

FINANCIAL REPORT

of the

**UNIVERSITY OF NORTH TEXAS
HEALTH SCIENCE CENTER**

FORT WORTH, TEXAS

SCOTT RANSOM, DO, MBA, MPH, President

For the year ended August 31, 2006

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November 1, 2006

Scott Ransom DO, MBA, MPH
President
University of North Texas Health Science Center at Fort Worth
Fort Worth, Texas 76107

Dear Dr. Ransom:

We are pleased to submit the Annual Financial Report of the University of North Texas Health Science Center at Fort Worth for the year ended August 31, 2006, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Rita Frost at 817-735-2596. Rita Frost may be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Steve R. Russell
Executive Vice President of Finance and Administration

Stephen Oeffner
Associate Vice President

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER

Unaudited

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)

Statement of Net Assets

For the Year Ended August 31, 2006

ASSETS	Current Year 2006	Prior Year 2005
Current Assets		
Cash and Cash Equivalents		
Cash on Hand	\$ 14,869.16	\$ 17,591.10
Cash in Bank	427,079.12	3,485,975.71
Reimbursement Due from Treasury	78,591.95	24,355.10
Cash in State Treasury	3,136,251.91	4,481,076.78
Cash Equivalents	29,462,379.84	17,042,694.84
Short Term Investments	-	-
Restricted:		
Cash and Cash Equivalents		
Cash on Hand	-	-
Cash in Bank	(176,898.30)	(2,847,096.35)
Cash in State Treasury	-	-
Cash Equivalents	3,349,248.43	5,630,698.49
Short Term Investments	-	-
Legislative Appropriations	10,370,001.23	8,288,353.90
Receivables from:		
Federal	3,413,469.95	6,766,274.08
Other Intergovernmental	-	-
Interest and Dividends	-	-
Accounts Receivable	18,433,574.39	9,879,496.48
Gifts Receivable	3,312,108.00	842,194.00
Other Receivables	-	-
Due From Other Agencies	2,525,756.30	2,131,682.75
Due From Other Components	34,397.10	15,496.00
Consumable Inventories	384,015.84	441,239.22
Merchandise Inventories	23,427.03	23,462.15
Loans and Contracts	645,011.85	873,354.24
Other Current Assets	52,118.03	64,509.11
Total Current Assets	75,485,401.83	57,161,357.60
Non-Current Assets		
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	-	-
Cash in State Treasury	-	-
Cash Equivalents	-	-
Investments	32,869,049.07	30,810,261.14
Loans and Contracts	3,536,181.27	2,972,711.20
Investments	-	-
Gift Receivables	-	-
Capital Assets:		
Non-Depreciable		
Land and Land Improvements	22,765,255.84	22,324,076.30
Construction in Progress	-	1,304,122.59
Library Books	-	-
Other Capital Assets	169,693.45	169,470.45
Depreciable		
Buildings and Building Improvements	107,501,966.28	104,010,738.67
Less Accumulated Depreciation	(43,137,988.55)	(39,183,788.40)
Infrastructure	-	-
Less Accumulated Depreciation	-	-
Facilities and Other Improvement	1,241,682.86	1,241,682.86
Less Accumulated Depreciation	(897,691.65)	(834,181.65)
Furniture and Equipment	25,706,876.25	23,138,143.12
Less Accumulated Depreciation	(15,807,282.78)	(14,955,393.11)

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	Current Year 2006	Prior Year 2005
Vehicles, Boats and Aircraft	516,729.90	500,340.90
Less Accumulated Depreciation	(420,144.78)	(390,146.04)
Other Capital Assets	15,176,838.80	14,269,290.33
Less Accumulated Depreciation	(9,909,718.76)	(9,294,151.22)
Other Non-Current Assets	-	-
Total Non-Current Assets	139,311,447.20	136,083,177.14
Total Assets	214,796,849.03	193,244,534.74
LIABILITIES		
Current Liabilities		
Payables From:		
Accounts Payable	2,697,623.32	1,147,826.38
Payroll Payable	7,741,202.25	6,290,607.63
Other Payables	811,872.91	867,017.12
Due to Other Funds	-	-
Due to Other Agencies	-	-
(1) Due to Other Components	34,784.81	1,825.00
Deferred Revenues	8,204,297.28	8,158,828.95
Notes and Loans Payable	-	-
Revenue Bonds Payable	2,430,000.00	2,285,000.00
Employees Compensable Leave	402,730.15	318,173.57
Capital Lease Obligations	174,232.85	-
Liabilities Paid from Restricted Assets	-	-
Funds Held for Others	14,094,072.81	8,641,908.06
Other Current Liabilities	-	-
Total Current Liabilities	36,590,816.38	27,711,186.71
Non-Current Liabilities		
Notes and Loans Payable	-	-
(1) Contra-Due To Other Components-CP	18,550,000.00	16,550,000.00
Revenue Bonds Payable	42,395,000.00	45,065,000.00
Employee's Compensable Leave	7,614,356.14	4,962,368.63
Capital Lease Obligations	620,903.89	-
Funds Held for Others	-	-
Other Non-Current Liabilities	70,430.72	92,618.48
Total Non-Current Liabilities	69,250,690.75	66,669,987.11
Total Liabilities	105,841,507.13	94,381,173.82
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	38,948,696.23	38,793,016.26
Restricted for:		
Debt Retirement	-	-
Capital Projects	-	-
Employee Benefits	-	-
Funds Held as Permanent Investments	-	-
Non-Expendable	1,022,427.23	1,337,058.08
Expendable	-	-
Other Restricted	7,383,843.29	9,026,561.43
Unrestricted	61,600,375.15	49,706,725.15
Total Net Assets	108,955,341.90	98,863,360.92
Total Liabilities and Net Assets	\$ 214,796,849.03	\$ 193,244,534.74

(1) Commercial Paper was incorrectly reported as a current liability on the 2005 Statement of Net Assets; it is correctly reported as a non-current liability in 2006 and the prior year balance re-stated as non-current. Amounts reported as Due to Other Components on the 2005 Statement of Net Assets have also been re-stated in 2006 as a contra-liability to non-current notes and loans payable-CP.

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)

Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended August 31, 2006

	Current Year		Prior Year
	2006		2005
OPERATING REVENUES			
Sales of Goods and Services:			
Tuition and Fees - Non-Pledged	\$ 8,151,409.06	\$	6,870,316.90
Tuition and Fees - Pledged	-		544,612.50
Discounts and Allowances	(278,622.44)		(166,129.05)
Professional Fees - Non-Pledged	62,625,789.95		29,897,496.65
Professional Fees - Pledged	-		-
Discounts and Allowances	(200,404.00)		(761,231.46)
Auxiliary Enterprises - Non-Pledged	-		-
Auxiliary Enterprises - Pledged	-		-
Discounts and Allowances	-		-
Other Sales of Goods and Services - Non-Pledged	2,334,192.22		1,407,256.00
Other Sales of Goods and Services - Pledged	-		-
Discounts and Allowances	-		-
Federal Revenue - Operating	18,807,494.24		18,231,243.39
Federal Pass Through Revenue	66,809.93		133,560.71
State Grant Revenue	99,520.24		69,036.77
State Grant Pass Through Revenue	824,707.52		237,433.62
Other Grants and Contracts - Operating	3,043,253.22		3,019,618.30
Other Operating Revenues	54,932.42		56,144.22
Total Operating Revenues	95,529,082.36		59,539,358.55
OPERATING EXPENSES ⁽¹⁾			
Instruction	25,850,531.86		22,966,863.07
Research	20,629,365.87		18,366,040.22
Public Service	3,280,080.36		3,674,634.82
Academic Support	65,584,463.91		36,992,582.90
Student Services	2,145,918.27		1,906,340.56
Institutional Support	15,226,167.38		13,063,930.18
Operations and Maintenance of Plant	7,848,417.61		6,669,702.37
Scholarships and Fellowships	572,209.21		235,913.17
Auxiliary Enterprises	291,550.74		272,626.72
Depreciation	6,699,533.76		6,316,937.80
Total Operating Expenses	148,128,238.97		110,465,571.81
Operating Income (Loss)	(52,599,156.61)		(50,926,213.26)

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	Current Year 2006	Prior Year 2005
NONOPERATING REVENUES (EXPENSES)		
Legislative Appropriations (GR)	48,443,713.00	

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)

Unaudited

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation	2006 Total Expenditures
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,032,329.24	2,661,347.63	8,457.79	193,556.86	-	79,562,063.12
2,764,317.26	523,669.92	380.26	58,526.47	-	18,342,448.04
134,096.17	141,233.57	4,000.00	7,901.03	-	15,914,392.41
-	-	-	-	-	66,235.70
-	-	-	-	-	-
139,933.81	15,483.61	(3,117.19)	-	-	1,169,521.24
1,482,233.22	531,373.04	(1,363.04)	33,783.16	-	9,117,860.43
328,581.35	3,102,791.60	-	-	-	3,683,388.36
257,640.74	283,181.79	-	11,862.84	-	1,670,626.48
203,146.07	105,495.94	(939.17)	48.65	-	1,180,943.88
83,215.27	-	-	2,277.31	-	240,089.66
-	-	-	-	6,699,533.76	6,699,533.76
-	-	-	-	-	2,531,394.16
25.64	-	-	-	-	25.64
-	-	563,692.00	-	-	1,178,098.32
-	-	-	-	-	-
800,648.61	483,840.51	1,098.56	(16,405.58)	-	6,771,617.77
\$ 15,226,167.38	\$ 7,848,417.61	\$ 572,209.21	\$ 291,550.74	\$ 6,699,533.76	\$ 148,128,238.97

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UNIVERSITY OF NORTH TEXAS SYSTEM HEALTH SCIENCE CENTER (763)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2006

	Current Year 2006		Prior Year 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Tuition and Fees	\$ 8,508,771.59	\$	8,805,965.67
Proceeds Received from Customers	52,780,544.93		32,221,592.81
Proceeds from Sponsored Projects	26,194,589.28		16,997,221.30
Proceeds from Loan Programs	211,076.15		-
Proceeds from Auxiliaries	-		-
Proceeds from Other Revenues	54,932.42		1,518,347.36
Payments to Suppliers for Goods and Services	(31,427,025.52)		(22,878,509.14)
Payments to Employees for Salaries and Benefits	(93,717,372.45)		(82,915,674.93)
Payments for Loans Provided	-		-
Payments for Other Expenses	(10,364,724.59)		(5,478,242.19)
Net Cash Provided by Operating Activities	\$ (47,759,208.19)	\$	(51,729,299.12)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from State Appropriations	\$ 55,780,354.24	\$	46,709,519.20
Proceeds from Debt Issuance	-		-
Proceeds from Legislative Transfers	-		1,975,326.00
Proceeds from Gifts	155,108.50		414,254.56
Proceeds from Endowments	-		-
Proceeds of Transfers from Other Agencies	-		-
Proceeds of Transfers from Other Components	13,604.69		-
Proceeds from Other Revenues	3,624,421.13		31,851.40
Proceeds from Other Sources	(82,915,674.93)		(82,915,674.93)

\$Proceeds of Transfers from Other Components 2,000,000

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	Current Year 2006	Prior Year 2005
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	\$ -	\$ -
Proceeds from Interest and Investment Income	3,693,772.99	3,049,341.59
Proceeds from Principal Payments on Loans	-	-
Payments to Acquire Investments	(583,099.41)	(591,422.21)
Net Cash Provided by Investing Activities	\$ 3,110,673.58	\$ 2,457,919.38
 Net Decrease (-) in Cash and Cash Equivalents	\$ 8,456,226.44	\$ (6,430,370.85)
 Cash and Cash Equivalents --September 1, 2005 and 2004	27,835,295.67	34,265,666.52
Restatements to Beginning Cash and Cash Equivalents	-	-
Cash and Cash Equivalents --August 31, 2006 and 2005	\$ 36,291,522.11	\$ 27,835,295.67
 Displayed as:		
Unrestricted Cash and Cash Equivalents (Statement of Net Assets)	\$ 33,119,171.98	\$ 25,051,693.53
Short-term Investments (Statement of Net Assets)	-	-
Restricted Cash and Cash Equivalents (Statement of Net Assets)	3,172,350.13	2,783,602.14
Restricted Short-term Investments (Statement of Net Assets)	-	-
	\$ 36,291,522.11	\$ 27,835,295.67
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income /Loss(-)	\$ (52,599,156.61)	\$ (50,926,213.26)
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	\$ 6,699,533.76	\$ 6,316,937.80
Bad Debt Expense	2,531,394.16	49,443.69
Operating Income and Cash Flow Categories Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(7,937,013.57)	(2,032,315.53)
(Increase) Decrease in Inventories	57,258.50	(87,812.90)
(Increase) Decrease in Loans & Contracts	-	-
(Increase) Decrease in Other Assets	(2,069,256.25)	543,859.64
(Increase) Decrease in Prepaid Expenses	-	-
Increase (Decrease) in Payables	5,659,603.68	(7,085,423.04)
Increase (Decrease) in Due to Other Components	(147,040.19)	(64,940.84)
Increase (Decrease) in Deferred Income	45,468.33	1,557,165.32
Increase (Decrease) in Other Liabilities	-	-
Total Adjustments	4,839,948.42	(803,085.86)
Net Cash Provided by Operating Activities	\$ (47,759,208.19)	\$ (51,729,299.12)
 Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 1,475,688.52	\$ 2,818,108.94
Amortization of Investment Premiums/(Discounts)	\$ -	\$ -
Donation of non-cash investment	\$ -	\$ -

The accompanying Notes to the Combined Financial Statements are an integral part of the financial statements.

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)
Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2006

Pass-Through From:

Texas Higher Education Coordinating Board (Agency 781)	
Advanced Research Grant	\$ 207,200.00
Advanced Technology Grant	(1,174.28)
Family Practice Operational Grant	111,680.37
First General Grants-Big Brother Big Sister (student)	1,000.00
Graduate Medical Education	28,468.00
Texas College Workstudy	5,624.70
	-
Office of the Governor (Agency 300)	<u>471,908.73</u>
Total Pass-Throughs From Other Agencies	<u>\$ 824,707.52</u>
(Statement of Revenues, Expenses, and Changes in Net Assets)	

Pass-Through To:

N/A

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2006

Description of Issue	Bonds Outstanding 09/01/05	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/06	Amounts Due Within One Year
Gen Tuit Rev Bonds, Ser '94	\$ 515,000.00	\$ -	\$ 515,000.00	\$ -	\$ -	\$ -
Rev Fin Sys Bonds, Ser '99	6,965,000.00	-	350,000.00	5,455,000.00	1,160,000.00	370,000.00
Rev Fin Ref & Imp Bonds, Ser '99A	13,020,000.00	-	405,000.00	5,975,000.00	6,640,000.00	965,000.00
Rev Fin Sys Bonds, Ser '02	23,935,000.00	-	1,015,000.00	-	22,920,000.00	1,045,000.00
Rev Fin Sys Ref Bonds, Ser '03A	2,915,000.00	-	-	-	2,915,000.00	-
Rev Fin Sys Bonds, Ser '05	-	11,250,000.00	60,000.00	-	11,190,000.00	50,000.00
Total	\$ 47,350,000.00	\$ 11,250,000.00	\$ 2,345,000.00	\$ 11,430,000.00	\$ 44,825,000.00	\$ 2,430,000.00

*

Footnotes:

* Bonds premiums, discounts and issuance costs were not individually greater than 10% of the par value of the bond issue; therefore, they are not capitalized and amortized over the life of the bonds. They were expensed at the time of the bond issue.

Bonds Payable per Statement of Net Assets

\$ 44,825,000.00

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2006

Description of Issue	Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Bonds, Ser '99	2007	\$ 370,000.00	\$ 59,012.50
	2008	385,000.00	40,512.50
	2009	405,000.00	21,262.50
		1,160,000.00	120,787.50
Rev Fin Ref & Imp Bonds, Ser '99A	2007	965,000.00	344,143.76
	2008	1,020,000.00	295,893.76
	2009	1,070,000.00	244,893.74
	2010	425,000.00	191,393.74
	2011	445,000.00	170,143.75
	2011 - 2016	1,935,000.00	493,350.00
	2017 - 2021	780,000.00	90,812.50
		6,640,000.00	1,830,631.25
Rev Fin Sys Bonds, Ser '02	2007	1,045,000.00	1,029,668.76
	2008	1,080,000.00	998,318.76
	2009	1,115,000.00	961,868.76
	2010	1,155,000.00	922,843.76
	2011	1,195,000.00	880,975.00
	2012 - 2016	6,765,000.00	3,615,143.80
	2017 - 2021	8,571,348.50	4,166,636.78
		29,348,500.00	11,663,636.78

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)

Schedule 2D - Analysis of Funds Available for Debt Service

For the Fiscal Year Ended August 31, 2006

<u>Description of Issue</u>	<u>Pledged and Other Sources and Related Expenditures for FY 2006</u>				
	<u>Total Pledged and Other Sources</u>	<u>Operating Expenses/ Expenditures & Capital Outlay</u>	<u>Debt Service</u>		<u>Refunded or Extinguished</u>
			<u>Principal</u>	<u>Interest *</u>	
Rev Fin Sys Bonds, Ser '99, '99A, '02, '03A & '05	\$ 8,151,409.06	\$ -	\$ 2,345,000.00	\$ 2,236,679.23	\$ -
Total	<u>\$ 8,151,409.06</u>	<u>\$ -</u>	<u>\$ 2,345,000.00</u>	<u>\$ 2,236,679.23</u>	<u>\$ -</u>

* In accordance with State Comptroller reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accrual basis.

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2006

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Rev Fin Sys Bonds, Ser '99	2005	\$ 5,455,000.00
Rev Fin Ref & Imp Bonds, Ser '99A	2005	5,975,000.00
		<hr/>
		<u>\$ 11,430,000.00</u>

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER (763)

Schedule 3 - Reconciliation of Cash in State Treasury

For the Fiscal Year Ended August 31, 2006

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0280	\$ 2,602,350.01	\$ -	\$ 2,602,350.01
Local Revenue Fund 0819	-	533,901.90	533,901.90
Total Cash in State Treasury (Statement of Net Assets)	\$ 2,602,350.01	\$ 533,901.90	\$ 3,136,251.91