

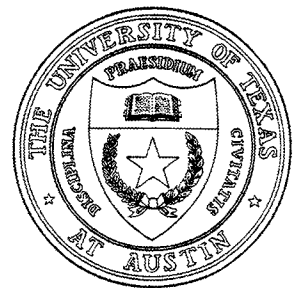
# THE UNIVERSITY OF TEXAS AT AUSTIN

## 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

# **THE UNIVERSITY OF TEXAS AT AUSTIN**

## **FINANCIAL STATEMENTS**

(WITH DETAILED SUPPORTIVE SCHEDULES)

Presented herein are the financial statements with detailed supportive schedules for The University of Texas at Austin for the year ended August 31, 2006. These Statements and detailed supportive schedules have been prepared in compliance with applicable State statutes, Governmental Accounting Standards Board pronouncements, and the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

This "detailed internal report" supplements the consolidated published Annual Financial Report of The University of Texas System and is intended to be for limited distribution primarily to financial and academic officers of the University who need access to the details included herein. It also provides an historical record of transactions relating to this particular institution.

The Annual Financial Report for public distribution for The University of Texas System includes primary statements on a consolidated System-wide basis, including footnotes and Managements' Discussion and Analysis.

**THE UNIVERSITY OF TEXAS SYSTEM**  
**BOARD OF REGENTS**  
As of August 31, 2006

**Officers**

James R. Huffines, Chairman  
Rita C. Clements, Vice Chairman  
Cyndi Taylor Krier, Vice Chairman  
Francie A. Frederick, Counsel and Secretary

**Members**

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*Term scheduled to expire February 1, 2005\**

Robert A. Estrada

Fort Worth

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*Terms scheduled to expire February 1, 2007\**

Rita C. Clements  
Judith L. Craven, M.D.  
Cyndi Taylor Krier  
Brian J. Haley (Student Regent)

Dallas  
Houston  
San Antonio  
Denton

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*Terms scheduled to expire February 1, 2009\**

John W. Barnhill, Jr.  
H. Scott Caven, Jr.  
James R. Huffines

Brenham  
Houston  
Austin

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*Terms scheduled to expire February 1, 2011\**

Robert B. Rowling  
Colleen McHugh

Dallas  
Corpus Christi

\*Each Regent's term expires when a successor has been appointed, qualified, and taken the oath of office. The Student Regent serves a one-year term.

**THE UNIVERSITY OF TEXAS SYSTEM  
SENIOR ADMINISTRATIVE OFFICIALS**

As of August 31, 2006

|                       |   |
|-----------------------|---|
| Mark G. Yudof         | Chancellor  |
| Geri H. Malandra      | Interim Executive Vice Chancellor for Academic Affairs                  |
| Kenneth I. Shine M.D. | Executive Vice Chancellor for Health Affairs                            |
| Scott C. Kelley       | Executive Vice Chancellor for Business Affairs                          |
| Robert E. Barnhill    | Vice Chancellor for Research and Technology Transfer                    |
| Tonya Moten Brown     | Vice Chancellor for Administration                                      |
| Barry D. Burgdorf     | Vice Chancellor and General Counsel                                     |
| Barry McBee           | Vice Chancellor for Governmental Relations                              |
| Randa S. Safady       | Vice Chancellor for External Relations                                  |
| William H. Shute      | Vice Chancellor for Federal Relations                                   |
| Bob Boldt             | President Chief Executive Officer and Chief Investment Officer – UTIMCO |

**THE UNIVERSITY OF TEXAS AT AUSTIN  
SENIOR ADMINISTRATIVE OFFICIALS**

As of August 31, 2006

|                       |  |
|-----------------------|--|
| William Powers Jr.    | President  |
| William S. Livingston | Senior Vice President  |
| Shirley Bird Perry    | Senior Vice President  |
| Patricia L. Clubb     | Vice President for Employee and Campus Services                    |
| Richard B. Eason      | Vice President for Resource Development                            |
| Juan C. Gonzalez      | Vice President for Student Affairs                                 |
| Donald A. Hale        | Vice President for Public Affairs                                  |
| Kevin P. Hegarty      | Vice President and Chief Financial Officer                         |
| James L. Hill         | Vice President for Community and School Relations                  |
| Patricia C. Ohlendorf | Vice President for Institutional Relations and Legal Affairs       |
| Brian E. Roberts      | Vice President for Information Technology                          |
| Juan M. Sanchez       | Vice President for Research  |
| Gregory J. Vincent    | Vice President for Diversity and Community Engagement              |
| Stephen A. Monti      | Interim Executive Vice President and Provost                       |
| Neal E. Armstrong     | Vice Provost for Faculty Affairs                                   |
| John D. Dollard       | Vice Provost for Forecasting, Institutional Research, and Modeling |
| Terri E. Givens       | Vice Provost   |
| Fred Heath            | Vice Provost and Director of University of Texas Libraries         |
| Victoria Rodriguez    | Vice Provost and Dean of Graduate Studies                          |
| William M. Sage       | Vice Provost for Health Affairs                                    |
| Bruce Walker          | Vice Provost and Director of Admissions                            |
| Charles A. Roeckle    | Deputy to the President  |
| Nancy Brazzil         | Deputy to the President  |
| Michael W. Vandervort | Director of Internal Audit   |
| Mary E. Knight        | Associate Vice President and Budget Director                       |
| Glenn E. Friedrich    | Associate Vice President and Controller                            |

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THE UNIVERSITY OF TEXAS AT AUSTIN

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|   | TOTALS                  |                    |
|---|-------------------------|--------------------|
|   | Primary<br>University   | Component<br>Units |
| <b>ASSETS</b>   |                         |                    |
| <b>Current Assets:</b>  |                         |                    |
| Cash & Cash Equivalents   | \$ 120,171,901          | -                  |
| Restricted Cash & Cash Equivalents  | 35,840,450              | -                  |
| Balance in State Appropriations   | 1,876,946               | -                  |
| Funds Held by System Administration - Current   | 48,153                  | -                  |
| Accounts Receivable, Net:   |                         |                    |
| Federal Receivables (net of allowances of \$0 in '06 & \$0 in '05)                        | 50,854,952              | -                  |
| Other Intergovernmental Rec. (net of allowances of \$0 in '06 & \$0 in '05)               | 8,679,750               | -                  |
| Student Receivables (net of allowances of \$675,936 in '06 & \$353,494 in '05)            | 107,330,331             | -                  |
| Interest and Dividends  | 5,220,676               | -                  |
| Contributions Receivable (net of allowances of \$389,363 in '06 & \$227,511 in '05)       | 8,365,964               | -                  |
| Other Receivables (net of allowances of \$352,732 in '06 and \$406,036 in '05)            | 12,630,210              | -                  |
| Due From Other Funds  | 1,084,386               | -                  |
| Due From System Administration  | 174,106,157             | -                  |
| Due From Other Agencies   | 789,840                 | -                  |
| Inventories   | 7,413,224               | -                  |
| Loans and Contracts (net of allowances of \$0 in '06 and \$0 in '05)                      | 11,494,340              | -                  |
| Other Current Assets  | 45,945,384              | -                  |
| <b>Total Current Assets</b>   | <b>591,852,664</b>      | <b>-</b>           |
| <b>Non-Current Assets:</b>  |                         |                    |
| <b>Restricted:</b>  |                         |                    |
| Investments   | 190,624,386             | -                  |
| Loans, Contracts and Other (net of allowances of \$7,544,018 in '06 & \$7,330,373 in '05) | 50,630,481              | -                  |
| Funds Held by System Administration   | 2,485,564,851           | -                  |
| Contributions Receivable (net of allowances of \$159,780 in '06 & \$253,500 in '05)       | 8,365,465               | -                  |
| Investments   | 475,260,883             | -                  |
| Other Non-Current Assets/Held in Trust  | 1,346,226               | -                  |
| Capital Assets  | 3,033,946,798           | -                  |
| Less Accumulated Depreciation   | (1,425,630,018)         | -                  |
| <b>Total Non-Current Assets</b>   | <b>4,820,109,072</b>    | <b>-</b>           |
| <b>TOTAL ASSETS</b>   | <b>\$ 5,411,961,736</b> | <b>-</b>           |
| <b>LIABILITIES</b>  |                         |                    |
| <b>Current Liabilities:</b>   |                         |                    |
| Accounts Payable and Accrued Liabilities  | \$ 101,713,635          | -                  |
| Due to Other Funds  | 1,084,386               | -                  |
| Due to System Administration  | 10,965,438              | -                  |
| Deferred Revenue  | 384,926,051             | -                  |
| Employees' Compensable Leave-Current Portion  | 21,956,943              | -                  |
| Notes, Loans and Leases Payable-Current Portion   | 1,585,196               | -                  |
| Payable From Restricted Assets-Current Portion  | 18,249,012              | -                  |
| Funds Held for Others   | -                       | -                  |
| Other Current Liabilities   | 1,847,930               | -                  |
| <b>Total Current Liabilities</b>  | <b>542,328,591</b>      | <b>-</b>           |
| <b>Non-Current Liabilities:</b>   |                         |                    |
| Employees' Compensable Leave  | 19,357,116              | -                  |
| Assets Held for Others  | 18,034,189              | -                  |
| Liability to Beneficiary-Held by System   | 11,650,247              | -                  |
| Notes, Loans and Leases Payable   | 20,850,780              | -                  |
| <b>Total Non-Current Liabilities</b>  | <b>69,892,332</b>       | <b>-</b>           |
| <b>TOTAL LIABILITIES</b>  | <b>612,220,923</b>      | <b>-</b>           |
| <b>NET ASSETS</b>   |                         |                    |
| Invested in Capital Assets, Net of Related Debt   | 1,585,880,804           | -                  |
| <b>Restricted for:</b>  |                         |                    |
| <b>Nonexpendable</b>  |                         |                    |
| True and Other Endowments, and Annuities  | 1,251,713,800           | -                  |
| <b>Expendable</b>   |                         |                    |
| Capital Projects  | 116,005,469             | -                  |
| Funds Functioning as Endowment - Restricted   | 121,847,996             | -                  |
| Other Expendable  | 1,341,141,258           | -                  |
| Unrestricted  | 383,151,486             | -                  |
| <b>TOTAL NET ASSETS</b>   | <b>4,799,740,813</b>    | <b>-</b>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b>\$ 5,411,961,736</b> | <b>-</b>           |

UNAUDITED

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

|  | TOTALS                  |                    |
|--|-------------------------|--------------------|
|  | Primary<br>University   | Component<br>Units |
| <b>OPERATING REVENUES:</b>   |                         |                    |
| Student Tuition and Fees   | \$ 417,010,627          | -                  |
| Discounts and Allowances   | (80,989,004)            | -                  |
| Federal Sponsored Programs   | 305,197,840             | -                  |
| Federal Sponsored Programs Pass-Through from Other St. Agencies    | 23,524,330              | -                  |
| State Sponsored Programs   | 24,022,310              | -                  |
| State Sponsored Programs Pass-Through from Other St. Agencies      | 22,602,688              | -                  |
| Local Sponsored Programs   | 2,524,194               | -                  |
| Private Sponsored Programs   | 60,606,681              | -                  |
| Sales and Services of Educational Activities                       | 129,643,724             | -                  |
| Discounts and Allowances   | (18,579)                | -                  |
| Auxiliary Enterprises  | 149,206,055             | -                  |
| Discounts and Allowances   | (6,344,502)             | -                  |
| Other Operating Revenues   | 3,452,730               | -                  |
| Total Operating Revenues   | <u>1,050,439,094</u>    | <u>-</u>           |
| <b>OPERATING EXPENSES:</b>   |                         |                    |
| Instruction  | 485,374,351             | -                  |
| Research   | 344,991,191             | -                  |
| Public Service   | 47,469,078              | -                  |
| Academic Support   | 107,487,941             | -                  |
| Student Services   | 43,716,450              | -                  |
| Institutional Support  | 89,336,136              | -                  |
| Operations and Maintenance of Plant                                | 137,496,901             | -                  |
| Scholarships and Fellowships                                       | 75,635,212              | -                  |
| Auxiliary Enterprises  | 167,226,675             | -                  |
| Depreciation and Amortization                                      | 108,937,676             | -                  |
| Total Operating Expenses   | <u>1,607,671,611</u>    | <u>-</u>           |
| Operating Income (Loss)  | <u>(557,232,517)</u>    | <u>-</u>           |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                           |                         |                    |
| State Appropriations   | 300,676,150             | -                  |
| Gift Contributions for Operations                                  | 88,037,573              | -                  |
| Net Investment Income  | 137,554,645             | -                  |
| Net Increase (Decrease) in Fair Value of Investments               | 154,971,544             | -                  |
| Interest Expense on Capital Asset Financings                       | (1,548,832)             | -                  |
| Gain/(Loss) on Sale of Capital Assets                              | (11,249,908)            | -                  |
| Other Nonoperating Revenues  | 1,139,554               | -                  |
| Other Nonoperating (Expenses)                                      | (29,737)                | -                  |
| Net Nonoperating Revenues (Expenses)                               | <u>669,550,989</u>      | <u>-</u>           |
| Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers: | <u>112,318,472</u>      | <u>-</u>           |
| Gifts and Sponsored Programs for Capital Acquisitions              | 35,450,903              | -                  |
| Additions to Permanent Endowments                                  | 43,800,932              | -                  |
| Reclass from / (to) Other Institutions                             | (70,232,157)            | -                  |
| Transfers Between Institutions & System, Debt Service - Mandatory  | (43,609,855)            | -                  |
| Transfers Between Institutions & System Admin. - Non mandatory     | 392,131,715             | -                  |
| Transfers From Other State Agencies*                               | 3,400,251               | -                  |
| Transfers to Other State Agencies*                                 | (3,766,250)             | -                  |
| Change in Net Assets   | <u>469,494,011</u>      | <u>-</u>           |
| Beginning Net Assets - As Previously Reported                      | 4,330,246,802           | -                  |
| Restatements   | -                       | -                  |
| Beginning Net Assets - As Restated                                 | <u>4,330,246,802</u>    | <u>-</u>           |
| Ending Net Assets  | <u>\$ 4,799,740,813</u> | <u>-</u>           |

UNAUDITED

THE UNIVERSITY OF TEXAS AT AUSTIN  
EXHIBIT C - STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2006

|   | TOTALS                  |                |
|---|-------------------------|----------------|
|   | Primary University      | Component Unit |
| <b>Cash Flows from Operating Activities:</b>  |                         |                |
| Proceeds from Tuition and Fees  | \$ 346,048,011          | -              |
| Proceeds from Sponsored Programs  | 433,443,084             | -              |
| Proceeds from Auxiliaries   | 154,437,049             | -              |
| Proceeds from Other Revenues  | 136,429,310             | -              |
| Payments to Suppliers   | (444,307,033)           | -              |
| Payments to Employees   | (1,036,560,650)         | -              |
| Payments for Loans Provided   | (44,238,244)            | -              |
| Proceeds from Loan Programs   | 42,456,902              | -              |
| Payments for Other Expenses   | -                       | -              |
| Net Cash Provided (Used) by Operating Activities  | <u>(412,291,571)</u>    | <u>-</u>       |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                         |                |
| Proceeds from State Appropriations  | 301,002,482             | -              |
| Proceeds from Operating Gifts   | 83,158,746              | -              |
| Proceeds from Private Gifts for Endowment and Annuity Life Purposes   | 43,800,932              | -              |
| Proceeds from Other Nonoperating Revenues   | 1,139,554               | -              |
| Payments/Receipts for Transfers to/from System or Oth. Agencies   | 108,567,032             | -              |
| Payments for Other Uses   | (29,737)                | -              |
| Net Cash Provided by Noncapital Financing Activities  | <u>537,639,009</u>      | <u>-</u>       |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |                         |                |
| Proceeds from Capital Debt Transferred from System (nonmandatory)   | 120,146,123             | -              |
| Proceeds from Capital Appropriations, Grants and Gifts  | 9,408,049               | -              |
| Proceeds from Sale of Capital Assets  | 272,058                 | -              |
| Payments for Additions to Capital Assets  | (246,590,053)           | -              |
| Payments of Principal on Capital Related Debt   | (1,163,161)             | -              |
| Mandatory Transfers to System for Capital Related Debt  | (43,609,855)            | -              |
| Payments of Interest on Capital Related Debt  | (1,548,832)             | -              |
| Net Cash Provided (Used) by Capital & Related Financing Activities  | <u>(163,085,671)</u>    | <u>-</u>       |
| <b>Cash Flows from Investing Activities:</b>  |                         |                |
| Proceeds from Interest and Investment Income  | 137,913,027             | -              |
| Proceeds from Interest and Investment Income Held by System   | 2,670,456               | -              |
| Payments to Acquire Investments Held by System  | (720,325,429)           | -              |
| Net Cash Provided (Used) by Investing Activities  | <u>(579,741,946)</u>    | <u>-</u>       |
| <b>Net Increase (Decrease) in Cash</b>  | (617,480,179)           | -              |
| Cash and Cash Equivalents - Beginning of the Year   | 773,540,683             | -              |
| Restatements to Beginning Cash and Cash Equivalents   | -                       | -              |
| <b>Cash and Cash Equivalents - End of the Year</b>  | <u>\$ 156,060,504</u>   | <u>-</u>       |
| <b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (used) by Operating Activities:</b> |                         |                |
| Operating Loss  | \$ (557,232,517)        | -              |
| Adjustments to Reconcile Operating Loss to Net Cash:  |                         |                |
| Depreciation and Amortization Expense   | 108,937,676             | -              |
| Bad Debt Expense  | 213,646                 | -              |
| Changes in Assets and Liabilities:  |                         |                |
| Accounts Receivable   | (16,656,355)            | -              |
| Inventories   | 291,730                 | -              |
| Loans and Contracts   | (1,781,342)             | -              |
| Other Current and Noncurrent Assets   | 442,429                 | -              |
| Accounts Payable  | 13,382,961              | -              |
| Due to System   | 1,094,072               | -              |
| Deferred Revenue  | 35,794,625              | -              |
| Assets Held for Others  | -                       | -              |
| Employees' Compensable Leave  | 3,239,642               | -              |
| Other Current and Noncurrent Liabilities  | (18,138)                | -              |
| Total Adjustments   | <u>144,940,946</u>      | <u>-</u>       |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (412,291,571)</u> | <u>-</u>       |
| <b>Non Cash Transactions</b>  |                         |                |
| Net Increase (Decrease) in Fair Value of Investments  | 154,971,544             | -              |
| Donated Capital Assets  | 26,042,854              | -              |
| Capital Assets Acquired Under Capital Lease Purchases   | 390,183                 | -              |
| Miscellaneous Noncash Transactions  | (8,098,649)             | -              |