

COMBINED FINANCIAL REPORT

of the

**UNIVERSITY OF NORTH TEXAS
SYSTEM**

DENTON, TEXAS

Lee Jackson, Chancellor

For the year ended August 31, 2006

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UNIVERSITY OF TEXAS SYSTEM



UNIVERSITY OF NORTH TEXAS SYSTEM

ORGANIZATIONAL DATA

August 31, 2006

BOARD OF REGENTS

Marjorie Craft(Term expires 5-22-07)Desoto
Burle Pettit(Term expires 5-22-07)Lubbock
John Robert “Bobby” Ray(Term expires 5-22-07)Plano

Rice Tilley(Term expires 5-22-09)Fort Worth
Gayle Strange(Term expires 5-22-09)Denton
Robert A. Nickell(Term expires 5-22-09)Dallas

Charles Mitchell.....(Term expires 5-22-11)Mesquite
C. Dan Smith(Term expires 5-22-11)Plano
Al Silva.....(Term expires 5-22-11)San Antonio

OFFICERS OF THE BOARD

John Robert “Bobby” Ray Chairman
Gayle Strange Vice Chairman
Jana Dean Secretary

ADMINISTRATIVE OFFICERS

Lee JacksonChancellor
Phillip C. Diebel Vice Chancellor for Finance
Virginia E. Anderson..... System Controller

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UNIVERSITY OF NORTH TEXAS SYSTEM (794) Management's Discussion and Analysis For the Year Ended August 31, 2006

Introduction

This section of the report represents management's discussion and analysis of the financial performance of the University of North Texas System (the System). It provides an overview of the System's financial activities for the fiscal year ended August 31, 2006 as compared to the prior fiscal year. The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements and note disclosures.

The University of North Texas System (UNT System) was created by the 76th Legislature, and legislative funding was provided for the fiscal year beginning September 1, 1999. The UNT System is currently comprised of three components funded by the Legislature: the University of North Texas System Administration, the University of North Texas, and the University of North Texas Health Science Center (HSC) at Fort Worth. The UNT System components are agencies of the State of Texas.

Legislative appropriations for the University of North Texas System Administration in the 2006-2007 biennium included funding for the University of North Texas System Center at Dallas. Governor Rick Perry signed into law the creation of the University of North Texas at Dallas in May of 2001. The UNT System Center at Dallas will become the University of North Texas at Dallas when full-time equivalent enrollment at UNT-Dallas reaches 1,000. Full-time equivalent enrollment at the UNT Dallas System Center was 617 in the 2006 fall semester.

This report is prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements and the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies. The Combined System financial records comply with state statutes and regulations.

Financial Highlights

The 2006 fall semester headcount enrollment at the University, the UNT System Center at Dallas, and the HSC continued to increase compared to the previous fall semester (increases of approximately 4.2% at the University, 10.4% at the System Center at Dallas, and 7.6% at the HSC). Even with the increasing enrollment, the System was able to meet the instructional and service needs of its students.

Approximately \$10.9 million in cash contributions, non-cash capital donations, and pledged gifts were recognized as revenue in the System during the 2006 fiscal year.

Additional commercial paper was sold during FY 2006. The outstanding balance at August 31, 2006 is \$26,104,000 with interest rates of 3.54%, 3.60% and 3.48%.

For additional information about the commercial paper program, see Note 5 in the Notes to the Combined Financial Statements.

Overview of the Financial Statements and Financial Analysis

The System's combined financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. This report has been prepared in accordance with the GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis—for Public College and Universities, GASB Statement No. 37, Basic Financial Statements

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Unrestricted net assets represent funds that have not been designated for specific purposes by external parties; however, the System's administration has committed most of these funds to meet institutional initiatives and for future operating budgets related to academic programs, special activities, and capital projects. In addition, the Permanent Health Fund endowment of \$27 million at the HSC established in 1999 from tobacco-related litigation funds received from the State is also included in unrestricted net assets at August 31, 2006, since the State is not considered an external source for financial reporting purposes. The statute governing these funds does restrict the corpus and requires that it remain in perpetuity. The earnings from this endowment are required to be utilized for public health activities.

Statement of Revenues, Expenses, and Changes in Net Assets

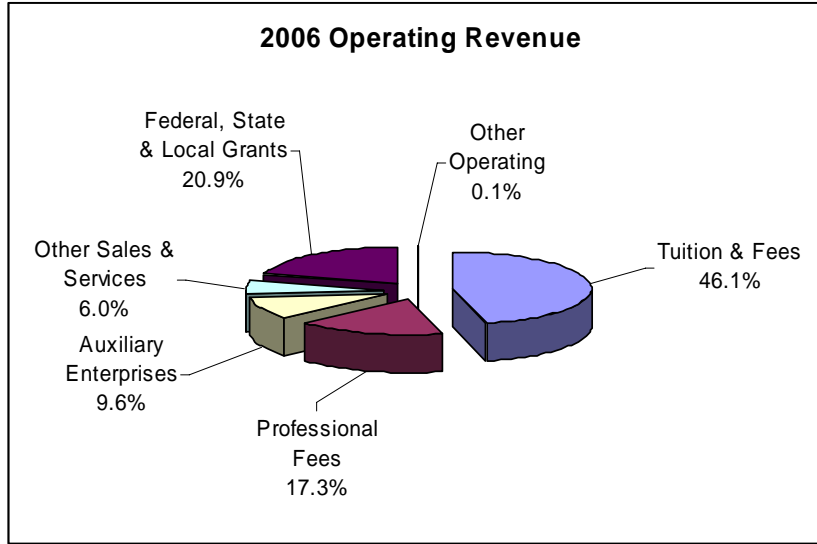
The Statement of Revenues, Expenses, and Changes in Net Assets reports the System's operations for the fiscal year. Revenues are reported by major source and expenses are reported on the face of the statement by the National Association of College and University Business Officers' functional (programmatic) categories. A matrix immediately follows the statement showing the expenses by natural classifications. Both revenues and expenses on the statement are reported as either operating or nonoperating. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the primary mission of the System. Nonoperating activities are those activities not related to the provision of goods or services to customers. Examples of nonoperating items include the revenue appropriated to the System by the State Legislature and revenue and expenses related to capital financing and investing activities.

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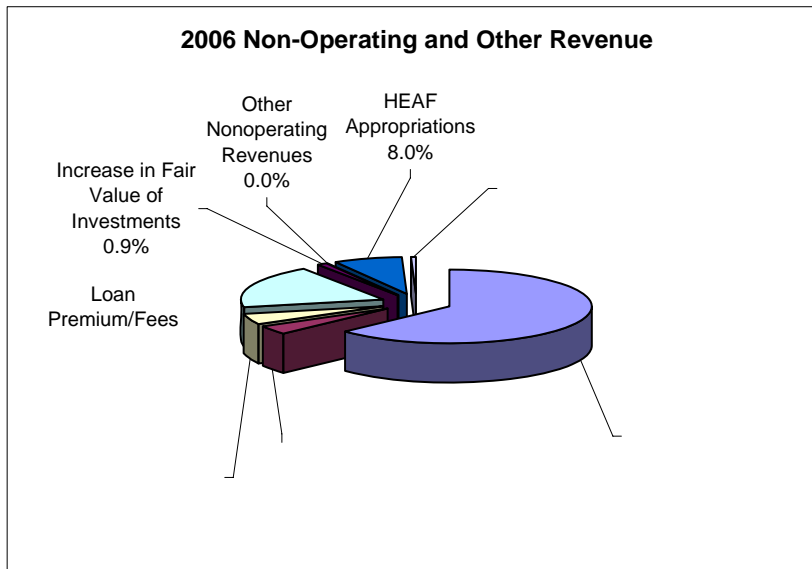
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Management's Discussion and Analysis
For the Year Ended August 31, 2006**

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Management's Discussion and Analysis
For the Year Ended August 31, 2006



State appropriations, which represent the largest percentage of other nonoperating revenues increased by 9 percent in the first year of the 2006-2007 biennium. Other nonoperating revenues such as gift income are fairly consistent with the prior fiscal year.

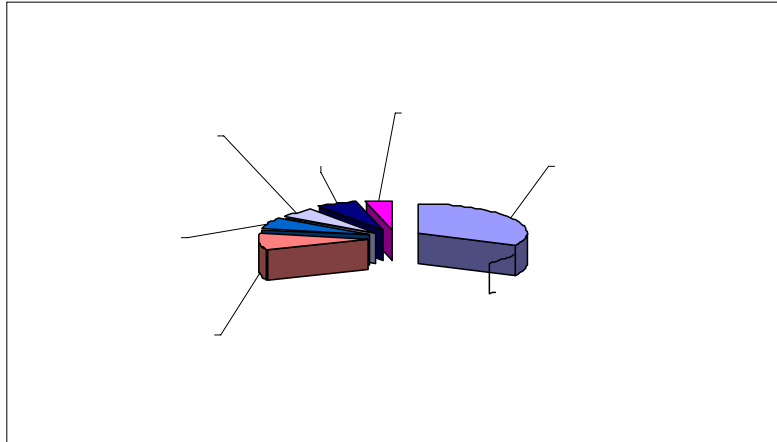


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For the Year Ended August 31, 2006**

The System's operating expenses reflect an 11.0% increase during the fiscal year primarily as a result of state-mandated salary and longevity increases, higher medical insurance premium costs, and larger student enrollments. Additionally, with the increase in capital assets, there was a corresponding increase in depreciation expense.

The first table below shows the percentage of each NACUBO functional (programmatic) operating expense classification of total operating expenses. The second table shows the percentages of each type of operating expense based on a natural classification.



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For the Year Ended August 31, 2006**

section reports cash flows from investing activities and shows the purchases, proceeds, and interest received from investing. The fifth section is a reconciliation of the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. The table below is a condensed Combined System Statement of Cash Flows.

Comparative Statement of Cash Flows			
(\$ in millions)			
	<u>2006</u>	<u>2005</u>	%
			<u>Inc.(Dec.)</u>
Cash Provided (Used) by:			
Operating Activities	(149.5)	\$(129.7)	
Noncapital Financing Activities	186.4	178.0	
Capital and Related Financing Activities	(14.3)	(26.5)	
Investing Activities	<u>(28.6)</u>	<u>(3.7)</u>	
Net Change in Cash & Cash Equivalents	(6.0)	18.1	(133.0%)
Cash & Cash Equivalents, Begin. of Year	166.1	148.0	
Restatement to Beginning Cash & Cash Equivalents Balance	<u>0</u>	<u>0</u>	
Cash & Cash Equivalents, End of Year	<u>160.1</u>	<u>\$ 166.1</u>	<u>(3.61%)</u>

It is important to note that state appropriations provide a significant portion of the cash used to fund operating activities related to academic programs, the administration of the System, and the debt service on tuition revenue bonds. The appropriations, however, are reported in the noncapital financing activities section of the Statement of Cash Flows in accordance with GASB Statement No. 35 guidelines.

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Management's Discussion and Analysis
For the Year Ended August 31, 2006**

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Management's Discussion and Analysis
For the Year Ended August 31, 2006**

The System is not currently aware of any facts or conditions that are expect

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Combined 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	\$ 129,494.85	\$ 98,875.41
Cash in Bank	(8,839,913.17)	106,569.40
Reimbursement Due from Treasury	13,124,389.80	12,220,011.75
Cash in State Treasury	23,550,358.36	22,452,944.90
Cash Equivalents	123,337,535.40	124,396,796.41
Short Term Investments	281,992.31	44,298,998.96
Restricted:		
Cash and Cash Equivalents		
Cash on Hand	5,434.60	1,274.74
Cash in Bank	(237,710.73)	(3,083,278.48)
Cash in State Treasury	-	-
Cash Equivalents	9,029,087.45	9,907,511.12
Short Term Investments	6,830,000.00	2,189,012.59
Legislative Appropriations	46,012,671.84	35,257,773.04
Receivables from:		
Federal	13,585,553.85	11,650,001.98
Other Intergovernmental	299,082.41	249,300.86
Interest and Dividends	2,021,304.90	1,023,156.87
Accounts Receivable	42,835,354.54	32,570,342.52
Gifts Receivable	3,774,981.18	1,127,493.59
Other Receivables	-	-
Due From Other Agencies	2,660,392.30	2,456,288.07
Due From Other Components	-	-
Consumable Inventories	2,044,884.98	2,086,919.42
Merchandise Inventories	704,726.08	1,122,238.97
Loans and Contracts	7,223,109.51	6,949,783.23
Other Current Assets	13,059,307.71	19,273,466.50
Total Current Assets	301,432,038.17	326,355,481.85
Non-Current Assets		
Restricted:		
Cash and Cash Equivalents		
Cash in Bank	-	-
Cash in State Treasury	-	-
Cash Equivalents	-	-
Investments	55,301,532.87	47,657,319.63
Loans and Contracts	5,260,892.26	4,576,123.04
Investments	125,183,068.70	37,660,173.66
Gift Receivables	3,313,819.52	1,679,251.32
Capital Assets:		
Non-Depreciable		
Land and Land Improvements	59,976,127.87	59,346,451.43
Construction in Progress	27,409,435.09	32,303,906.53
Library Books	-	22,161,704.10
Other Capital Assets	23,206,859.49	965,512.39
Depreciable		
Buildings and Building Improvements	494,712,389.87	460,073,542.25
Less Accumulated Depreciation	(241,777,196.56)	(230,474,268.87)
Infrastructure	7,789,073.21	7,789,073.21
Less Accumulated Depreciation	(7,443,004.47)	(7,080,988.95)
Facilities and Other Improvement	13,731,791.33	11,303,544.37
Less Accumulated Depreciation	(7,741,739.09)	(7,398,894.97)
Furniture and Equipment	102,369,977.83	96,544,275.46
Less Accumulated Depreciation	(65,762,075.41)	(61,854,423.46)

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	Current Year 2006	Prior Year 2005
Vehicles, Boats and Aircraft	6,754,267.79	6,559,713.75

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended August 31, 2006

	Current Year 2006	Prior Year 2005
OPERATING REVENUES		
Sales of Goods and Services:		
Tuition and Fees - Non-Pledged	\$ 72,372,435.36	\$ 67,243,867.48
Tuition and Fees - Pledged	119,246,536.91	109,254,989.39
Discounts and Allowances	(24,924,669.83)	(19,330,131.87)
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	1,289,193.88	1,393,915.32
Auxiliary Enterprises - Pledged	33,621,034.87	31,598,371.37
Discounts and Allowances	(87,287.92)	(102,147.29)
Other Sales of Goods and Services - Non-Pledged	21,674,752.34	18,684,797.08
Other Sales of Goods and Services - Pledged	-	-
Discounts and Allowances	-	-
Federal Revenue - Operating	54,127,005.21	53,825,764.63
Federal Pass Through Revenue	2,165,004.14	1,475,201.69
State Grant Revenue	912,497.30	947,181.91
State Grant Pass Through Revenue	10,715,913.69	8,136,406.83
Other Grants and Contracts - Operating	7,652,392.21	4,612,745.57
Other Operating Revenues	216,244.80	598,553.24
Total Operating Revenues	361,406,438.91	307,475,780.54
OPERATING EXPENSES ⁽¹⁾		
Instruction	167,506,303.09	159,826,792.98
Research	32,288,570.32	31,019,939.38
Public9399 04-1.3ue	107,488,913.69	107,488,913.69
Research 1994875,780.54Loss 67S 990,042.46	199,487,780.54	199,487,780.54

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Note 1: Combined Matrix of Operating Expenses Reported by Function
For the Fiscal Year Ended August 31, 2006

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ 5,684.54	\$ -	\$ -	\$ 148,844.74	\$ 9,536.90
Salaries and Wages	119,129,195.89	17,491,382.63	5,587,422.22	55,534,095.50	21,591,466.83
Payroll Related Costs	29,456,282.64	2,451,382.42	1,090,968.07	12,654,273.05	4,069,240.07
Professional Fees & Svcs	1,195,536.02	3,104,816.57	841,496.33	12,939,043.93	573,535.41
Federal Pass-Thru Expense	54,974.08	199,480.13	38,575.01	-	-
State Grant Pass-Thru Exp	-	-	-	-	-
Travel	1,246,530.97	624,500.39	302,192.39	15,827	38,575.01

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Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation	2006 Total Expenditures
\$ 647,322.70	\$ 252,937.60	\$ -	\$ (2,462.19)	\$ -	\$ 1,061,864.29
24,072,110.88	9,354,371.61	266,009.32	13,212,557.25	-	266,238,612.13
8,453,267.60	2,711,106.62	43,778.83	3,861,637.41	-	64,791,936.71
1,948,008.32	947,015.12	12,596.50	234,482.56	-	21,796,530.76
-	-	-	-	-	293,029.22
-	-	-	-	-	-
536,389.57	40,269.77	7,420.69	59,312.86	-	6,929,949.61
4,145,209.82	3,190,226.11	41,882.95	5,456,803.31	-	38,935,673.76
(273,298.74)	12,218,145.89	100.00	5,217,410.37	-	20,219,185.21
2,297,425.69	4,293,643.23	8,965.08	1,282,568.68	-	11,258,107.76
764,511.60	178,093.05	1,087.64	554,202.45	-	7,028,215.01
875,632.34	18,948.24	11,682.40	361,213.68	-	3,614,996.96
-	-	-	-	20,472,951.55	20,472,951.55
896,292.69	-	-	357,344.96	-	3,817,270.30
(859.62)	-	-	-	-	(859.62)
-	-	28,879,026.42	-	-	30,872,088.39
-	-	-	-	-	-
3,831,909.19	1,224,423.62	(69,903.59)	1,155,021.80	-	24,066,929.33
48,193,922.04					

<u>Permanently Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
\$ -	\$ 365,768	\$ 341,271
-	39,945	35,067
-	12,720	13,220
-	6,113	5,013
-	7,729	9,980
-	4,019	2,626
-	6,398	5,658
-	12,459	9,989
-	7,089	7,205
<u>-</u>	<u>462,240</u>	<u>430,029</u>
<u>-</u>	<u>5,912,065</u>	<u>3,936,134</u>
1,205,844	1,097,796	4,833,671
<u>34,701,941</u>	<u>49,028,544</u>	<u>44,194,873</u>
<u>\$35,907,785</u>	<u>\$50,126,340</u>	<u>\$49,028,544</u>

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Combined Statement of Cash Flows
For the Fiscal Year Ended August 31, 2006

	<u>Current Year 2006</u>		<u>Prior Year 2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Tuition and Fees	\$ 174,021,803.03	\$	168,671,335.76

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**UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006**

Note 1: Summary of Significant Accounting Policies

General Introduction

The University of North Texas is the fourth-largest university in Texas and defines itself as a metropolitan research university and is viewed as a leader among its peers in the United States for its diverse degree programs, quality research and creative activities, leadership in the Coalition

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**UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006**

Basis of Accounting

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Restricted Net Assets

When both restricted and unrestricted net assets are available for use, restricted resources are used first, and then unrestricted resources are used as they are needed.

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**UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006**

Restricted Net Assets

Restricted Net Assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted Net Assets consist of net assets which do not meet the definition of the two preceding

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006**

Investments

The University of North Texas System's investment portfolio is invested pursuant to Section 51.0032, Education Code and Chapter 2256, Government Code, the Public Funds Investment Act (PFIA) and UMIFA Chapter 163, Property Code. Under the PFIA the University of North Texas' governing board is required to adopt a written investment policy and strategy, review the policy and strategy not less than annually, appoint an investment office, and adopt internal controls to safeguard the University's funds. Chapter 2257, Government Code, The Public Funds Collateral Act set the standard for collateralization of public funds in Texas.

As of August 31, 2006, the carrying values of investments are presented below. The fair value is equivalent to the carrying value.

Business-Type Activities	Carrying Value
U.S. Government	
U.S. Treasury Securities	\$1,125,739.25
U.S. Treasury Strips	
U.S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	112,349,756.73
U. S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	204,316.99
Certificate of Deposit	28,747.66
Corporate Obligations	9,618,409.64
Corporate Asset and Mortgage Backed Securities	
Equity	4,192,251.53
Endowment Funds- collective	20,844,547.75
International Obligations (Govt. and Corp.)	81,054.38
International Equity	581,266.54
Repurchase Agreement	10,349,398.21
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	
Fixed Income Money Market and Bond Mutual Fund	16,697,728.69

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AUGUST 31, 2006**

Discrete Component Unit	Fair Value
U.S. Government	
U.S. Treasury Securities	
U.S. Treasury Strips	
U.S. Treasury TIPS	
U. S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	
U. S. government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	
Certificate of Deposit	
Corporate Obligations	\$23,221,067
Corporate Asset and Mortgage Backed Securities	
Equity	12,828,874
Endowment Funds- collective	
International Obligations (Govt. and Corp.)	
International Equity	
Repurchase Agreement	
Repurchase Agreement (Texas Treasury Safekeeping Trust Co.)	
Fixed Income Money Market and Bond Mutual Fund	7,033,584
Other Commingled Funds	
Other Commingled Funds (Texpool)	
Commercial Paper	
Securities Lending Collateral Investment Pool	
Real Estate	
Misc (alternative investments, limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	

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AUGUST 31, 2006**

Standard and Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	B	CCC	Unrated
05	0001	U.S. Government Agency Obligations	112,149,591						551,100
		U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co.)	204,317						
		Corporate Obligations	5,879,338	2,939,100	30,684	299,571	414,270		55,446
		Corporate Asset and Mortgage Backed Securities							
		International Obligations				43,054	38,001		
		Repurchase Agreement	10,349,398						
		Fixed Income Money Market and Bond							
		Mutu1r0286nd Bond							

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2006 the following changes occurred in long-term liabilities:

Business-Type Activities	Balance 09-01-05	Additions	Reductions	Balance 08-31-06	Amounts Due Within One Year
Notes & Loans Payable	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Revenue Bonds Payable	193,585,000.00	76,795,000.00	(47,575,000.00)	222,805,000.00	10,230,000.00

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AUGUST 31, 2006**

The UNT System experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2006, follows:

Current Portion	Current Interfund Receivable	Current Interfund Payable
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
Total Interfund Receivable/Payable	\$ 0.00	\$ 0.00

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
Total Interfund Receivable/Payable	\$ 0.00	\$ 0.00

	Legislative Transfers In	Legislative Transfers Out
ENTERPRISE FUND (05)	\$ 0.00	\$ 0.00
Total Legislative Transfers	\$ 0.00	\$ 0.00

The detailed State Grant Pass Through information is listed on Schedule 1B – Schedule of State Grant Pass Through From/To State Agencies.

Note 9: Contingent Liabilities

The UNT System has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures

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AUGUST 31, 2006**

Revenue Financing System Bonds, Series 2002

To provide funds for the purposes of constructing and equipping a new science building, the renovation of existing space at the University's Research Park, the acquisition and renovation of two existing private housing facilities, and pay the costs of issuance

Issued 08-01-2002

\$36,340,000; (total issue \$63,470,000--\$27,130,000 Health Science Center portion); all authorized bonds have been issued

Source of revenue for debt service – legislative appropriation and all Pledged Revenues of the Participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2002A

To provide funds for the purposes of constructing a 300-bed student residence hall for University students and pay the costs of issuance

Issued 11-01-2002

\$9,500,000; all authorized bonds have been issued

Source of revenue for debt service – all Pledged Revenues of the Participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Series 2003

To provide funds for the purposes of constructing a 600-bed student residence hall and dining facility for University students and pay the costs of issuance

Issued 05-01-2003

\$31,180,000; all authorized bonds have been issued

Source of revenue for debt service – all Pledged Revenues of the Participants of the University of North Texas System Revenue Financing System

Revenue Financing System Refunding Bonds, Series 2003A

To provide funds sufficient to refund certain of the University's outstanding Consolidated University Revenue Bonds, Series 1994, Health Science Center Tuition Revenue Bonds, Series 1994, Consolidated University Revenue Bonds, Series 1996, Revenue Financing System Tuition Revenue Bonds, Series 1999, and Revenue Financing System Tuition Revenue Bonds, Series 2002, and to pay the costs of issuance

Issued 09-01-03

\$6,185,000; all authorized bonds have been issued

Source of revenue for debt service – legislative appropriation and all Pledged Revenues of the Participants of the University of North Texas System Revenue Financing System

Revenue Financing System Bonds, Taxable Series 2003B

To provide funds for the purposes of (1) constructing and equipping student housing facilities, to wit, five sorority houses to be owne

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**UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006**

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respective terms of office. The Executive Director, who is appointed by the Board and approved by the President of UNTHSC, is also the Vice President of the Office of Institutional Advancement. The books and accounts of the Foundation are maintained by the Health Science Center. The activity for the Foundation is reported in Health Science Center's agency funds.

Note 16: Stewardship, Compliance and Accountability

Not Applicable.

Note 17: The Financial Reporting Entity

The University of North Texas Foundation, Inc. is reported as a discrete component unit. The Foundation is a separate nonprofit organization that has as its central purpose the advancement and support of the University of North Texas. The governing board is comprised of elected members separate from the University Regents. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the directors of the Foundation. The University has no liability with regard to the Foundation's liabilities. The majority of endowments supporting University scholarships and other University programs are owned by the Foundation; therefore, it would be misleading to exclude the Foundation's financial reports. The Foundation is a necessary and beneficial component of the UNT System's overall program for university advancement and for the development of private sources of funding for capital acquisition operations, endowments, and other purposes relating to the mission of the UNT System.

In August of 2003, the University of North Texas entered into an agreement with the University of North Texas Foundation, Inc. to better define the relationship between the two entities and to comply with the statutory requirements of Chapters 2255 and 2260 of the Texas Government Code. The 2003 agreement provided that the

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NOTES TO THE COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 18: Restatement of Fund Balances and Net Assets

During fiscal year 2006, adjustments were made which required the restatement of the amounts in net assets as shown below:

	Enterprise Fund
Net Assets August 31, 2005	\$436,658,436.92

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**UNIVERSITY OF NORTH TEXAS SYSTEM (794)
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Notes to Schedule 1A - Combined Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2006

Note 1: Nonmonetary Assistance

N/A

Note 2: Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass-through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Federal Revenues - per Statement of Revenues, Expenses, and Changes in Net Assets	
Federal Grants and Contracts	\$ 54,127,005.21
Federal Pass-Through Grants from Other State Agencies/Universities	2,165,004.14
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets	<u>\$ 56,292,009.35</u>
New Loans Processed:	
Federal Family Education Loan Program	\$ 142,995,657.01
Federal Perkins Loan Program	1,530,811.64
Total Pass Through and Expenditures per Federal Schedule	<u>\$ 200,818,478.00</u>

Note 3a: Student Loans Processed & Administrative Costs Recovered

Federal Grantor/ CFDA Number/ Program Name	New Loans Processed	Admin Costs Recovered	Processed & Admin Costs Recovered	Ending Balance of Previous Years' Loans
<i>Department of Health & Human Svcs</i>				
93.342 Health Prof/Disadv Student Loans	\$ -	\$ -	\$ -	\$ 499,946.80
<i>Total Department of Health & Human Svcs</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,946.80</u>
 <i>Department of Education</i>				
84.032 Federal Family Education Loans	\$ 142,995,657.01	\$ -	\$ 142,995,657.01	\$ -
84.038 Federal Perkins Loan Program	1,506,306.90	131,824.74	1,530,811.64	4,810,932.08
84.268 Federal Direct Student Loans	-	-	-	-
<i>Total Department of Education</i>	<u>\$ 144,501,963.91</u>	<u>\$ 131,824.74</u>	<u>\$ 144,526,468.65</u>	<u>\$ 4,810,932.08</u>

General ledger reporting, billing and receiving, and some aspects of collections of the Perkins Loan program are outsourced to Campus Partners. Promissory note generation, final collection efforts, forbearance and deferment decisions are performed by UNT Financial Aid.

Note 3b: Federally Funded Loans Processed and Administrative Cost Recovered

N/A

Note 4: Depository Libraries for Government Publications

The University of North Texas participates as a depository library in the Government Printing Office's Depository Libraries for Government Publications Program, CFDA #40.001. The university is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

Note 5: Unemployment Insurance Funds

N/A (Agency 320 only)

Note 6: Rebates from the Special Supplemental Food Program for Women, Infant and Children (WIC)

N/A (Agency 537 only)

Note 7: Deferred Federal Revenue

The University of North Texas System does not report any Federal Deferred Revenue.

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 1B - Combined Schedule of State Grant Pass-Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2006

Pass-Through From: State Agencies

To University of North Texas (752)

Department of State Health Services (Agency 537)	
Texas Academy of Math and Science	\$ 16,423.20
Texas Commission on Environmental Quality (Agency 582)	
Teaching Environmental Science	5,707.00
Texas Education Agency (Agency 701)	
Texas Academy of Math and Science	2,593,626.67
Texas Higher Education Coordinating Board (Agency 781)	
Texas Grant	6,665,905.16
Advanced Research Program	252,457.00
Teach for Texas Loan Repayment	150,000.00
Texas College Work Study Program	157,962.00
5th Year Accounting Scholarship	10,500.00
Minority Health Research/Education	38,625.14
	<hr/>
Total Pass-Through From Other Agencies	\$ 9,891,206.17
(Statement of Revenues, Expenses, and Changes in Net Assets)	<hr/> <hr/>

Pass Through To:

N/A

Pass-Through From: State Agencies

To University of North Texas Health Science Center (763)

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)	471,908.73
	<hr/>
Total Pass-Through From Other Agencies	\$ 824,707.52
(Statement of Revenues, Expenses, and Changes in Net Assets)	<hr/> <hr/>

Pass Through To:

N/A

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2B - Combined 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
UNT Cons Univ Rev Bonds, Ser '94	\$ 5,910,000.00	\$ -	\$ 525,000.00	\$ 3,090,000.00	\$ 2,295,000.00	\$ -
UNTHSC Gen Tuit Rev Bonds, Ser '94	515,000.00	-	515,000.00	-	-	-
UNT Cons Univ Rev Bonds, Ser '96	9,005,000.00	-	705,000.00	8,300,000.00	-	-
UNT Rev Fin Sys Bonds, Ser '97	1,040,000.00	-	-	1,040,000.00	-	-
Rev Fin Sys Bonds, Ser '99	24,620,000.00	-	1,240,000.00	19,280,000.00	4,100,000.00	1,300,000.00
UNTHSC 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
UNT Rev Fin Sys Bonds, Ser '01	32,735,000.00	-	575,000.00	-	32,160,000.00	740,000.00
Rev Fin Sys Bonds, Ser '02	55,985,000.00	-	2,375,000.00	-	53,610,000.00	2,445,000.00
UNT Rev Fin Sys Bonds, Ser '02A	9,010,000.00	-	365,000.00	-	8,645,000.00	380,000.00
UNT Rev Fin Sys Bonds, Ser '03	30,610,000.00	-	585,000.00	-	30,025,000.00	605,000.00
Rev Fin Sys Bonds, Ser '03A	6,185,000.00	-	-	-	6,185,000.00	-
UNT Rev Fin Sys Bonds, Ser '03B	4,950,000.00	-	35,000.00	-	4,915,000.00	35,000.00
Rev Fin Sys Bonds, Ser '05	-	76,795,000.00	2,565,000.00	-	74,230,000.00	3,760,000.00
Total	<u>\$ 193,585,000.00</u>	<u>\$ 76,795,000.00</u>	<u>\$ 9,890,000.00</u>	<u>\$ 37,685,000.00</u>	<u>\$ 222,805,000.00</u>	<u>\$ 10,230,000.00</u>

*

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

\$ 222,805,000.00

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2C - Combined Debt Service Requirements
For the Fiscal Year Ended August 31, 2006

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Description of Issue	Year	Principal	Interest
Revenue Bonds			
UNT Rev Fin Sys Bonds, Ser '02A	2007	380,000.00	387,993.76
	2008	400,000.00	372,793.76
	2009	415,000.00	356,793.76
	2010	435,000.00	340,193.76
	2011	455,000.00	322,793.76
	2012 - 2016	2,580,000.00	1,319,200.02
	2017 - 2021	3,235,000.00	683,550.00
	2022	745,000.00	37,250.00
		8,645,000.00	3,820,568.82
	UNT Rev Fin Sys Bonds, Ser '03	2007	605,000.00
2008		620,000.00	1,336,002.50
2009		640,000.00	1,317,402.50
2010		660,000.00	1,298,202.50
2011		680,000.00	1,275,102.50
2012 - 2016		3,800,000.00	5,987,173.76
2017 - 2021		4,620,000.00	5,165,875.02
2022 - 2026		5,750,000.00	4,035,050.00
2027 - 2031		7,320,000.00	2,466,250.00
2032 - 2033		5,330,000.00	541,750.00
	30,025,000.00	24,776,961.28	
Rev Fin Sys Bonds, Ser '03A	2007	-	337,912.50
	2008	-	337,912.50
	2009	-	337,912.50
	2010 2009	-	337,912.50

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2D - Combined 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>	
UNT Cons Univ Rev Bonds, Ser '94 & '96	\$ 103,837,385.78	\$ 28,623,820.87	\$ 12,620,000.00	\$ 3,351,520.00	\$ 14,347,545.00
Rev Fin Sys Bonds, Ser '97, '99, '99A, '01, '02, '02A, '03, '03A, '03B & '05	64,843,361.33	26,483.13	23,525,000.00	13,992,010.52	21,852,666.43
Total	<u>\$ 168,680,747.11</u>	<u>\$ 28,650,304.00</u>	<u>\$ 36,145,000.00</u>	<u>\$ 17,343,530.52</u>	<u>\$ 36,200,211.43</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 SYSTEM (794)
Schedule 2E - Combined 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>
UNT Cons Univ Rev Bonds, Ser '94	2005	\$ 3,090,000.00
UNT Cons Univ Rev Bonds, Ser '96	2005	8,300,000.00
UNT Rev Fin Sys Bonds, Ser '97	2005	1,040,000.00
Rev Fin Sys Bonds, Ser '99	2005	19,280,000.00
UNTHSC Rev Fin Ref & Imp Bonds, Ser '99A	2005	5,975,000.00
		<hr/>
		<u>\$ 37,685,000.00</u>

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 2F - Combined Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2006

Amount	Refunding	For Refunding Only Cash Flow	Economic
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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Schedule 3 - Combined Reconciliation of Cash in State Treasury
For the Fiscal Year Ended August 31, 2006

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue Fund 0258	\$ 20,414,106.45	\$ -	\$ 20,414,106.45
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)	\$ 23,016,456.46	\$ 533,901.90	\$ 23,550,358.36