if any of the services are charged to users on a basis other usage of the services. Enter "Z" in column, if not applicable.)

	(1)	(2)	(3)	(4)	(5)	(6)
(a) Scientific Computer Operations	<u>Z</u>	_____	_____	_____	_____	_____
(b) Business Data Processing	<u>Z</u>	_____	_____	_____	_____	_____
(c) Animal Care Facilities	<u>A</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
(d) Other Service Centers with Annual Operating Budgets exceeding \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)						
Telecommunication Services	<u>A</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
Postal Services	<u>A</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>

- (1) Category Code: Use code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost if billed to both direct and indirect cost objectives.
- (2) Burden Code: Code "A" - center receives an allocation of all applicable indirect costs; Code "B" - partial allocation of indirect costs; "Code "C" - no allocation of indirect costs.
- (3) Billing Rate Code: Code "A"- billing rates are based on historical costs; Code - "B"- rates are based on projected costs; Code "C" - rates are based on combination of historical and projected costs; Code "D" - billings are based on the actual costs of the billing period; Code "Y" - other (explain on a continuation sheet).

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- (4) User Charges Code: Code "A" - all users are charged at the same billing rates; Code "B" – some users are charged at different rates than other users (explain on a continuation sheet).
- (5) Actual Costs vs. Revenues Code: Code "A"-billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B" - billings are carried forward as adjustments to billing rate of future periods; Code "C" - annual variances are charged or credited to indirect costs; Code "Y" - other (explain on a continuation sheet).
- (6) Variance Code: Code "A" - Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B" - billings are carried forward as adjustments to billing rate of future periods; Code "C" - annual variances are charged or credited to indirect costs; Code "Y" - other (explain on a continuation sheet).

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3.3.0 Indirect Cost Pools and Allocation Bases

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally-sponsored agreements or similar cost objectives.)

<u>Indirect Cost Pools</u>	<u>Allocation Based Code</u>
A. Instruction	
___ On-Campus	D
___ Off Campus	D
___ Other <u>1/</u>	_____
B. Organized Research	
___ On-Campus	D
___ Off-Campus	D
___ Other <u>1/</u>	_____
C. Other Sponsored Activities	
___ On-Campus	D
___ Off-Campus	D
___ Other <u>1/</u>	_____
D. Other Institutional Activities <u>1/</u>	_____

3.4.0 Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, sub-groupings of expenses, and elements of cost included.)

1/ Describe on a continuation sheet

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- 3.5.0 Composition of Allocation Bases. (For each allocation base code used in Items 31.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first \$25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation used be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study.
- 3.6.0 Allocation of Indirect Cost-to Programs That Pay Less Than Full Indirect Costs. Are appropriate direct costs of all programs and activities in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?
- A. Yes
- B. No ^{1/}

1/ Describe on a continuation sheet

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3.1.0 Revised Indirect Cost Categories - Cost Accumulation

(a) Depreciation / Use Allowance / Interest

Buildings: The cost of buildings is accumulated in the University's formal accounting system. Depreciation is recorded in the University's Annual Financial report or formal accounting system. Use allowance is calculated at 2% of building cost. The University does not allow for joint use in its space study. All rooms are 100% identified to the applicable A-21 categories.

Equipment: The cost of equipment is accumulated in the University's formal accounting system. The detail of the equipment inventory is maintained in the University's property management system that is reconciled to the University's formal accounting system. Depreciation is recorded in the University's Annual Financial report or formal accounting system. Federally funded equipment is separately identified and excluded from the equipment cost used for calculation of the use allowance of 6 2/3% of equipment.

Capital Improvements to Land: The cost of capital improvements to land is accumulated in the University's formal accounting system. Depreciation is recorded in the University's Annual Financial report or formal accounting system. Use allowance is calculated at 2% of the capital improvements cost.

Interest: The interest paid on bond debt is recorded in the University's formal accounting system. The interest cost is associated with the capital asset funded by the debt and the interest cost is allocated in the same manner as the capital asset cost.

(f) **Library:** Library costs are accumulated in the University's formal accounting system. Library costs are allocated based upon the FTE of the population of students and employees. Student population FTE includes undergraduates, continuing education, and graduates.

3.2.0 Revised Service Centers

Unburdened indirect costs resulting from the use of Animal Care Facilities no longer must be included in the base as cost sharing. For other service centers, indirect costs will be included in Other Institutional Activities.

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3.4.0 Revised Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, sub-groupings of expenses, and elements of cost included.)

(a) Depreciation / Use Allowance / Interest

1. Building Depreciation:

The capitalized value of buildings, and any Federally funded value, if applicable, for each building is recorded in the formal accounting records. Any Federally funded value is deducted from the total capitalized cost and the 2% building use allowance is calculated by cost component. These costs are allocated to direct cost objectives on an overall campus square footage basis.

2. Equipment Depreciation:

The capitalized value of equipment is recorded in the formal accounting records. The detail equipment records are maintained in the Property Management System that is reconciled to the formal accounting records and Annual Financial Report. Equipment funding source, including federal, is recorded in the Property Management System. Any Federally funded value is deducted from the total capitalized cost used to calculate the 6 2(3% equipment use allowance. These costs are allocated to direct cost objectives on an overall campus square footage basis.

3. Capital Improvements to Land:

Capitalized Improvements to Land are those capital assets that are not considered buildings or equipment. Examples would be parking lots and sidewalks. The capitalized value of capitalized improvements is recorded in the formal accounting records. A 2% use allowance is calculated on the capitalized value, less federal funding, if applicable.

4. Interest:

Interest on University of Houston debt service is recorded in the formal accounting records. Costs include qualifying interest on debt service of the University of Houston. Qualifying State of Texas debt service interest allocable to the University of Houston is also included in this pool. These costs are allocated to direct cost objectives on a building-by-building basis.

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(b) Operation and Maintenance: The expenses in this category are incurred for the administration, maintenance, preservation, and protection of the institution's physical plant. The major organizational components of this cost pool are:

- Plant Support Services
- Building Maintenance
- Grounds Maintenance
- Custodial Services
- Utilities and Energy Management
- Rental Space Costs
- Environmental Health and Safety
- Campus Security
- Facilities Management

Costs included are the salaries, wages and other operating expenses of these major units and other non-major operation and maintenance departments. In addition, other facilities related costs and non-capitalized cost for repairs, renovations; and maintenance are included. These costs are allocated to direct cost objectives on an overall campus square footage basis.

(c) General Administrative and General Expense:
The major organizational components in this cost pool are:

Executive Management

- President's Office
- Vice President for Administration and Finance

Fiscal and General Administration

- Finance Office (Accounting, Accounts payable, Payroll, Property Management, Financial Reporting, Financial Systems, Treasurer)
- Budget Office
- Human Resources Office
- Information Technology
- Purchasing Office

Costs included are the salaries, wages, and other operating expenses of these major units and other non-major general administration departments. Also included are the allocations of the University of Houston System Administration and State of Texas administrative costs allocation.

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(d) Departmental Administration Expense:

The major organizational components in this cost pool are:

- Office of the Executive Vice President and Provost
- College of Business Administration
- College of Social Sciences
- College of Architecture
- College of Engineering
- College of Natural Science and Mathematics
- College of Optometry
- College of Pharmacy
- College of Education
- College of Humanities
- College of Hotel and Restaurant Management
- College of Technology
- School of Law
- Graduate School of Social Work
- Honors College

Costs included are salaries, wages, and other expenses necessary to administer these units.

(e) Sponsored Projects Administration:

The major organizational components of this cost pool are:

- Office of the Vice President for Research
- Office of Sponsored Programs

Costs included are the salaries, wages, and other expenses of these units and other non-major units that administer sponsored agreements. All sponsored projects administrative costs are separately budgeted and accounted for in the University financial records.

(f) Library

The major organizational components of this cost pool are:

- M.D. Anderson Memorial Library
- Law Library

Costs included are salaries, wages, and other expenses necessary to administer these units. Also included are book acquisition costs.

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(g) Student Administration and Services:

The major organizational components in this cost pool are:

- Office of the Vice President for Student Affairs
- Office of Enrollment Services
- Office of the Registrar
- Office of Student Financial Aid

Cost included are the salaries, wages, and other expenses of these major units and other major student administration and services departments.

3.5.0 Revised Composition of Allocation Bases. (For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first \$25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation used be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study.

D - Modified Total Direct Cost Basis - All salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each sub-grant or subcontract are included. Equipment, capital expenditures, tuition remission, scholarships and fellowships as well as the portion of each sub-grant or subcontract in excess of \$25,000 are excluded.

L - Square Footage - All assignable square footage of benefiting direct and indirect activities is included. Common areas such as hallways, stairwells and restrooms are excluded. The square footage of a given room is assigned to direct and indirect cost objectives based on a survey of the space usage for the fiscal year. As discussed in Section 3.4, the University does not allocate O&M costs on a building basis, but instead uses an overall campus-wide square footage basis for the allocation.

P - Other - Student and Employee population - Library costs are allocated based upon the FTE of the population of students and employees. Student population FTE includes undergraduates, continuing education, and graduates. Employee FTE is based upon the number FTE employees on the University campus recorded in the payroll system.

END OF PART III

PART IV – DEPRECIATION AND USE ALLOWANCE

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4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code form A through C in column (1) describing the method of depreciation; a code from A through D in column (2) describing the basis for determining useful life; a code from A through C in column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Z in column (1) only, if an asset category is not applicable.)

Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)
(a) Land Improvements	<u>C</u>	<u>D</u>	<u>C</u>	<u>B</u>
(b) Buildings	<u>C</u>	<u>D</u>	<u>B</u>	<u>B</u>
(c) Building Improvement	<u>C</u>	<u>D</u>	<u>B</u>	<u>B</u>
(d) Leasehold Improvements	<u>C</u>	<u>D</u>	<u>B</u>	<u>B</u>
(e) Equipment	<u>C</u>	<u>D</u>	<u>C</u>	<u>B</u>
(f) Furniture & Fixtures	<u>C</u>	<u>D</u>	<u>C</u>	<u>B</u>
(g) Automobiles & Trucks	<u>C</u>	<u>D</u>	<u>B</u>	<u>B</u>
(h) Tools	<u>C</u>	<u>D</u>	<u>C</u>	<u>B</u>
(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. (Otherwise enter Code Z.)	<u>Z</u>			

Column (1) - Depreciation Method Code

- A. Straight Line
- B. Expenses at Acquisition
- C. Use Allowance
- Y. Other or more than one method 1/

Column (2) – Use Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance by Office of Management and Budget Circular No. A-21
- Y. Other or more than one method 1/

Column (3) – Property Unit Code

- A. Individual units are accounted for separately
- B. Applied to groups of assets with similar service lines
- C. Applied to groups of assets with varying service lines

Column (4) – Residual Value Code

- A. Residual value is deducted
- B. Residual value is not deducted
- Y. Other or more than one method 1/

1/ Describe on a Continuation Sheet

PART IV – DEPRECIATION AND USE ALLOWANCE

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4.1.1 Revised Asset Valuation and Useful Lives. Are those asset valuations and useful lives in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one).

- A. Yes
B. No 1/

4.2.0 Fully Depreciated Assets. Is a usage charge for full-depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)

- A. Yes
B. No

4.3.0 Treatment of Gains and Losses on Disposition of Depreciable Property. Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

- A. Excluded from determination of sponsored agreements costs
B. Credited or charged currently to the same pools to which the depreciation of the assets was originally charged
C. taken into consideration in the depreciation cost basis of the new items, where trade-in is involved
D. Not accounted for separately, but reflected in the depreciation reserve account.
Y. Other(s) 1/
Z. Not applicable

1/ Describe on a Continuation Sheet.

PART IV – DEPRECIATION AND USE ALLOWANCE

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4.4.0 Revised Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies; show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or sub-category of assets involved which differs from those for the majority of assets.

A. Minimum Dollar Amount	\$5,000
B. Minimum Life Years	1 Year

4.5.0 Group or Mass Purchase. Are group or mass purchases (initial complement of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)

A. _____ Yes 1/
B. X No

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4.1.1 Revised Asset Valuation and Useful Lives. Are those asset valuations and useful lives in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one).

No 1 /

Depreciation is included in the institutions financial statements in accordance with the reporting requirements of the State of Texas Comptroller's Office which defines the financial statement requirements for all State agencies including the University of Houston. The asset values used to determine depreciation are consistent with the valuations reflected in the financial statements.

END OF PART IV

PART V – OTHER COSTS AND CREDITS

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5.1.0 Method of Charging Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e. when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s)).

- A. Cash
- B. Accrual

5.2.0 Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in Section C of Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)

- A. The credits/receipts are offset against the specific direct or indirect costs to which they relate.
- B. The credits/receipts are handled as a general adjustment to the indirect pool.
- C. The credits/receipts are treated as income and are not offset against costs.
- D. Combination of methods 1/
- E. Other 1/

1/ Describe on a Continuation Sheet

END OF PART V

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Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health Benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the government unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and record such costs. When the costs allocated to Federally sponsored agreements are material, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (1), General Instructions)

6.1.0 Pension Plans

6.1.1 Defined-Contribution Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

Type of Plan	Number of Plans
A. <u> X </u> Institution employees participate in State/Local Government Plan(s)	<u> 2 </u>
B. <u> </u> Institution uses TIAA / CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution.	<u> </u>
C. <u> </u> Institution has is own Defined-Contribution Plan(s) <u>1/</u>	<u> </u>

6.1.2 Defined Benefit Pension Plan. (For each defined benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

1/ Describe on a Continuation Sheet

PART VI – DEFERRED COMPENSATION AND INSURANCE COSTS

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6.2.0 Post Retirement Benefits Other Than Pensions (including post retirement health care benefits (PRBs)). (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)

A. Not applicable

6.2.1 Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on a cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

6.3.0 Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A. When accrued (book accrual only)
- B. When contributions are made to a non-forfeitable fund
- C. When contributions are made to a forfeitable fund
- D. When the benefits are paid to employee
- E. When amounts are paid to an employee welfare plan
- Y. Other or more than one method 1/
- Z. Not applicable

6.4.0 Self Insurance Programs. (Worker's Compensation, Liability and Casualty Insurance.)

6.4.1 Worker's Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A. When claims are paid or losses are incurred (no provision for reserves)
- B. When provisions for reserves are recorded based on the present value of the liability
- C. When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability
- D. When funds are set aside or contributions are made to a fund
- Y. Other or more than one method 1/
- Z. Not applicable

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6.4.2 Casualty Insurance. Costs of such self-insurance program are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- A. When losses are incurred (no provision for reserves)
- B. When provisions for reserves are recorded based on replacement costs
- C. When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.
- D. Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)
- Y. Other or more than one method 1/
- Z. Not applicable

END OF PART VI

PART VII – CENTRAL SYSTEM OR GROUP EXPENSES
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Instructions for Part VII

This part should be completed only by the central system office or a group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one of the segments is required to file Parts I through VI of the Disclosure Statement.

The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.

7.1.0 Organizational Structure

On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDGs), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.

7.2.0 Cost Accumulation and Allocation

On a continuation sheet, provide a description of

- A. The services provided to segments of the university or university system (including hospitals, FFRDC's, GOCO facilities, etc.), in brief.
- B. How the costs of the services are identified and accumulated.
- C. The basis used to allocate the accumulated costs to the benefiting segments.
- D. Any costs that are transferred from a segment to the central system office or intermediate administrative office, and which are reallocated to another segment(s). If none, so state.
- E. Any fixed management fees that are charged to a segment(s) in lieu of a prorata or allocation basis and the basis of such charges. If none, so state.

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- 7.1.0 Organizational Structure. On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC/s), Government-owned Contractor-operated (GOCO) facilities, and lower tier group offices serviced by the reporting unit.
- University of Houston System
 - University of Houston
 - University of Houston - Clear Lake
 - University of Houston - Downtown
 - University of Houston - Victoria

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7.2.0 Cost Accumulation and Allocation. On a continuation sheet, provide a description of:
 (A) The services provided to segments of the system.

The University System provides the following services to the component University's:

OFFICE / SERVICE:

Regents

Chancellor

- Office of the Chancellor
 - Administrative Duties
 - Academic Affairs
 - Development
 - Public Relations
 - University/Community Relations

Academic Affairs

- Office of Academic Affairs
- International Education

VC Administration and Finance

- Office of the VC Administration & Finance
- Business Services
- Office of the AVC Financial Affairs
 - Property Management
 - State Appropriations Accounting
 - Financial Accounting
 - Payroll
 - Accounts Payable
 - FAC
 - Record Retention
 - Financial Operations
 - Financial Reporting
- Office of the Treasurer
 - Endowment Management
 - Cash Management
 - Payroll & Checks
 - Debt Management
- Budget Administration & Analysis
 - Office of Budget Administration & Analysis
 - Office of Personnel Services
- Office of Facilities Planning & Construction
- Office of Information Services
 - AVC of Information Services

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7.2.0(A) Continued:

OFFICE / SERVICE:

Financial Systems
 Payroll Systems

VC Institutional Advancement

Office of VC institutional Advancement
 Development
 University/Community Relations
 Administration
 Data Processing
 Development Research
 Programming & User Support
 Annual Support

Personal Gift Planning
 Development
 Communications
 Administration

Office of Public Affairs
 University/Constituent Relations
 Public Initiatives
 Development
 Public Relations
 Administration

Office of Constituent Relations
 University/Community Relations
 Development
 Public Relations

Chancellor Residence
 Public Initiatives
 Development
 University/Community Relations
 Administrative Duties

General Counsel

VC Governmental Relations

Audit

UHSA Support

Administration Support

Other Support

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7.2.0(B) How the costs of the services are identified and accumulated.

The expenditures of the System Administration are maintained in the formal accounting records of the University system. Each System component, including the System Administration, maintains a separate database but uses the same Financial System. The same account and object structure are used for identifying and accumulating cost data for each component.

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7.2.0(C) The basis used to allocate the accumulated costs to the benefiting segments. The allocated costs for each service provided is distributed based upon criteria which estimate the percentage of benefit to each component as follows(Key to Allocation Criteria Included):

OFFICE / SERVICE:	ALLOCATION CRITERIA
<i>Regents</i>	D
<i>Chancellor</i>	
Office of the Chancellor	
Administrative Duties	D
Academic Affairs	E
Development	B
Public Relations	A
University/Community Relations	C
<i>Academic Affairs</i>	
Office of Academic Affairs	E
International Education	E
 <i>VC Administration and Finance</i>	
Office of the VC Administration & Finance	G
Business Services	D
Office of the AVC Financial Affairs	O
Property Management	DD
State Appropriations Accounting	DD
Financial Accounting	DD
Payroll	DD, R, S
Accounts Payable	DD
FAC	DD
Record Retention	DD, AA
Financial Operations	DD
Financial Reporting	DD, CC
Office of the Treasurer	
Endowment Management	K
Cash Management	L
Payroll & Checks	J
Debt Management	LA
 Budget Administration & Analysis	
Office of Budget Administration & Analysis	I
Office of Personnel Services	H

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	Office of Facilities Planning & Construction	JJ
	Office of Information Services	
	AVC of Information Services	D
	Financial. Systems	I
	Payroll Systems	S
	<i>VC Institutional Advancement</i>	
	Office of VC Institutional Advancement	
	Development	B
	University/Community Relations	NN
	Administration	YY
	Data Processing	NN, MM, OO
	Development Research	PP
	Programming & User Support	QQ
	Annual Support	RR
	Personal Gift Planning	
	Development	UU
	Communications	WW
	Administration	VV
	Office of Public Affairs	
	University/Constituent Relations	LL
	Public Initiatives	XX
	Development	B
	Public Relations	KK
	Administration	G
	Office of Constituent Relations	
	University/Community Relations	LL
	Development	B
	Public Relations	KK
	Chancellor Residence	
	Public Initiatives	KK
	Development	B
	University/Community Relations	G
	Administrative Duties	XX
	<i>General Counsel</i>	D
	<i>VC Governmental Relations</i>	A
	<i>Audit</i>	D
	<i>UHSA Support</i>	
	Administration Support	H
	Other Support	D

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7.2.0(C) Continued:

Key/Definitions for Allocation Criteria:

(Allocation based upon component's percentage of Fiscal Year total of each allocation criteria below)

- A. General Revenue Appropriations
- B. Development Campaign Goals
- C. Research & Scholarships & Fellowships-Expenditures
- D. Total Expenditures
- E. Instruction, Research, Acad. Support-Expenditures
- G. Institutional Support & Plant Expenditures
- H. Number of Persons Insured (Medical)
- I. Number of FRS Accounts
- J. Number of Checks Processed A/P & Payroll
- K. Amount of Endowments Managed
- L. Amount of Cash Managed .
- LA. Debt Management - Percentage of total debt service
- O. Total Number of FRS Transactions
- R. Number of Timesheets Entered
- S. Number of Employees
- AA. Number of Boxes Stored
- CC. Number of Financial Statements Issued
- DD. UH Activity Only
- JJ. Gross Square Footage of Buildings
- KK. Number of Donor Cultivation and Recognition Events
- LL. Number of Constituents Reached through Events
- MM. Number of Gifts Processed
- NN. Number of Gift Reports Processed
- OO. Number of Records in the Database
- PP. Number of Donor Research Report/ Updates
- QQ. Percentage Average of MM, NN, OO
- RR. Number of Alumni Prospects
- UU. Amount of Personal Gift Planning (PGP) Potential
- W. Number of PGP Prospects Identified/Cultivated
- WW. Number of PGP Communications
- XX. Number of Public Initiative Reports/Contacts
- YY. Average Percentage of NN, MM, OO, PP, QQ

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- 7.2.0(D) Any costs that are transferred to the central system office or intermediate administrative office, and which are reallocated to another segment(s). If none, so state.
 There are no costs transferred to System Office which are reallocated to another segment.
- 7.2.0(E) Any fixed management fees that are charged to a segment in lieu of a prorata or allocation basis and the basis of such charges. If none, so state.
 There are no fixed management fees in lieu of allocation of charges.

END OF PART VII