

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION

ANNUAL FINANCIAL REPORT

(WITH DETAILED SUPPORTIVE SCHEDULES)

UNAUDITED

FISCAL YEAR ENDED AUGUST 31, 2006



The University of Texas at Arlington ♦ The University of Texas at Austin ♦ The University of Texas at Brownsville ♦ The University of Texas at Dallas ♦ The University of Texas at El Paso ♦ The University of Texas - Pan American ♦ The University of Texas of the Permian Basin ♦ The University of Texas at San Antonio ♦ The University of Texas at Tyler ♦ The University of Texas Southwestern Medical Center at Dallas ♦ The University of Texas Medical Branch at Galveston ♦ The University of Texas Health Science Center at Houston ♦ The University of Texas Health Science Center at San Antonio ♦ The University of Texas M. D. Anderson Cancer Center ♦ The University of Texas Health Center at Tyler ♦ The University of Texas System Administration

UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
 EXHIBIT A - BALANCE SHEET
 As of August 31, 2006

	Current Year Totals	Restated Prior Year Totals
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 701,649,544	563,127,195
Restricted Cash & Cash Equivalents	122,435,074	23,446,846
Balance in State Appropriations	4,050,600	
Securities Lending Collateral	1,951,568,127	1,420,107,142
Accounts Receivable, Net:		
Federal (allowances of \$0 in '06 & \$0 in '05)	7,002,676	19,096
Interest and Dividends	49,351,350	36,361,793
Investment Trades	447,141,307	312,903,168
Other (allowances of \$0 in '06 & \$0 in '05)	62,913,794	55,451,734
Due From Other Funds	31,986,880	32,009,769
Due From Other Institutions	50,635,178	45,581,692
Due From Other Agencies	612,715	16,368,336
Other Current Assets	3,844,622	4,009,595
Total Current Assets	<u>3,433,191,867</u>	<u>2,509,386,366</u>
Noncurrent Assets:		
Restricted:		
Cash & Cash Equivalents	45,805	280,212
Investments	18,456,115,452	16,610,553,408
Investments	3,332,055,572	1,387,749,345
Other Noncurrent Assets	15,765,200	14,113,261
Capital Assets	4,296,409,917	3,745,551,642
Less Accumulated Depreciation	(31,058,124)	(27,769,743)
Total Noncurrent Assets	<u>26,069,333,822</u>	<u>21,730,478,125</u>
TOTAL ASSETS	\$ <u>29,502,525,689</u>	<u>24,239,864,491</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 75,569,668	39,963,594
Investment Trades Payable	1,020,457,037	718,557,708
Incurred But Not Reported Self-Insurance Claims	80,336,078	75,111,546
Securities Lending Obligations	1,951,568,127	1,420,107,142
Due to Other Funds	31,986,880	32,009,769
Due to Other Institutions	543,038,092	391,786,691
Due to Other Agencies	32,699,724	12,882,035
Deferred Revenue	4,471,518	2,765,834
Employees' Compensable Leave	1,880,893	1,622,466
Notes, Loans and Leases Payable	655,386,000	541,064,000
Payable From Restricted Assets	227,386,999	120,356,095
Revenue Bonds Payable	159,685,000	155,670,000
Other Current Liabilities		58,114
Total Current Liabilities	<u>4,784,466,016</u>	<u>3,511,954,994</u>
Noncurrent Liabilities:		
Incurred But Not Reported Self-Insurance Claims	78,875,389	85,844,849
Employees' Compensable Leave	1,801,812	1,700,912
Assets Held for Others	2,961,123,127	1,044,522,450
Liability to Beneficiaries-Held for Institutions	17,846,693	18,692,215
Revenue Bonds Payable	3,435,167,686	3,018,716,352
Other Noncurrent Liabilities/Due to Texas A&M University	406,947,150	305,341,916
Total Noncurrent Liabilities	<u>6,901,761,857</u>	<u>4,474,818,694</u>
TOTAL LIABILITIES	<u>11,686,227,873</u>	<u>7,986,773,688</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	40,628,737	23,383,258
Restricted for:		
Nonexpendable		
Permanent University Fund Endowment	5,889,253,513	5,455,915,288
Perm. Health, True & Term Endowments, & Annuities	379,052,639	377,386,181
Perm. Health, True & Term Endow. Held for Institutions	3,266,779,144	3,045,067,156
Expendable		
Capital Projects	8,241,209	10,337,778
Debt Service	5,809,770	5,240,603
Funds Functioning as Endowment - Restricted	12	16
Other Expendable	7,832,305,813	6,982,612,724
Unrestricted	394,226,979	353,147,799
TOTAL NET ASSETS	<u>17,816,297,816</u>	<u>16,253,090,803</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>29,502,525,689</u>	<u>24,239,864,491</u>

UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
 EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended August 31, 2006

	Current Year Totals	Prior Year Totals
Operating Revenues:		
Federal Sponsored Programs	\$ 7,418,699	48,115
Federal Sponsored Programs Pass-Through from Other St. Agencies	7,744,701	7,334,402
State Sponsored Programs	3,316,355	
State Sponsored Programs Pass-Through from Other St. Agencies		1,185,089
Private Sponsored Programs	266,267	2,347,250
Sales and Services of Educational Activities	9,402,489	13,579,656
Other Operating Revenues	13,096,394	15,201,593
Total Operating Revenues	41,244,905	39,696,105
Operating Expenses:		
Instruction	7,938,768	8,784,672
Institutional Support	67,071,538	57,587,550
Depreciation and Amortization	5,316,845	3,972,908
Total Operating Expenses	80,327,151	70,345,130
Operating Loss	(39,082,246)	(30,649,025)
Nonoperating Revenues (Expenses):		
State Appropriations	6,156,064	6,071,989
Gift Contributions for Operations	878,514	829,517
Net Investment Income	1,215,089,358	1,583,124,648
Net Increase (Decrease) in Fair Value of Investments	644,344,573	1,337,238,828
Interest and Other Expenses on Capital Asset Financings	(175,514,345)	(126,439,578)
Gain/(Loss) on Sale of Capital Assets	(549,864)	(822,823)
Other Nonoperating Revenues	207	
Other Nonoperating Expenses	(163,528)	(338,416)
Net Nonoperating Revenues (Expenses)	1,690,240,979	2,799,664,165
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	1,651,158,733	2,769,015,140
Gifts and Sponsored Programs for Capital Acquisitions	(15,000,000)	15,150,000
Additions to Permanent Endowments	97,881,585	87,096,992
Reclass from / (to) Other Institutions	62,062,596	76,550,146
Proceeds of Bonds Payable Invested in Plant of Institutions	538,307,840	527,709,387
Transfers Between Institutions & System-Debt Service-Mandatory	268,758,806	221,357,877
Transfers Between Institutions & System Admin. - Nonmandatory	(806,501,211)	(876,481,145)
Transfers From Other State Agencies	8,568,831	325,672
Transfers to Other State Agencies	(242,030,167)	(189,304,757)
Change in Net Assets	1,563,207,013	2,631,419,312
Beginning Net Assets - As Previously Reported	16,253,090,803	13,822,001,609
Restatements		(200,330,118)
Beginning Net Assets - As Restated	16,253,090,803	13,621,671,491
Ending Net Assets	\$ 17,816,297,816	16,253,090,803

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THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2006

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Sponsored Programs	\$ 12,518,063	10,422,465
Proceeds from Other Revenues	28,961,449	32,068,084
Payments to Suppliers	(41,649,425)	(37,895,501)
Payments to Employees	(32,169,276)	(27,921,826)
Net Cash Provided (Used) by Operating Activities	<u>(32,339,189)</u>	<u>(23,326,778)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	2,105,464	6,071,989
Proceeds from Operating Gifts	878,514	829,517
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	55,904,469	126,143,551
Proceeds from Other Nonoperating Revenues	230,056	
Payments/Receipts for Transfers to/from System or Oth. Agencies	1,580,522,702	(382,911,587)
Payments for Other Uses	(25,000)	(145,200)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,639,616,205</u>	<u>(250,011,730)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Capital Debt	1,234,964,213	1,270,538,994
Proceeds from Capital Debt Transferred to Institutions	(581,579,148)	(744,087,103)
Payments of Other Costs on Debt Issuance	(4,138,894)	(8,628,120)
Proceeds from Capital Appropriations, Grants and Gifts		150,000
Proceeds from Sale of Capital Assets	401,511	1,050
Payments for Additions to Capital Assets	(8,809,633)	(3,955,987)
Payments of Principal on Capital Related Debt	(689,653,000)	(730,502,000)
Mandatory Transfers to System for Capital Related Debt	268,758,806	221,357,877
Payments of Interest on Capital Related Debt	(174,071,044)	(124,343,686)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>45,872,811</u>	<u>(119,468,975)</u>
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments	29,809,999,864	17,609,053,684
Proceeds from Interest and Investment Income	572,516,756	447,207,689
Payments to Acquire Investments	(31,798,390,277)	(17,667,113,576)
Net Cash Provided (Used) by Investing Activities	<u>(1,415,873,657)</u>	<u>389,147,797</u>
Net Increase (Decrease) in Cash	237,276,170	(3,659,686)
Cash & Cash Equivalents - Beginning of the Year	586,854,253	590,513,939
Cash & Cash Equivalents - End of the Year	<u>\$ 824,130,423</u>	<u>586,854,253</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Loss	\$ (39,082,246)	(30,649,025)
Adjustments to Reconcile Operating Loss to Net Cash:		
Depreciation and Amortization Expense	5,316,845	3,972,908
Changes in Assets and Liabilities:		
Receivables	(6,309,200)	(751,543)
Other Assets	(500,284)	(754,631)
Payables	5,683,644	2,113,126
Due to System	(5,053,486)	(1,862,378)
Deferred Income	1,705,684	(1,377,880)
Deposits Held for Others	5,338,407	6,294,286
Compensated Absence Liability	359,327	304,329
Other Liabilities	202,120	(615,970)
Total Adjustments	<u>6,743,057</u>	<u>7,322,247</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (32,339,189)</u>	<u>(23,326,778)</u>
Noncash Transactions		
Net Increase (Decrease) in Fair Value of Investments	644,344,573	1,337,238,828
Miscellaneous Noncash Transactions	728,559	986,845