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Schedule of Events for  
Board of Regents  
Audit Committee Meeting

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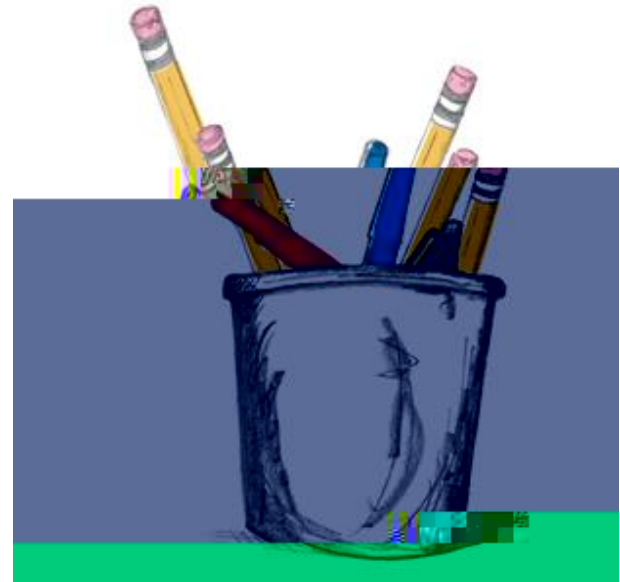
Friday, July 31, 11



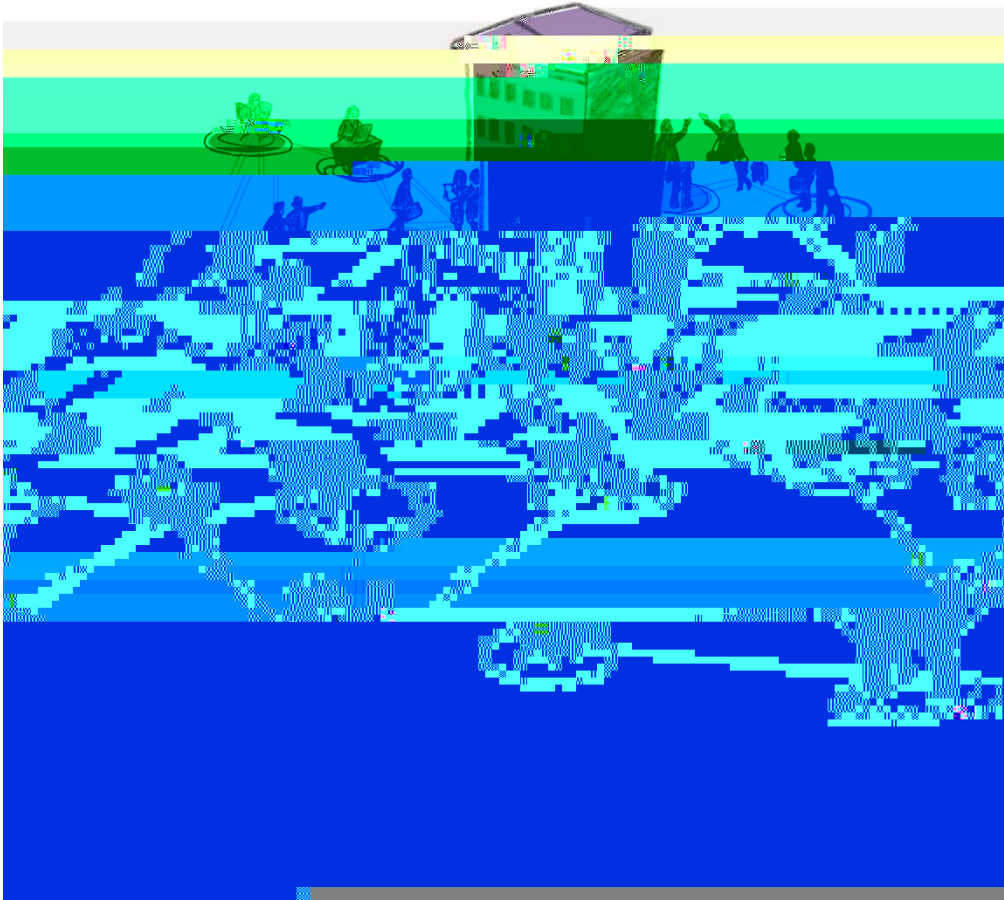
# Presentation to the Audit Committee of the Board of Regents - 2014 Audit

University of North Texas System

**July 31, 2015**



Our values are CLEARR



# Our responsibilities

We are responsible for:

Performing an audit of the System's financial statements as prepared by management, conducted under US GAAS and *Government Auditing Standards*

Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP

Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole

Reading other information and considering whether it is materially inconsistent with the financial statements

Communicating specific matters to you on a timely basis; we do not design our audit for this purpose

Responsibilities for other information in documents containing audited financial statements:

Read the other information (we do not corroborate it)

Consider whether it is materially inconsistent with the financial statements

Call to management's attention identified material inconsistencies or misstatements of fact, if any

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.





# Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

We believe that \_\_\_\_\_ is the appropriate benchmark for the System.

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).



# Use of the work of others

The audit team utilized an actuary within our Compensation and Benefits Consulting Practice to review the work of actuaries used by the System.

Additionally, the audit team received direct assistance from two independent subcontractors during our audit testing, Serna & Company, P.C. and Gradient Solutions. This work was reviewed and managed by the Grant Thornton engagement team.

Assistance was provided by Serna & Company in the following areas:

- Testing of identified balances using procedures provided by and reviewed by GT personnel

- Providing comments based on reading of the financial statements and other related reewnt1mW\*ñ BT /F1 12 Tf 1 0 1of! 6 / C

## Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Cash and cash equivalents	Tuition and fee revenue, discounts and allowances
Investments and investment return	Federal, State and Other grant revenue
Accounts receivable and other assets	Legislative appropriations
Capital assets, depreciation and amortization	Other revenues
Notes, loans and revenue bonds payable	Operating expenses
Accounts payable and other liabilities	Intercomponent Transfers
Payroll and related liabilities	Implementation of new standards
Net position classification	





## Summary of recorded adjustments (\$000s)

Cash in Bank - Unrestricted	8,870	
Cash in Bank - Restricted	(8,870)	
<i>To reclassify restricted cash that should be unrestricted</i>		
Funds Held for Others - NonCurrent		1,474
Funds Held for Others - Current		(1,474)
<i>To reclassify long-term funds held for others from current to non-current</i>		
Restricted non-expendable net position		6,235
Unrestricted net position		10,255
Restricted expendable net position		(14,162)
Restricted other net position		(2,328)
<i>To reclassify / correct net position balances</i>		
	\$ -	\$ -



# Internal control matters

Obtain reasonable assurance about whether the financial statements are free of material misstatement

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the

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We express no opinion on the effectiveness of internal control

Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected in a timely manner.



# Other Required Communications



# Quality of Accounting Practices

Accounting principles used by the System are considered appropriate in all material respects.

There were no modifications to the audit report.

Valuation of investments

Contributions receivable

Allowance for uncollectible accounts, including patient receivables

Accruals for the self insurance plans based on actuarial assumptions

We performed tests to satisfy ourselves that these amounts were free from material misstatements.

Hankins, Eastup, Deaton, Tonn & Seay, PC, audited the financial statements of University of North Texas Foundations, Inc. (the "Foundation") as of August 31, 2014. The consolidated financial statements that we have been engaged to audit include amounts with respect to the Foundation.

We have assessed the financial statements and disclosures for clarity and completeness.

Footnote disclosures in the financial statements appear overall to be neutral, consistent, and clear.



Selected pronouncements effective for the year ended August 31, 2014 or subsequent periods

<p>Items Previously Reported as Assets and Liabilities,</p>	<p>Financial statements for periods beginning after December 15, 2012</p>	<p>This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.</p>
<p>Accounting and Financial Reporting for Pensions<sup>1</sup> an amendment of GASB Statement No. 27</p>	<p>Fiscal years beginning after June 15, 2014.</p>	<p>Addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the certain characteristics.</p>



## Selected pronouncements effective for the year ended August 31, 2014 or subsequent periods

Government Combinations and Disposals of Government Operations	Financial reporting periods beginning after December 15, 2013 <i>(should be applied on a prospective basis)</i> .	Establishes accounting and financial reporting standards related to government combinations and disposals of government operations.
Accounting and Financial Reporting for Nonexchange Financial Guarantees	Financial statements for reporting beginning after June 15, 2013	Requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.
Pension Transition for Contributions Made Subsequent to the Measurement Date <sup>1</sup> an amendment of GASB Statement No. 68	Fiscal years beginning after June 15, 2014 <i>(should be applied simultaneously with the provisions of GASB 68)</i>	This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.





This communication is intended solely for the information and use of management and the Audit Committee of the Board of Regents of the University of North Texas System and is not intended to be and should not be used by anyone other than these specified parties.



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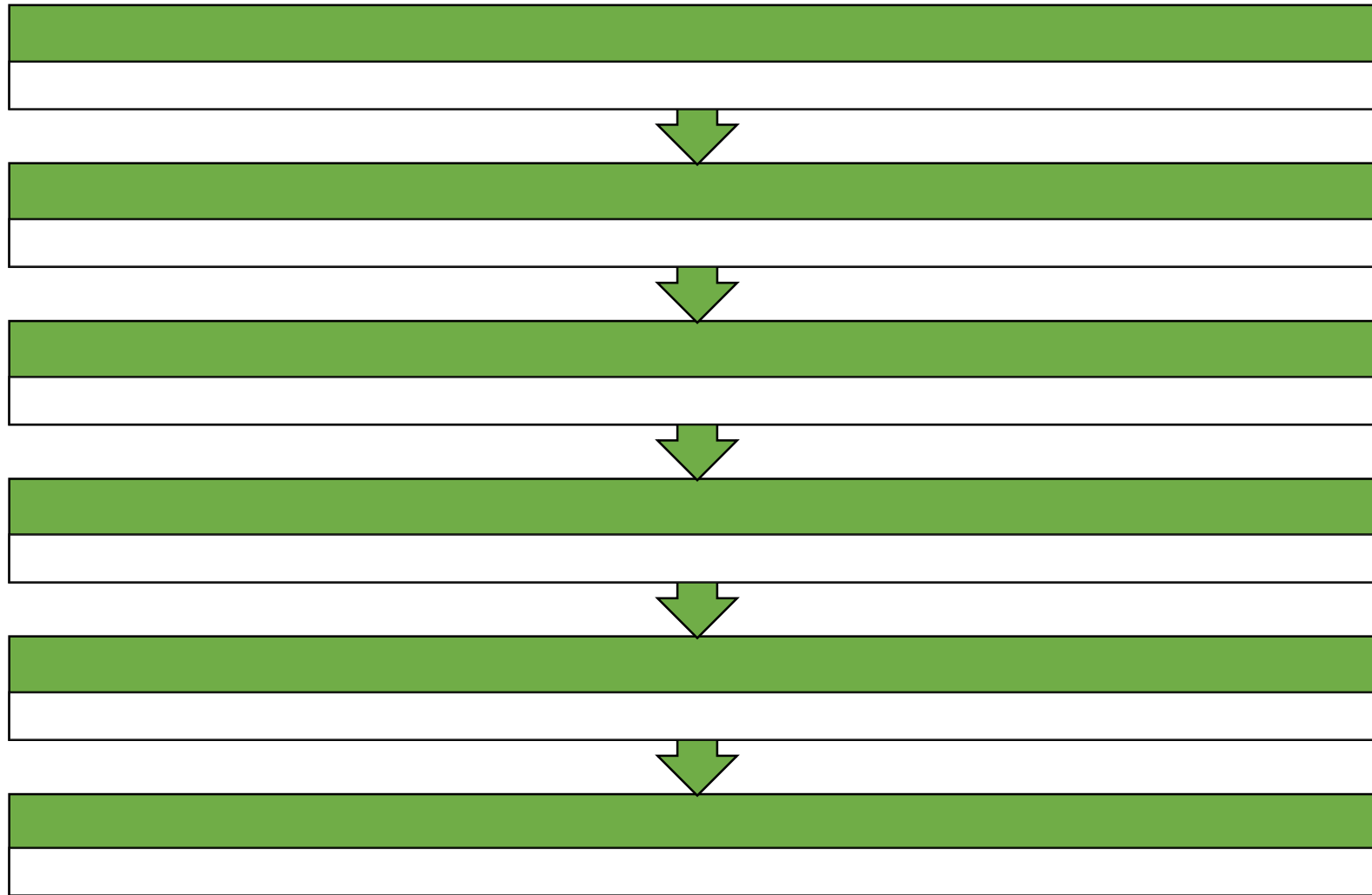
# Annual Risk Assessment and Internal Audit Plan Proposal Fiscal Year 2016

# Annual Risk Assessment

# Process



## Methodology



# Types of Audits



# Required Audits

UNT System

University of North Texas



# Required Audits continued

Health Science Center

UNT Dallas

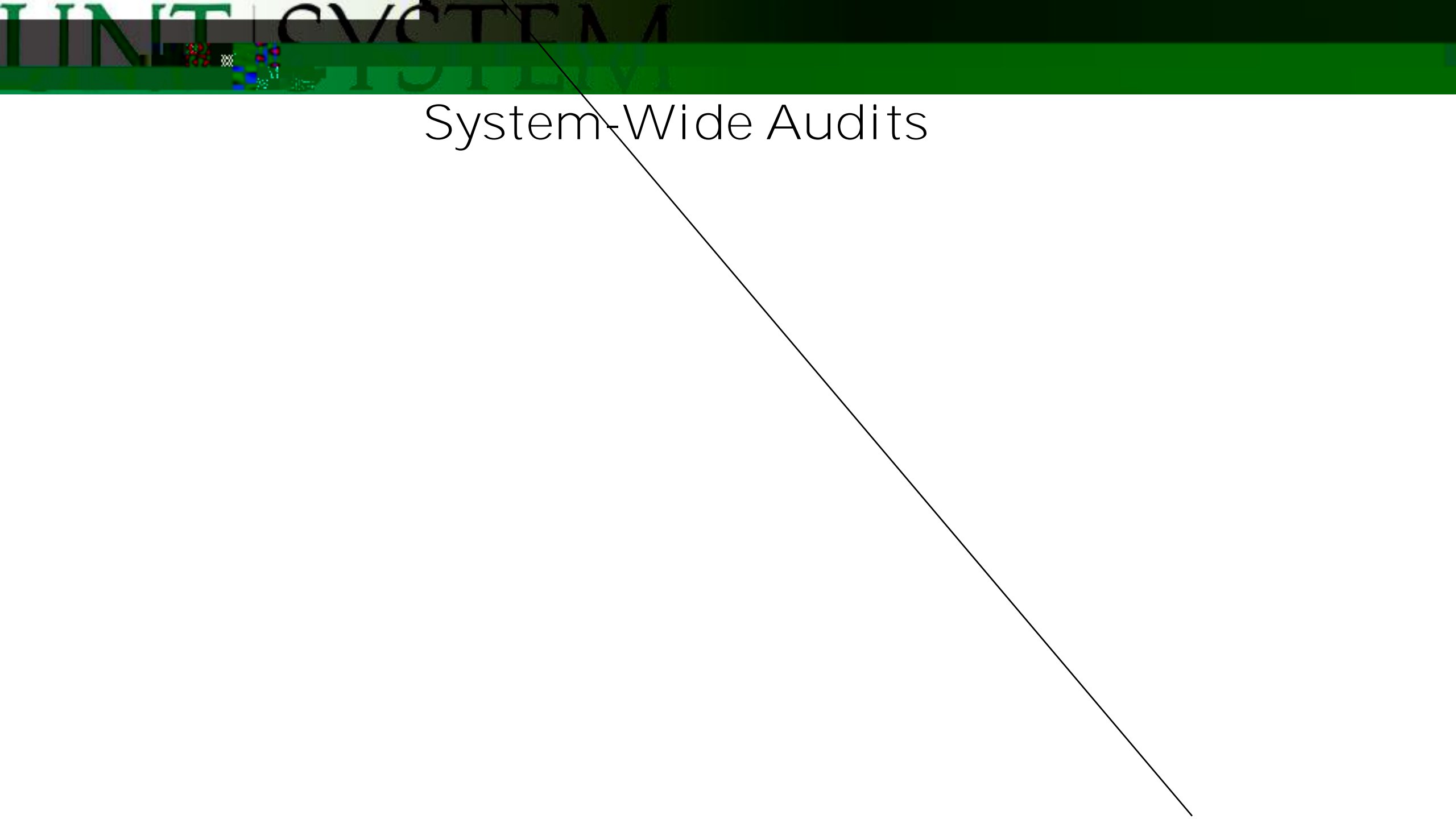
# Component Based Audits

University of North Texas

Health Science Center

UNT Dallas

# System-Wide Audits



# Continuous Audits

# Information Technology Audits

# Outsourced Audits

# Potential Fiscal Year 2017 Audits





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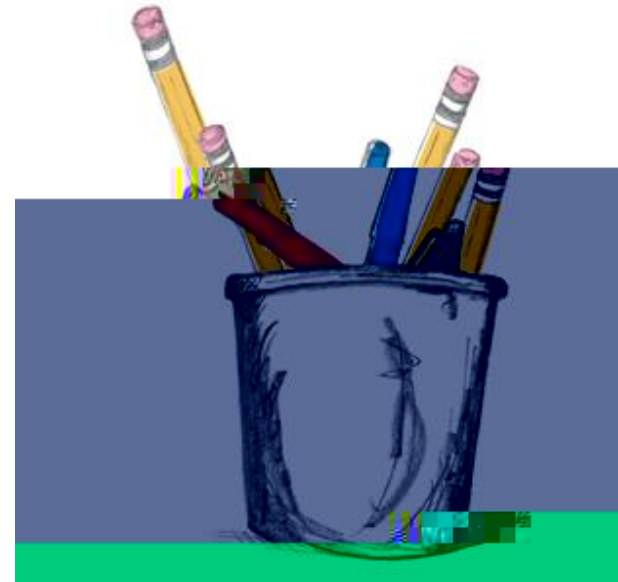
# Presentation to the Audit Committee of the Board of Regents - 2014 Audit

University of North Texas System

**July 31, 2015**

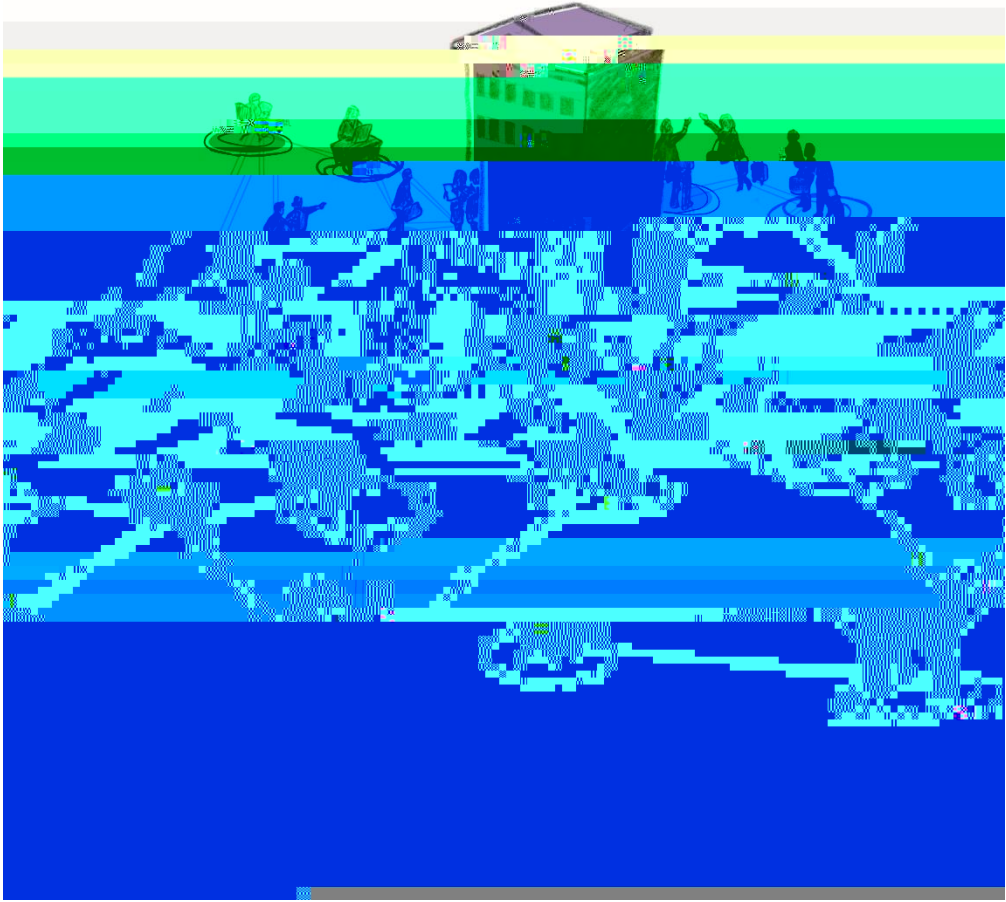
Ben Kohnle | Partner

Natalie Wood | Experienced Manager



# Our values are CLEARR

To achieve our global vision, we capitalize on our strengths



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We believe that \_\_\_\_\_ is the appropriate benchmark for the System.

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).





# Use of the work of others

The audit team utilized an actuary within our Compensation and Benefits Consulting Practice to review the work of actuaries used by the System.

Additionally, the audit team received direct assistance from two independent subcontractors during our audit testing, Serna & Company, P.C. and Gradient Solutions. This work was reviewed and managed by the Grant Thornton engagement team.

Assistance was provided by Serna & Company in the following areas:

- Testing of identified balances using procedures provided by and reviewed by GT personnel

- Providing comments based on reading of the financial statements and other related reports

Gradient Solutions specializes in the use of computer data acquisition and analysis primarily for governmental entities. Assistance is being provided by Gradient Solutions in the following areas:

## Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Cash and cash equivalents	Tuition and fee revenue, discounts and allowances
Investments and investment return	Federal, State and Other grant revenue
Accounts receivable and other assets	Legislative appropriations
Capital assets, depreciation and amortization	Other revenues
Notes, loans and revenue bonds payable	Operating expenses
Accounts payable and other liabilities	Intercomponent Transfers
Payroll and related liabilities	Implementation of new standards
Net position classification	

Unmodified "clean" opinion



## Summary of recorded adjustments (\$000s)

Cash in Bank - Unrestricted	8,870	
Cash in Bank - Restricted	(8,870)	
<i>To reclassify restricted cash that should be unrestricted</i>		
Funds Held for Others - NonCurrent		1,474
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Restricted expendable net position		(14,162)
Restricted other net position		(2,328)
<i>To reclassify / correct net position balances</i>		
	\$ -	\$ -

## Summary of passed adjustments (\$000s)

Approximately 19 entries have been identified during the mock audit / closing process, related to the FY 2014 audit, for which the financial statements are not being revised.

The magnitude of the passed adjustments by financial statement category is as follows:

Total Passed Adjustments	\$ (4,053)	\$ 4,666	\$ -	\$ 6,496	\$ (7,109)
Total Report Balance, before Passed Adjustments	\$ 1,644,324	\$ (848,061)	\$ (796,263)	\$ (560,906)	\$ 861,895
Effect of Passed Adjustments on Total Report Balance	-0.2%	-0.6%	0.0%	-1.2%	-0.8%

Management believes, and we concur, that the impact of not making these adjustments to the System's financial statements is appropriate, given the fact that the cumulative effect is immaterial.

# Internal control matters

Obtain reasonable assurance about whether the financial statements are free of material misstatement

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the

We express no opinion on the effectiveness of internal control

Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not

# Other Required Communications

We had no disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

# Quality of Accounting Practices

Accounting principles used by the System are considered appropriate in all material respects.

There were no modifications to the audit report.

- Valuation of investments
- Contributions receivable
- Allowance for uncollectible accounts, including patient receivables
- Accruals for the self insurance plans based on actuarial assumptions

We performed tests to satisfy ourselves that these amounts were free from material misstatements.

Hankins, Eastup, Deaton, Tonn & Seay, PC, audited the financial statements of University of North Texas Foundations, Inc. (the "Foundation") as of August 31, 2014. The consolidated financial statements that we have been engaged to audit include amounts with respect to the Foundation.

We have assessed the financial statements and disclosures for clarity and completeness.  
Footnote disclosures in the financial statements appear overall to be neutral, consistent, and clear.





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This communication is intended solely for the information and use of management and the Audit Committee of the Board of Regents of the University of North Texas System and is not intended to be and should not be used by anyone other than these specified parties.



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**UNIVERSITY OF NORTH TEXAS  
SYSTEM**

**CONSOLIDATED ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT**

**For the fiscal year ended August 31, 2014**

**DALLAS, TEXAS**

**Lee Jackson, Chancellor**

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**UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION**

**ORGANIZATIONAL DATA**

**August 31, 2014**

**BOARD OF REGENTS**

Brint Ryan .....	(Term expires 5-22-15).....	Dallas
Michael R. Bradford .....	(Term expires 5-22-15).....	Midland
Steve Mitchell .....	(Term expires 5-22-15).....	Richardson
Donald Potts.....	(Term expires 5-22-17).....	Dallas
Al Silva .....	(Term expires 5-22-17).....	San Antonio
Milton B. Lee.....	(Term expires 5-22-17).....	San Antonio
Rusty Reid .....	(Term expires 5-22-19).....	Ft. Worth
Gwyn Shea.....	(Term expires 5-22-19).....	Irving
B. Glen Whitley .....		



UNT  
UNT | HEALTH SCIENCE CENTER  
UNT | DALLAS  
UNT | SYSTEM OFFICE

VICE CHANCELLOR FOR FINANCE

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July 31, 2015

Brint Ryan, Chairman, UNT System Board of Regents  
Don Potts, Vice Chairman, UNT System Board of Regents  
Steve Mitchell, Chairman Audit Committee  
Board of Regent Members  
University of North Texas System  
1901 Main Street  
Dallas, Texas 75201

Dear Chairman Ryan, Vice Chairman Potts, Chairman Mitchell  
and Board of Regents

We are pleased to submit the audited Consolidated Annual Financial Report (CAFR) of the University of North Texas System (UNTS) for the fiscal year ended August 31, 2014. This report is in compliance with TEX. GOV'T CODE ANN 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts and Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. In fiscal year 2014, the University of North Texas System employed over 10,500 people, educated over 41,000 students, and awarded more than 9,300 degrees. With a total annual economic impact of over \$5



Consolidated Financial Annual Report Letter  
July 31, 2015  
Page 2

We are committed to being good stewards of the resources entrusted to us by the State of Texas and by students and their families, and we hold ourselves accountable for the wise and appropriate use of those resources. UNT System's first externally-audited consolidated annual financial report serves as a testament to the work we've done to ensure that our stewardship, accountability, and financial viability are just as strong and important to us as our academic services themselves.

Respectfully,

Janet Waldron  
Vice Chancellor for Finance, UNT System

cc: Lee F. Jackson, Chancellor  
Dr. Neal Smatresk, President UNT  
Dr. Michael Williams, President UNTHSC  
Dr. Ron Brown, President UNT Dallas  
Bob Brown, VP Finance and Administration, UNT  
John Harman, Senior VP and CFO, UNTHSC  
Dan Edelman, CFO, VP of Finance and Administration, UNT Dallas  
Steve Goodson, Interim Chief Internal Auditor, UNT System  
Nancy Footer, Vice Chancellor General Counsel, UNT System

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents  
University of North Texas System

### **Report on the financial statements**

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the University of North Texas System (the "System") as of and for the year ended August 31, 2014, and the related notes g financie d notednotsut 31dnotanddisr )e laf Northenotenotandedfnotnotomdnot



**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended August 31, 2014**

**Introduction**

The University of North Texas System (the "System") was established by the 76th Legislature, and legislative funding was provided for the fiscal year beginning September 1, 1999. The System is an agency of the State of Texas and is currently comprised of the University of North Texas System Administration ("System Administration"), established 1999, and three academic institutions funded by the Legislature: the University of North Texas ("UNT"), established 1890; the University of North Texas Health Science Center at Fort Worth ("HSC"), established 1970; and the University of North Texas at Dallas ("UNTD"), established 1999.

The System serves the North Texas area, boosting economic activity in the region by over \$5 billion annually. Approximately 41,000 students are enrolled in undergraduate, graduate and professional programs. The System awarded more than 9,300 degrees this past academic year, including the largest number of Master's and Doctoral degrees in the region. The System has a network of over 360,000 alumni with more than 237,000 alumni living in the Dallas-Fort Worth Metroplex. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a non-voting Student Regent for a one-year term.

**Financial Highlights and Overview of the Financial Statements**

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended August 31, 2014, with selected comparative information for the year ended August 31, 2013. As discussed in Note 8, *Adjustments to Net Position*, in the notes to the Consolidated Financial Statements, the beginning net position for the year ended August 31, 2014 was restated. The comparative information

**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended August 31, 2014**

- Net investment in capital assets increased by \$34.0 million or 8.6% reflecting significant capital project work to benefit the faculty, staff and students of the System. The "Capital Asset and Debt Administration" section of the MD&A provides more details pertaining to this increase.

**Overview of the Financial Statements**

These statements are prepared applying the following principles and standards:

- Reporting is on the full accrual basis of accounting. All current year revenues and expenses are recognized when earned or incurred, regardless of when the cash is received or disbursed.
- Depreciation and amortization expense on capital assets is reported as an operating expense on the Statement

**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Management's Discussion and Analysis (Unaudited)**

**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended August 31, 2014**

***Deferred Outflows***

Deferred outflows, which consist of unamortized losses on refunding of debt, increased \$4.8 million, or 100%, in 2014 due to a restatement in the current year to properly record these amounts in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**TOTAL LIABILITIES**

***Current Liabilities***

The System's current liabilities increased \$96.2 million, or 29.6%, in 2014 primarily due to increases in accounts payable related to restatements and to the various ongoing construction projects throughout the System. Additionally, commercial paper reported as non-current in 2013 was reclassified to current liabilities, resulting in an increase of \$49 million to the current liability balance (see Note 4, *Short and Long Term Debt and Liabilities*, in the notes to the Consolidated Financial Statements).

***Noncurrent Liabilities***

Noncurrent lmydPte tr28(c)-7.3(o)-7(n)4 F1 esuri-14.9ril7(ilit)-117so e 29.

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**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended August 31, 2014**

nonoperating revenues. Revenues are reported by major source, and expenses are reported on the face of the Statement by functional (programmatic) categories as defined by National Association of College and University Business Officers (NACUBO).

The following table reflects the System's Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended August 31, 2014 and 2013:

**OPERATING REVENUES**

Operating revenues totaled \$560.9 million for the fiscal year ended August 31, 2014, an increase of \$30.9 million or 5.8% over 2013. The System's primary sources of operating revenues come from tuition and fees and federal, state, and local grants. Tuition and fees, representing 49.9% of operating revenues, are reflected gross in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased \$15.3 million, or 5.8%, as a result of increased enrollment and increased tuition rates throughout the System. Federal, state, and local grant revenues, representing 22.1% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs. Federal, state, and local grants include



**UNIVERSITY OF NORTH TEXAS SYSTEM  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended August 31, 2014**

The pie chart

**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended August 31, 2014**

Prisons for clinical activities, in line with an increase in revenue, and a \$3.1 million increase in consulting fees for the System's enterprise resource planning upgrade and planned unified controller structure.

The table and pie chart below (Table 1) show the total number of full-time employees for the System for the year ended August 31, 2014, and for the year ended August 31, 2013. The total number of full-time employees for the System for the year ended August 31, 2014, was 29,442, an increase of 1,700 from 27,742 for the year ended August 31, 2013. The increase in the number of full-time employees is primarily due to the addition of 1,700 employees in the area of clinical activities, in line with an increase in revenue, and a \$3.1 million increase in consulting fees for the System's enterprise resource planning upgrade and planned unified controller structure.

**UNIVERSITY OF NORTH TEXAS SYSTEM**

**UNIVERSITY OF NORTH TEXAS SYSTEM  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended August 31, 2014**

OTHER REVENUES, EXPENSES, AND TRANSFERS

Other revenues, expenses, and transfers is comprised of capital and endowment related additions and transfers. There were no significant changes to this balance from the prior year. HEAF funds comprise the majority of the balance. Annual HEAF-related revenue totaling \$36.6 million is reported as Capital Contribution rather than as operating revenue or nonoperating revenue.

**Capital Asset and Debt Administration**

Investments in capital asset additions were \$93.0 million in 2014. Major capital projects activity in 2014 include:

- Land Acquisitions (UNT) – 1811 Maple Street and 915 North Texas Boulevard
- Land Improvements (UNT) – 2350 North I-35E
- Building Improvements (System Administration) – 1900 Elm Majestic Lofts, 1901 Main (Interim College of Law)
- Building Improvements (UNT) – George R. Brown Academic Building (UNT), 1720 Sabine Hall (UNT) – Student Center (UNT), 1420 Elm (UNT), 1010 E. 21st (UNT), 1010 E. 21st (UNT)



**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Statement of Net Position**

**August 31,**  
**2014**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$	211,706,909.51
Restricted Cash and Cash Equivalents		9,654,413.14
Legislative Appropriations		76,323,990.47
Receivables from:		
Federal		32,182,071.55
Other Intergovernmental		776,644.41
Interest and Dividends		1,439,110.13
Accounts Receivable		72,871,593.33
Gifts, Pledges and Donations		3,351,290.12
Other Receivables		17,085,580.24
Due From Other Agencies		6,485,132.50
Consumable Inventories		523,742.58
Merchandise Inventories		1,915,011.62
Loans and Contracts		1,539,430.20
Other Current Assets		28,381,914.29

**Total Current Assets**

**464,236,834.09**

Non-Current Assets

Investments		152,315,937.48
Restricted Investments		85,268,043.00

85,268,043.00.0.0.0.00. <</MCID .



**August 31,  
2014**

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended August 31, 2014 Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Contributions	\$ -	\$ 2,677,788	\$ 5,692,383	\$ 8,370,171
Investment income	(49,773)	2,250,936	-	2,201,163
Management fee income	1,496,108	-	-	1,496,108
Other income	153	241,944	-	242,097
Realized and unrealized				

**UNIVERSITY OF NORTH TEXAS SYSTEM**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2014**

**August 31,**  
**2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**  
Proceeds from Customers

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**Note 1: Summary of Significant Accounting Policies**

The University of North Texas System (the

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**Related Parties**

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2014 related to pass-through grants were \$25,765,952.08 and \$217,375.67 respectively.

Other related-party transactions identified in the financial statements include Due From/To Other Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

**Basis of Accounting**

The financial statements of the System have been prepared using the economic resources measurement focus and the

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

*Receivables*

Federal receivables include Federal grants and education scholarships. Intergovernmental receivables include amounts due from the State government or private sources in connection with reimbursement of allowable expenditures made pursuant to the System's grants and contracts.

Accounts receivable mainly consists of tuition and fee charges to students. Accounts receivable are shown net of an allowance for doubtful accounts of \$22.1 million or 7.4% of outstanding student receivables at August 31, 2014. The System reserves for student receivables based on collections history over the previous five years.

Gift receivables include amounts pledged to the System by donors and are presented net of an allowance for doubtful accounts of \$1.3 million. Multiyear gift pledges are reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing multi-year gift pledges that are received during the new fiscal year.

*Other Receivables*

Other receivables is mostly comprised of clinical accounts receivable, which is presented net of allowances for contractual discounts and bad debts. The bad debt allowance on clinical receivables was approximately \$13 million as of August 31, 2014.

Clinical accounts receivable are subject to concentrations of patient accounts receivable credit risk. The mix of receivables from patients and third parties as of August 31, 2014 was as follows:



**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

*Claims and Judgements*

Claims and judgements are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that were incurred but not reported. See Notes 9, *Contingencies and Commitments*, and 10, *Risk Management*, for information on risk management, claims, and judgments.

*Employees' Compensable Leave*

Employees' compensable leave represents the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees, in conformance with State policy and practice. Liabilities are reported separately as either current or non-current in the Statement of Net Position. These obligations generally are paid from the same funding source from which each employee's salary or wage compensation is paid.

*Capital Lease Obligations*

Capital lease obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately as either current or non-current in the Statement of Net Position.

*Funds Held for Others*

Assets held for others represent funds held by the System as custodial or fiscal agent for students, faculty members, foundations, and others.

**NET POSITION**

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*Net Investment in Capital Assets*

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization and unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted Net Position*

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

Restricted nonexpendable net position is subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Restricted expendable net position is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations or that expire with the passage of time.

Restricted other net position is subject to externally imposed stipulations on assets other than endowment funds. Such assets include externally restricted loan, scholarship, and grant funds.

*Unrestricted Net Position*

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.



**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**REVENUES AND EXPENSES**

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*Operating Revenues and Expenses*

Operating revenues include activities such as net student tuition and fees; net sales and services of hospitals; net professional fees



**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Note 2: Capital Assets**

A summary of changes in capital assets for the year ended August 31, 2014 is presented below:

	<b>Balance 8/31/2013 As Restated (1)</b>	<b>Reclassification Completed Construction In Progress</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2014</b>
<b>Non-Depreciable or Non-Amortizable Assets:</b>					
Land and Land Improvements	\$ 70,386,759.67	\$ 278,887.37	\$ 1,810,691.07	\$ (5,000.00)	\$ 72,471,338.11
Construction in Progress	72,952,451.04	(52,451,940.47)	68,950,018.88	(33,617.75)	89,416,911.70
Other Tangible Capital Assets	24,363,426.89	-	584,595.00		

- (1) The amounts listed in this column are restated balances, which include adjustments to prior year ending balances. See Note 8, *Adjustments to Net Position*, for more information regarding restatements of capital asset and accumulated depreciation amounts.

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Note 3: Cash, Cash Equivalents, and Investments**

**Deposits of Cash in Bank**

As of August 31, 2014, the carrying amount of cash and cash equivalents was \$38,559,007.18, and the bank reported a balance of \$47,103,102.90. The carrying amount consists of all cash in local banks and is included on the Statement of Net Position as a portion of cash and cash equivalents. Assets classified as cash and cash equivalents include \$162,662,016 that is invested in cash equivalents. The remainder of the cash and cash equivalent balance of \$20,140,299.48 is comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. This agreement provides that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2014, the System had no bank balances that were exposed to custodial credit risk.

**Investments**

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2014**

As of August 31, 2014, the fair values of investments are presented below. Included in this amount is \$162,662,016 classified as cash equivalents.

- (1) Externally managed investments represent the System's share of the Foundation-managed long-term investment pool. See the "Internal Investment Pool" section of this note for more information.

Fair values of investments that are not managed

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

*Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. State statutes and the System's investment regulation do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2014, the System did



**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2014**

As of August 31, 2014, the following redemption terms that pertain to the long-term alternative investments susceptible to liquidation restrictions are outlined in the table below.

**Note 4: Short- and Long-Term Debt and Liabilities** 455.64 Tm [



**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**Long-Term Liabilities**

*Changes in Long-Term Liabilities*

During the year ended August 31, 2014, the following changes occurred in long-term liabilities:

- (1) See Note 8, *Adjustments to Net Position*, for more information on restatement of fiscal year 2013 balances.

*Revenue Bonds Payable*

At August 31, 2014, the System had principal outstanding related to bonds of \$391,915,000.00. Revenue Financing System (RFS) debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2014**

General information related to bonds outstanding as of August 31, 2014, is summarized in the following table.

Bond	Purpose	Issue Date	Interest Rate	Amount Issued	Total Principal Outstanding as of 8/31/14
RFS Refunding Bonds, Series 2003A	To provide funds for the purposes of refunding portions of 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 for paying costs of bond issuance	9/1/2003	5.3750% - 5.5000%	\$ 6,185,000.00	\$ 6,185,000.00
RFS Refunding and Improvement Bonds, Series 2005	To provide funds for the purposes of advance refunding a portion (\$37.7 million par value) of the Board's outstanding bonds, for refunding a portion of the Board's outstanding commercial paper notes, for constructing and equipping a student wellness and career center, for paying a portion of accrued interest, and for paying certain costs of bond issuance	10/1/2005	3.2500% - 5.2500%	76,795,000.00	38,700,000.00
RFS Bonds, Series 2007	To provide funds for the purposes of refunding a portion of the Board's outstanding commercial paper notes, for constructing and equipping two residence halls, for paying a portion of accrued interest, and for paying certain costs of bond issuance	1/1/2007	4.0000% - 5.0000%	56,050,000.00	48,260,000.00
RFS Bonds, Series 2009	To provide funds for the purposes of refunding a portion (\$18.175 million par value) of the Board's outstanding commercial paper notes; constructing and equipping a Public Health Education Building; paying a portion of the interest accruing on the bonds; and paying certain costs of issuing the bonds	2/19/2009	3.0000% - 5.2500%	38,650,000.00	28,560,000.00
RFS Bonds, Series 2009A	To provide funds for the purposes of constructing and equipping the Business Leadership Building, for constructing and equipping Apogee Stadium for paying a portion of accrued interest and for paying certain costs of bond issuance	12/2/2009	3.0000% - 5.0000%	159,310,000.00	138,585,000.00
RFS Refunding Bonds, Series 2009B	To provide funds for the purposes of refunding outstanding Consolidated University Revenue Bonds Series 1994, Revenue Financing System Bonds Series 1999A, and Revenue Financing System Bonds Series 2001 and for paying costs of bond issuance	12/2/2009	3.0000% - 4.7500%	15,800,000.00	10,885,000.00
RFS Refunding Bonds, Series 2010	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2001, Revenue Financing System Bonds Series 2002, and Revenue Financing System Bonds Series 2002A	7/23/2010	3.0000% - 5.0000%	57,625,000.00	46,850,000.00
RFS Refunding and Improvement Bonds, Series 2012A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003, for refunding a portion of the Board's outstanding commercial paper notes and for purchasing, constructing, improving, renovating, enlarging, and equipping property, buildings, structures, facilities, roads, or infrastructure related to the UNT ESCO project and UNT Woodhill Square acquisition	6/1/2012	2.0000% - 5.0000%	75,890,000.00	69,300,000.00
RFS Refunding Bonds, Taxable Series 2012B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003B	6/1/2012	0.5500% - 3.2000%	4,820,000.00	4,590,000.00

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As of August 31, 2014, all refunded bonds have been paid off by funds held in escrow.

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The principal and interest expense for the next five years and beyond are below for bonds issued and outstanding. The debt service requirements for revenue bonds are as follows:

Total interest and fiscal charges incurred for the year ended August 31, 2014 was \$20,655,646.82. Of this total, the System capitalized \$729,544.22 associated with financing projects during the construction phase. In addition, the System recorded \$2,599,147.29 as a reduction to this balance relating to the amortization of premiums and deferred outflows of resources resulting from losses on bond refundings. The remaining amount of \$17,326,955.31 was reported as interest expense and fiscal charges for the year ended August 31, 2014.

*Revenues Pledged for Debt Service*

Total pledged revenues consist of available pledged revenues, which include the gross revenues of the Revenue Financing System, the Student Union Fee, pledged general tuition (which includes general use fees), and investment

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

LIBOR rate on the reset date plus .48%. The variable interest rate at August 31, 2014 was .58%. Interest is reset monthly.

*Capital Lease Obligations*

See Note 5, *Leases*, for more information on lease obligations.

*Claims and Judgments*

As of August 31, 2014, there are two outstanding material claims for which a liability accrual has been recognized. According to authoritative GASB guidance, liabilities should be recognized when the possibility of loss is probable and the amount of loss is reasonably estimable. See Note 9, *Contingencies and Commitments*, for more information on the claims and judgments against the System.

*Employees' Compensable Leave*

According to the *Texas Human Resources Management Statutes Inventory* provided by the State Auditor's Office, State agency employees, who have accrued six months of continuous state employment, are entitled to be paid for the accrued balance of the employee's vacation leave as of the date of separation, if the employee is not reemployed by a state agency or institution of higher education in a position which accrues vacation leave during the 30-day period immediately following the date of separation from State employment.

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**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

The System has also leased buildings, land, and other capital assets to outside parties under various operating leases. The cost, carrying value and accumulated depreciation of these leased assets as of August 31, 2014 were as follows:

<b>Assets Leased</b>	<u><b>2014</b></u>
Buildings:	
Cost	\$ 41,775,784.93
Less: Accumulated Depreciation	<u>(16,601,377.08)</u>
Carrying Value of Buildings	25,174,407.85
Parking Garage	
Cost	10,655,156.80
Less: Accumulated Depreciation	

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Note 6: Pension Plans**

**Teacher Retirement System (TRS)**

The State has joint contributory retirement plans for the majority of its employees. One of the primary plans in which the System participates is a cost-sharing multi-employer defined benefit pension plan administered by the TRS. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a TRS-eligible position on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire and members who are not vested in TRS on August 31, 2014, must be age 62 to retire under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings for 2014. Depending upon the

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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annual compensation) and the employer (6.6 percent state base rate for 2014 plus any local supplement for a maximum 8.50 percent of annual compensation) for the fiscal year ended August 31, 2014, is provided in the following table:

**Note 7: Employees Retirement System (ERS)**

The Employee Retirement System (ERS) provides healthcare and survivor benefits for both active and retired employees. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit healthcare plan. UNTS employees that work at least 20 hours but less than 35 hours per week are eligible for partial health benefits under ERS. UNTS employees that work 35 or more hours are eligible for full health benefits under ERS.7.1(2df-8.2(e)-2.8(n)5(1(a)4.2)2.9(o)-2.4(e).1(92 (d)-7.1f.1(e)-2.8(s)-

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**



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Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the United States Government. Any disallowed claims may constitute a liability of the System. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the System expects any such amounts to be immaterial.

**Contingencies**

*Proportional Benefits*

In the fall of 2013, UNT System Internal Audit began an investigation of obtaining payment of state-funded benefits associated with certain salaries at the System which were funded by local funds, as opposed to state appropriations. The investigation determined that the System received excess state benefits during the period September 1, 2003 through April 30, 2012. The System provided the results of the UNT System Internal Audit analysis to the Texas State Comptroller and the State Auditor in May of 2014. During the fiscal year ended August 31, 2014, incurrence of a loss in the amount of \$4.7 million, representing fiscal years 2012, 2013, and 2014, was considered probable and this amount was accrued as a liability for this loss contingency in the System's financials

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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is purchased for allied health care professionals and medical students with entity coverage, which provides a maximum

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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*Property*

The System carries property insurance to finance loss arising from damage to or destruction of capital assets, including

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 11: Matrix of Operating Expenses Reported by Function**

For the year ended August 31, 2014, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
<b>Cost of Goods Sold</b>	\$ 20,298.67	\$ 1,829.00	\$ -	\$ 32,616.92	\$ 141,044.29
<b>Salaries and Wages</b>	176,837,263.88	29,371,917.38	9,145,487.56	90,054,872.66	31,831,744.28
<b>Payroll Related Costs</b>	49,793,166.00	6,471,310.05	2,165,921.23	20,714,537.92	7,154,014.40
<b>Professional Fees and Services</b>	3,152,717.18	6,582,406.97	3,035,790.02	25,087,559.20	946,498.14
<b>Federal Pass-Through Expenses</b>	5,490.85	336,975.12	(1,454.27)	-	-
<b>State Pass-through Expenses</b>	-	217,375.67	-	-	-
<b>Travel</b>	2,433,573.78	1,869,436.96	276,354.88	3,026,375.54	3,472,341.46
<b>Materials and Supplies</b>	8,842,176.34	6,407,203.58	1,654,646.94	11,484,025.72	6,878,190.31
<b>Communications and Utilities</b>	668,970.47	55,120.34	89,011.12	1,414,437.08	1,295,944.54
<b>Repairs and Maintenance</b>	837,949.80	838,580.43	122,453.42	4,774,798.65	1,087,491.24
<b>Rentals and Leases</b>	1,878,994.52	292,877.58	692,971.84	2,110,711.50	1,410,824.87
<b>Printing and Reproduction</b>	933,857.57	88,601.02	136,923.37	668,990.71	790,317.83
<b>Depreciation and Amortization</b>	-	-	-	-	-
<b>Scholarships</b>	313,725.53	91,776.72	-	49,619.71	101,170.58
<b>Claims and Losses</b>	3,159,495.42	25,924.64	8,066.68	764,511.67	246,712.68
<b>Other Operating Expenses</b>	4,788,972.56	3,759,036.94	1,269,930.87	8,985,601.04	11,410,293.81
<b>Total Operating Expenses</b>	<b>\$ 253,666,652.57</b>	<b>\$ 56,410,372.40</b>	<b>\$ 18,596,103.66</b>	<b>\$ 169,168,658.32</b>	<b>\$ 66,766,588.43</b>

**THE UNIVERSITY OF NORTH TEXAS SYSTEM**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 12: Donor Restricted Endowments**

The System's spending policy for unitized endowments reflects an objective to distribute as much total return as is consistent with overall investment objectives while protecting the real value of the endowment principal. An endowment is excluded from tar

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 15: Subsequent Events**

Subsequent events were evaluated through July 31, 2015. The System drew \$6.5 million, \$30 million, \$15 million, and \$15 million



**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
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AUGUST 31, 2014**

5.



**THE UNIVERSITY OF NORTH TEXAS SYSTEM**  
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**16.E. Contributions and Other Receivables**

Contributions and other receivables as of August 31, 2014 are as follows:

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent. Contributions receivable in one to five years include one promise to give of \$22,000,000 from Mr. Charn Uswachoke. The contribution is expected to be collected by December 31, 2015, and has been recorded at a net present value of \$19,853,046.

**16.F. – Permanently Restricted Net Assets**

Net assets were permanently restricted for the following purposes at August 31, 2014:

**16.G. Life Insurance Policies**

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the Foundation has been named owner and beneficiary. Premium payments made by the Foundation are reimbursed by the donors of the policies. As of August 31, 2014, there were a total of 24 such policies, with death benefits totaling \$1,687,240 and cash values totaling \$468,248.

**16.H. – Income Tax Status**

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

**16.I. Assets Held Under Split Interest Agreements**

The Foundation is the Trustee or Co-Trustee of various charitable remainder trusts and administers several gift annuity contracts. The agreements require annuity payments to the income beneficiaries for life, with the remaining assets of the trusts or agreements creating endowments upon the death of the income beneficiary. The annuity obligations are recorded at the present value of the expected future cash payments to the beneficiaries based on published life expectancy tables using a discount rate of six percent.

**THE UNIVERSITY OF NORTH TEXAS SYSTEM  
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THE UNIVERSITY OF NORTH TEXAS SYSTEM  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**16.L. Adjustments to Net Assets**

Subsequent to the filing of the 2013 financial statements, the Foundation identified errors as noted below. These errors were corrected by restating the beginning net assets as follows:

<b>Net Assets at August 31, 2013 as previously reported</b>	\$	115,879,353
Adjustments to accounts receivable		(69,121)
Adjustments to prepaid expenses		69,094
Gift revenue-related adjustments		<u>(1,921,300)</u>
<b>Total Restatement</b>		<u><u>(1,921,327)</u></u>
<b>Net Assets at August 31, 2013 as restated</b>	<b>\$</b>	<b><u><u>113,958,026</u></u></b>

*Adjustments for Gift Revenue*

These adjustments were made to correct overstated contribution receivable and gift revenue balances due to certain donations being misclassified as new gifts rather than as receipt of pledges.



1. The consolidated financial statements referred to above, including the related notes, have been prepared and are fairly presented in accordance with US GAAP.

2. The consolidated financial statements include all component units as well as joint ventures with an equity

10. We have identified and disclosed to you all laws, regulations, contracts, and grant agreements and other

11. The System has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

12. We have identified and disclosed to you all laws, regulations, contracts, and grant agreements and other



17. Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.

18. Investments held by endowments are properly valued.

19. Provisions for uncollectible receivables have been properly identified and recorded.

20. The basis for the allocation of functional expenses is reasonable and complies with the requirements of the

32. We acknowledge our responsibility for the Management Discussion and Analysis, which the Governmental Accounting Standards Board considers to be an essential part of financial reporting for preparing the basic financial statements in accordance with generally accepted accounting principles.

required supplementary information is measured and presented in accordance with U.S. GAAP. The methods of measurement and presentation of the required supplementary information are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.

33. We believe any event expenditures that could potentially be disallowed and not reimbursed by the grantor

University of North Texas System

CONSOLIDATED EVALUATION OF PAJES

JE No.	Account Description	Amount DR(CR)
1	SHR PP A/P - PAYROLL PAYABLE	\$ 2,198,975
1	EMP RETIRE - STATE CONTRB	(2,198,975)
	Client PAJE 5 - adjustment to payroll payable to match HSC Balance with subledger	
2	PROFESSIONAL FEES	5,582,061
2	FEDERAL CONTRACT REVENUE	(5,582,061)
	GT PAJE 1 - To record the net effect of the FY14 Correctional AR Accrual to the correct revenue account <wp 2420.8>.	
3	SHR FA - NON-DEP - CIP	(410,199)
3	SHR AP-GENERAL	410,199
	Client PAJE 1 - Fixed assets errors	
4	SHR DR - MISCELLANEOUS	(925,648)
	Client PAJE 2 - Unearned grant revenue adjustments	
5	SHR RESTRICTED-OTHER	1,371,980
5	SHR ENDOWMENT	(1,371,980)
	Client PAJE 3 - endowment adjustment	
6	SHR DR-INVESTMENT POOL	(652,976)
6	SHR AR - PRIVATE GRANTS	652,976
	Client PAJE 4 - Unearned grant revenue adjustment	
7	TUITION RESIDENT	(950,385)
7	GIFTS & DONATIONS	950,385
7	GIFTS & DONATIONS	1,235,667
7	SHR AR-GIFT PLEDGE REV UNALLOC	(1,235,667)
	Client PAJE 6 - correct UNT Denton pledges and gift receivable. WP 2610	

University of North Texas System

CONSOLIDATED EVALUATION OF PAJES - CONTINUED

<u>JE</u> <u>No.</u>	<u>Account Description</u>	<u>Amount DR(CR)</u>
8	Less Funds 91 & 93	\$ (1,161,790)
8	SHR AP-GENERAL	1,161,790
	Client PAJE 7 - AP adjustment for HSC	
9	COMMUNICATION SERVICES	(1,019,775)
9	SHR AP-GENERAL	1,019,775
	Client PAJE 8 - accounts payable - utilities adjustment	
10	FEDERAL GRANT REVENUE	3,050,155

Client PAJE 9 - adjust federal accounts receivable

11	RP-BLDG & IMP-DEP EXP	(607,982)
11	SHR FA-ACC DEP-BLDG & BLDG IMP	607,982

Client PAIE 10 - fixed assets depreciation adjustment

University of North Texas System

CONSOLIDATED EVALUATION OF PAJES - CONTINUED

JE No.	Account Description	Amount DR(CR)
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16	SHR-COMPENSABLE LEAVE	1,059,982
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Client PAJE 15 - Accrd comp leave 1.0 Denton

17	COMPENSATORY TIME PAY	(373,629)
17	SHR-COMPENSABLE LEAVE	373,629

Client PAJE 16 - accrd comp leave 1.0 HSC

18	COMPENSATORY TIME PAY	(178,535)
18	SHR-COMPENSABLE LEAVE	178,535

Client PAJE 17 - accrd comp leave 1.0 systems

19	HSC AR MSRDP TRUST FUND	666,864
19	SHR AP-GENERAL	(666,864)

GT PAJE 2 to reduce negative balances in AP to 0

Audit

: July 23, 2015

: Approval of the FY16 UNT System Annual Audit Report

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: Approval of the FY16 UNT System Interim Audit Report

At a meeting of the Board of Regents of the University of North Texas System properly posted and held on July 31, 2015, pursuant to a resolution adopted and amended by the Board, the Board approved the following resolution:

Whereas, Chapter 2102 of the Texas Government Code and Rule 0.501.0.\* require the Board of Regents to review and approve the FY 2016 Annual Financial Report and Interim





The six components evaluated during risk ranking were:

1. Regulatory, Compliance, Fraud Risk
2. Reputational Risk
3. Operational Risk
4. Financial Risks
5. Professional Input
6. Information Technology Risks

The specific scope of each audit in the Plan will be determined once the audit team has completed the audit planning process for each engagement. The audit planning process includes consideration of the risk management, control, and governance processes that provide reasonable assurance that:

- Risks are appropriately identified and managed;
- Information is accurate, reliable, and timely;
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
-

### **Revisions Subsequent to Approval**

Changes in operations, priorities, workloads, and timing of initiatives, management requests, and staff availability may affect the risk assessment and suggest revisions to the approved Audit Plan. Internal Audit will assess emerging risks and monitor the Audit Plan throughout the year and consult with the Board of Regents' Audit Committee and executive management to adjust the Plan as needed. Material recommendations for change to the Audit Plan will be submitted to the Audit Committee for approval.

### **Closing**

The UNT System Internal Audit Plan for Fiscal Year 2016



## INTERNAL AUDIT

Steve Goodson, Interim Chief Internal Auditor

### Fiscal Year 2016 Audit Plan

#### **Required Audits**

##### **UNT System**

- Chancellor's Expenditure Review
- Benefits Proportionality Review

##### **University of North Texas**

- President's Expenditure Review
- Investment's Review
- Student-Managed Investment Fund Review
- Benefits Proportionality Review
- Cancer Prevention and Research Institute of Texas Program Review

##### **Health Science Center**

- President's Expenditure Review
- Investments Review
- Family Medicine Residency Program Review
- Joint Admission Medical Program Review
- Cancer Prevention and Research Institute of Texas Program Review
- Benefits Proportionality Review

##### **UNT Dallas**

- President's Expenditure Review
- Benefits Proportionality Review

### **System-Wide Risk Based Audits**

- Investigations
- Management Requests and Emerging Risks
- Audit Recommendation Follow-up
- Financial Transformation Implementation Assurance
- Advisory: Fiscal Year 2015 External Audit Coordination and Assistance
- Time & Labor Audit
- Selected Contract Review (1 of 2)
- Selected Contract Review (2 of 2)

### **Risk Based Continuous Audits**

- Accounts Payable
- Payroll
- Journal Entry
- Task Payments

### **Information Technology Risk Based Audits**

- Security Governance
- Privacy and Data Protection
- Change Management
- Advisory: PeopleSoft Implementation
- Advisory: Hyperion Implementation
- Affordable Care Act Implementation
- Payment Card Industry Data Security Overview

### **Outsourced Risk Based Audits**

- Grants Management Process Review
- Selected Policies Review
- Endowments (UNT)
- Endowments (UNT HSC)
- Endowments (UNT Dallas)
- Selected Grants Reviews (UNT)
- Selected Grants Reviews (UNT HSC)

## **Other Types of Audits and Activities**

### **Follow-up Audits**

Conduct follow-up audits on management's implementation of prior audit recommendations to determine if management has adequately addressed the issues.

### **Change in Management Reviews**

Conduct change in management reviews, on an as-needed basis, when there is a change in an executive management position within the UNT System.

### **Participation and/or Assistance**

Internal audit staff may participate and/or assist UNT System members in developing and maintaining strong governance, risk management, and control processes and systems. Activities may include serving as a member of a work group, participating in the design of a major information system, or providing consultative advice on financial, operational, and compliance issues. The staff may also perform work to support external audit requirements.

### **Potential Fiscal Year 2017 Audits**

Taking a longer term view, Internal Audit also identified potential projects that should be considered during the Fiscal Year 2017 Risk Assessment and planning process. These could include:

- Financial Control on Research Activities
- Training and Development
- Grants Management
- Procurement
- Legal and Regulatory Compliance
- Contract Management
- Financial Aid
- Tuition
- Scholarships
- Enrollment Growth
- Student Retention
- Colleges Oversight
- Records Management
- Security Awareness and Training
- Business Continuity Planning/Disaster Recovery
- Antivirus
- Cloud Services
- Laptop Encryption
- Access Provisioning and De-provisioning
- Anomaly Logging, Monitoring, Detection, and Alerting
- Vulnerability Scanning/System Patching
- Penetration Testing
- Firewalls – perimeter / internal
- Virtual Environment
- Mobile Technology

# Annual Risk Assessment and Internal Audit Plan Proposal Fiscal Year 2016

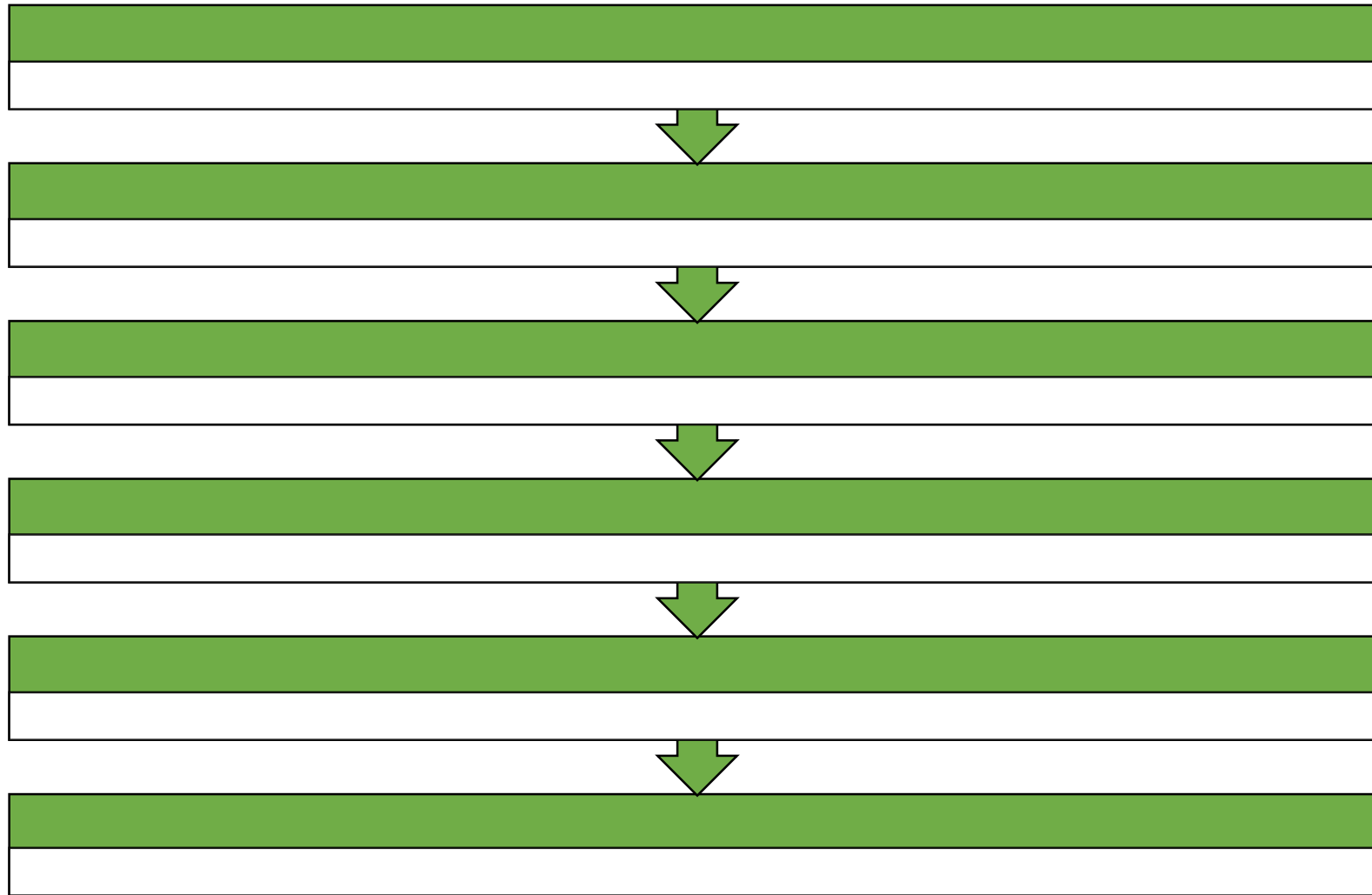
# Annual Risk Assessment



# Process



## Methodology



# Types of Audits



# Required Audits

UNT System

University of North Texas

## Required Audits continued

Health Science Center

UNT Dallas

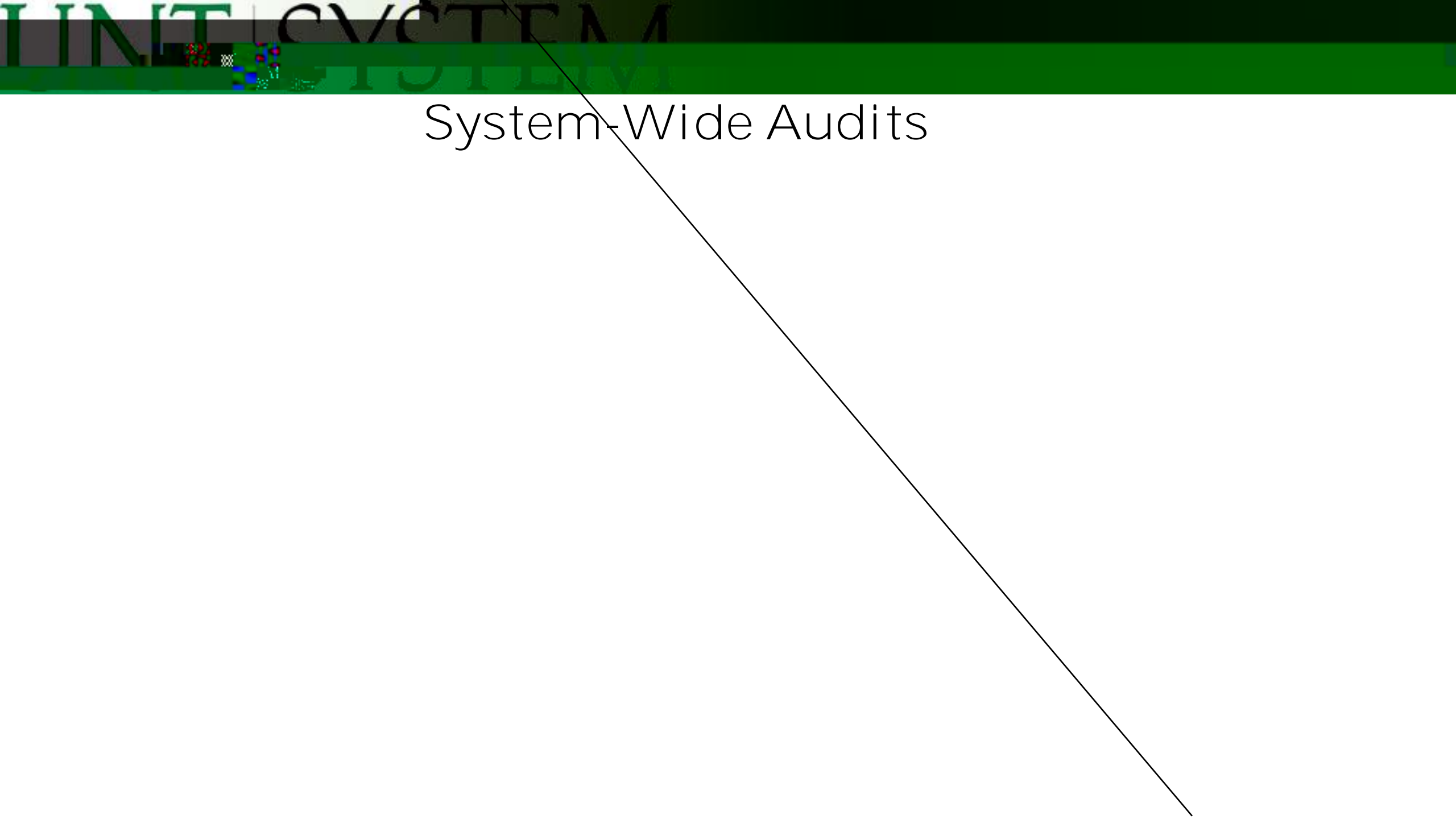
# Component Based Audits

University of North Texas

Health Science Center

UNT Dallas

# System-Wide Audits



# Continuous Audits



# Information Technology Audits

# Outsourced Audits

# Potential Fiscal Year 2017 Audits

