

**The University of Texas
Health Center
at Tyler**

UNAUDITED

Financial Statements
(With Detailed Supportive Statements)

Fiscal Year Ended August 31, 2005

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER

FINANCIAL STATEMENTS

(With Detailed Supportive Schedules)

Presented herein are the financial statements with detailed supportive schedules for The University of Texas Health Center at Tyler for the year ended August 31, 2005. These statements and detailed supportive schedules have been prepared in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35 (GASB 35), *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*.

This "detailed internal report" supplements the 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 a historical record of transactions relating to this particular component institution.

The Financial Report for public distribution for The University of Texas System includes the primary statements on a combined, System-wide basis complete with explanatory notes and additional commentaries, graphic data, and other information for the benefit of officials of the University and of the State and Federal governments, and for the interested public at large.

The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report. Furthermore, the State Auditor's forthcoming opinion letter will address the State as a whole, and an opinion will not be particularly expressed on The University of Texas System specifically.

**THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS**

As of August 31, 2005

Officers

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

Members

*Terms Expire February 1, 2005**

Robert A. Estrada
Woody L. Hunt

Dallas
El Paso

Terms Expire February 1, 2007

Rita C. Clements
Judith L. Craven, M.D.
Cyndi Taylor Krier

Dallas
Houston
San Antonio

Terms Expire February 1, 2009

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

Brenham
Houston
Austin

Terms Expire February 1, 2011

Robert B. Rowling

Dallas

*Term continues until a successor is named by the Governor of Texas and confirmed by the Texas State Senate.

THE UNIVERSITY OF TEXAS SYSTEM
SENIOR ADMINISTRATIVE OFFICIALS
As of August 31, 2005

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

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER

**PRINCIPAL ADMINISTRATIVE OFFICERS AND
THE BUSINESS AND FINANCIAL STAFF**

As of August 31, 2005

Kirk A. Calhoun, M.D., President

Rick Hefner, Vice President for Finance and Administration

Kleanthe Caruso, RN, MSN, CNAA, BC, CCHP, Vice President, Patient Care Operations
and Chief Nursing Officer

Steven Brown, M.D., Chief Medical Officer

Anne DeWitt, MSN, RN, Executive Director of Related Health Sciences

Kenwyn Nelson, M.D., Chief of Staff

Steven Idell, M.D., Vice President for Research

Martha Whitehead, Senior Vice President for Compliance and University Affairs

Vernon H. Moore, III, Controller

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER
EXHIBIT A - BALANCE SHEET
As of August 31, 2005

	Educational and General	Designated	Auxiliary Enterprises	Restricted Expendable
ASSETS				
Current Assets:				
Cash & Cash Equivalents	\$ 1,278,579	2,897,791	80,798	
Restricted Cash & Cash Equivalents		297,053		9,672,300
Balance in State Appropriations	385,045			
Accounts Receivable, Net:				
Federal (allowances of \$0 in '05 & \$0 in '04)				1,618,809
Other Intergov. (allowances of \$0 in '05 & \$0 in '04)		308,810		
Patient (allow. of \$21,859,984 in '05 & \$50,288,007 in '04)	4,839,882	1,312,638		
Other (allowances of \$0 in '05 & \$0 in '04)	54,780	297,256		
Due From Other Funds				148,952
Due From System Administration		333,929		
Due From Other Agencies				1,004
Inventories	2,044,660		78,055	
Other Current Assets	1,003,111	28,750	17,000	
Total Current Assets	<u>9,606,057</u>	<u>5,476,227</u>	<u>175,853</u>	<u>11,441,065</u>
Noncurrent Assets:				
Restricted:				
Funds Held by System Administration				
Funds Held by System - Permanent Health Fund				
Contributions Rec. (allowances of \$0 in '05 & \$0 in '04)				482,982
Investments	4,953,678	4,000,000		
Capital Assets				
Less Accumulated Depreciation				
Total Noncurrent Assets	<u>4,953,678</u>	<u>4,000,000</u>		<u>482,982</u>
TOTAL ASSETS	<u>\$ 14,559,735</u>	<u>9,476,227</u>	<u>175,853</u>	<u>11,924,047</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 8,586,031	2,235,955	30,949	
Due to Other Funds				
Due to System Administration	843,564			
Deferred Revenue				
Employees' Compensable Leave-Current Portion	1,629,666	453,527	5,034	1,553,913
Payable From Restricted Assets				
Total Current Liabilities	<u>11,259,261</u>	<u>2,689,482</u>	<u>35,983</u>	<u>818,719</u>
Noncurrent Liabilities:				
Employees' Compensable Leave	1,437,807	356,318	3,768	
Liability to Beneficiaries-Held by System				
Total Noncurrent Liabilities	<u>1,437,807</u>	<u>356,318</u>	<u>3,768</u>	
TOTAL LIABILITIES	<u>12,697,068</u>	<u>3,045,800</u>	<u>39,751</u>	<u>2,372,632</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt				
Restricted for:				
Nonexpendable				
Perm. Health, True & Term Endowments, & Annuities				
Expendable				
Capital Projects				
Funds Functioning as Endowment - Restricted				
Other Expendable				
Unrestricted		297,053		9,551,415
TOTAL NET ASSETS	<u>1,862,667</u>	<u>6,133,374</u>	<u>136,102</u>	<u>9,551,415</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,559,735</u>	<u>9,476,227</u>	<u>175,853</u>	<u>11,924,047</u>

Annuity, Life, Endowment and Similar Funds	Unexpended Plant	Investment in Plant	Current Year Totals	Prior Year Totals
	38,825		4,293,793	9,855,391
			9,989,353	6,425,019
			385,045	249,295
			1,818,809	546,605
			308,810	191,965
			6,152,520	6,705,141
			500,988	978,256
	4,630,119		4,965,052	588,318
				199,785
			2,122,715	2,681,997
			1,048,861	1,368,339
	<u>4,666,744</u>		<u>31,365,946</u>	<u>38,112,219</u>
8,617,321			8,617,321	7,462,591
28,228,575			28,228,575	24,830,000
			482,982	
			8,953,678	8,965,149
		140,350,776	140,350,776	128,371,030
		(62,883,360)	(62,883,360)	(56,701,832)
<u>36,845,896</u>		<u>77,467,416</u>	<u>123,749,972</u>	<u>112,928,938</u>
<u>36,845,896</u>	<u>4,666,744</u>	<u>77,467,416</u>	<u>155,115,918</u>	<u>151,039,157</u>
	858,873		11,711,808	14,568,790
				588,318
			843,564	810,193
			1,553,913	1,075,743
			2,288,227	545,832
			818,719	477,121
	<u>858,873</u>		<u>17,216,231</u>	<u>18,065,797</u>
			1,797,893	3,885,031
<u>305,080</u>			<u>305,080</u>	<u>313,620</u>
<u>305,080</u>			<u>2,102,973</u>	<u>4,198,651</u>
<u>305,080</u>	<u>858,873</u>		<u>19,319,204</u>	<u>22,264,448</u>
		77,467,416	77,467,416	71,668,198
<u>35,604,970</u>			<u>35,604,970</u>	<u>31,154,243</u>
	2,034,865		2,034,865	5,811,599
679,809			679,809	599,097
			9,848,468	5,556,357
256,037	1,773,006		10,161,186	13,984,215
<u>36,540,818</u>	<u>3,807,871</u>	<u>77,467,416</u>	<u>135,796,714</u>	<u>128,774,709</u>
<u>36,845,896</u>	<u>4,666,744</u>	<u>77,467,416</u>	<u>155,115,918</u>	<u>151,039,157</u>

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER
 EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 As of August 31, 2005

	Educational and General	Designated	Auxiliary Enterprises	Restricted Expendable
Operating Revenues:				
Federal Sponsored Programs	\$ 1,120,200			4,445,518
Federal Sponsored Programs Pass-Through from Other St. Agencies	168,354			1,195,374
State Sponsored Programs				48,664
State Sponsored Programs Pass-Through from Other St. Agencies	838	650,000		339,925
Local Sponsored Programs		5,822,144		
Private Sponsored Programs	151,248			
Sales and Services of Educational Activities				1,200,366
Discounts and Allowances (none)		2,014,109		
Sales and Services of Hospitals				
Discounts and Allowances	166,312,991			
Professional Fees	(118,892,199)			
Discounts and Allowances		41,274,711		
Auxiliary Enterprises		(30,021,032)		
Discounts and Allowances			950,092	
Other Operating Revenues			(404,099)	
Total Operating Revenues	<u>610,771</u>	<u>318,607</u>	<u>545,993</u>	<u>35,978</u>
	49,472,203	20,058,539	545,993	7,265,825
Operating Expenses:				
Instruction				
Research	4,449,233	1,003,960		3,110,452
Hospitals and Clinics	3,522,545	2,052,294		4,132,026
Institutional Support	64,447,522	18,484,219		391,509
Operations and Maintenance of Plant	7,628,022	2,188,035		385,113
Auxiliary Enterprises	5,710,277	50,115		127,421
Depreciation and Amortization			1,166,612	
Total Operating Expenses	<u>85,757,599</u>	<u>23,758,623</u>	<u>1,166,612</u>	<u>8,146,521</u>
Operating Loss	<u>(36,285,396)</u>	<u>(3,700,084)</u>	<u>(620,619)</u>	<u>(880,696)</u>
Nonoperating Revenues (Expenses):				
State Appropriations	34,714,835			
Gift Contributions for Operations				
Net Investment Income		700	1,800	5,146,843
Net Increase (Decrease) in Fair Value of Investments	351,351	2,850,039		173,458
Gain/(Loss) on Sale of Capital Assets	(11,472)	3,798		155,311
Other Nonoperating Revenues				
Other Nonoperating Expenses				
Net Nonoperating Revenues (Expenses)	<u>35,054,714</u>	<u>2,854,537</u>	<u>1,800</u>	<u>5,475,612</u>
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	(1,230,682)	(1,045,547)	(618,819)	4,594,916
Gifts and Sponsored Programs for Capital Acquisitions				749,215
Additions to Permanent Endowments				
Reclass from / (to) Other Institutions				
Capital Asset Purchases	(652,628)	(114,584)	(20,641)	(749,215)
Balance Sheet Transactions Between Funds	33,154		8,018	
Transfers Between Institutions & System-Debt Service-Mandatory	(1,287,324)			
Transfers Between Institutions & System Admin. - Nonmandatory	(15,000)	314,412		
Transfers From Other State Agencies	33,418,608			
Transfers to Other State Agencies	(31,836,425)			
Transfers Between Funds	(1,805,222)	146,434	197,922	(599,858)
Change in Net Assets	<u>(3,375,518)</u>	<u>(699,285)</u>	<u>(433,520)</u>	<u>3,995,058</u>
Beginning Net Assets - As Previously Reported	8,687,717	7,129,867	569,622	5,556,357
Restatements	(1,449,531)	(155)		
Beginning Net Assets - As Restated	<u>5,238,186</u>	<u>7,129,712</u>	<u>569,622</u>	<u>5,556,357</u>
Ending Net Assets	<u>\$ 1,862,667</u>	<u>6,430,427</u>	<u>136,102</u>	<u>9,551,415</u>

Annuity, Life, Endowment and Similar Funds	Unexpended Plant	Investment in Plant	Current Year Totals	Prior Year Totals
			5,565,718	2,884,204
			1,383,728	1,835,446
			48,684	86,347
			990,703	975,481
			5,822,144	4,667,764
			1,351,614	1,030,604
			2,014,109	3,145,660
			166,312,991	174,350,160
			(118,892,199)	(123,394,298)
			41,274,711	38,785,562
			(30,021,032)	(25,665,547)
			950,092	1,412,928
			(404,099)	(461,594)
			965,358	1,268,368
			77,342,560	80,921,085
			8,563,645	6,508,441
			9,706,865	7,939,952
			83,303,250	85,118,146
			10,201,170	10,448,708
	216,873		5,104,688	5,128,799
			1,166,612	1,003,464
		7,668,576	7,668,576	7,038,751
	216,873	7,668,576	126,714,804	123,186,261
	(216,873)	(7,668,576)	(49,372,244)	(42,265,176)
			34,714,835	37,467,516
			5,149,343	2,036,122
24,818	68,227		3,267,893	2,672,070
4,330,071			4,477,708	2,783,458
		(37,983)	(37,983)	(1,240,213)
				244,785
				(10,000)
4,354,889	68,227	(37,983)	47,571,796	43,953,738
4,354,889	(148,646)	(7,706,559)	(1,800,448)	1,688,562
	31,000	47	780,262	2,115,912
141,314			141,314	297,825
	4,087,060		4,087,060	(5,629,470)
	(12,008,834)	13,545,902		
		(41,172)		
	(57,492)		(1,344,816)	(1,229,778)
	3,277,038		3,576,450	14,677,767
			33,418,608	27,814,066
			(31,836,425)	(27,814,066)
65,642	1,995,082			
4,581,845	(2,824,792)	5,798,218	7,022,005	11,920,818
32,292,591	6,632,663	72,220,388	131,089,203	117,032,906
(313,620)		(551,188)	(2,314,494)	(179,015)
31,978,971	6,632,663	71,669,198	128,774,709	116,853,891
36,540,816	3,807,871	77,467,416	135,796,714	128,774,709

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS
As of August 31, 2005

	Current Year Totals	Prior Year Totals
Cash Flows from Operating Activities:		
Proceeds from Patients and Customers	\$ 59,185,952	64,387,872
Proceeds from Sponsored Programs	14,713,850	12,349,123
Proceeds from Auxiliaries	755,651	921,701
Proceeds from Other Revenues	3,328,097	3,214,652
Payments to Suppliers	(44,779,930)	(40,227,616)
Payments to Employees	(76,427,910)	(75,234,483)
Payments for Other Expenses	(81,637)	(184,239)
Net Cash Provided (Used) by Operating Activities	<u>(43,305,927)</u>	<u>(34,772,990)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	34,579,085	37,329,527
Proceeds from Operating Gifts	4,666,361	2,036,122
Proceeds from Private Gifts for Endowment and Annuity Life Purposes	141,314	297,825
Proceeds from Other Nonoperating Revenues		244,785
Payments/Receipts for Transfers to/from System or Oth. Agencies	2,051,397	2,360,093
Payments for Other Uses		(10,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>41,438,157</u>	<u>42,258,352</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Debt Transferred from System (nonmandatory)	10,750,519	10,323,494
Proceeds from Capital Appropriations, Grants and Gifts	780,215	2,115,912
Proceeds from Sale of Capital Assets	41,172	3,100
Payments for Additions to Capital Assets	(13,571,429)	(18,111,732)
Payments of Principal on Capital Related Debt		(93,500)
Mandatory Transfers to System for Capital Related Debt	(1,344,816)	(1,229,778)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(3,344,339)</u>	<u>(6,992,504)</u>
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	382,932	141,516
Proceeds from Interest and Investment Income Held by System	2,876,039	2,843,816
Payments to Acquire Investments Held by System	(84,126)	(650,659)
Net Cash Provided (Used) by Investing Activities	<u>3,194,845</u>	<u>2,334,673</u>
Net Increase (Decrease) in Cash	<u>(2,017,264)</u>	<u>2,827,531</u>
Cash & Cash Equivalents - Beginning of the Year	16,280,410	13,430,834
Restatements to Beginning Cash and Cash Equivalents		22,045
Cash & Cash Equivalents - End of the Year	<u>\$ 14,263,146</u>	<u>16,280,410</u>
Reconciliation of Net Operating Revenues (Expenses) to		
Net Cash Provided (Used) by Operating Activities:		
Operating Loss	\$ (49,372,244)	(42,265,176)
Adjustments to Reconcile Operating Loss to Net Cash:		
Depreciation and Amortization Expense	7,668,579	6,487,563
Op. Income & Cash Flow Categories Classification Differences		2,000,874
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(222,309)	(704,399)
(Increase) Decrease in Inventories	559,282	(8,266)
(Increase) Decrease in Other Assets	320,478	(1,264,143)
Increase (Decrease) in Payables	(2,426,708)	(53,262)
Increase (Decrease) in Due to System	33,371	(38,122)
Increase (Decrease) in Deferred Income	478,170	605,380
Increase (Decrease) in Compensated Absence Liability	(344,543)	481,792
Increase (Decrease) in Other Liabilities		(15,231)
Total Adjustments	<u>6,066,317</u>	<u>7,492,166</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (43,305,927)</u>	<u>(34,772,990)</u>
Noncash Transactions		
Net Increase (Decrease) in Fair Value of Investments	4,477,708	2,783,458
Donated Capital Assets		

UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER

EXHIBIT D - COMPARISON OF BUDGET TO ACTUAL STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

For the Year Ended August 31, 2005

	Projected Exhibit B	Actual
OPERATING REVENUES:		
Net Tuition and Fees	\$	-
Federal Sponsored Programs	5,805,732	6,929,446
State Sponsored Programs	452,677	1,039,427
Local and Private Sponsored Programs	1,680,380	7,173,758
Net Sales and Services of Educational Activities	2,893,417	2,014,109
Net Sales and Services of Hospitals and Clinics	53,840,361	47,420,792
Net Professional Fees	14,299,464	11,253,679
Net Auxiliary Enterprises	893,748	545,993
Other Operating Revenues	3,661,277	965,356
Total Operating Revenues	83,527,056	77,342,560
OPERATING EXPENSES:		
Instruction	8,919,114	8,563,645
Research	12,003,951	9,706,865
Public Service		-
Hospitals and Clinics	82,262,552	83,303,250
Academic Support		-
Student Services		-
Institutional Support	8,888,834	10,201,170
Operations and Maintenance of Plant	7,894,755	6,104,686
Scholarships and Fellowships		-
Auxiliary Enterprises	852,071	1,166,612
Depreciation and Amortization	3,984,060	7,668,576
Total Operating Expenses	124,805,337	126,714,804
Operating Income (Loss)	(41,278,281)	(49,372,244)
NONOPERATING REVENUES (EXPENSES):		
State Appropriations	35,891,251	34,714,835
Gifts in Support of Operations	469,490	5,149,343
Net Investment Income	2,553,404	3,267,893
Net Increase (Decrease) in Fair Value of Investments		4,477,708
Interest Expense (System & Pan Am Use Only)		-
Other	1,000,000	(37,983)
Net Nonoperating Revenues (Expenses)	39,914,145	47,571,796
TRANSFERS AND OTHER:		
Capital Appropriations, Gifts and Sponsored Programs		780,262
Additions to Permanent Endowments	219,150	141,314
Transfers for Debt Service	(1,745,578)	(1,344,816)
Transfers and Other		9,245,693
Total Transfers and Other	(1,526,428)	8,822,453
Change in Net Assets	\$ (2,890,564)	7,022,005