



University of North Texas System

Board of Regents

Schedule of Events for Board of Regents Meeting

University of North Texas at Dallas
Founders Hall, Room 138
7300 University Hills Blvd.
Dallas, Texas 75241

February 14-15, 2019

The University of North Texas System Board of Regents will meet on February 14 from 8:30 am until approximately 5:30 pm and on February 15 from 9:30 am until approximately 12:00 pm.

Agenda items are scheduled to follow each other consecutively and may start earlier or later than the posted time depending on the length of the discussions and the reports of previous items. Please note that the estimated times given in the posting are only approximate and may be adjusted as required with no prior notice.

Any members of the Board may attend committee meetings. Because some Board members who are not committee members may attend committee meetings and thereby create a quorum of the full Board, committee meetings are also being posted as meetings of the full Board. Please contact the Office of the Board Secretary with any questions at 214.752.5545.

Thursday, February 14, 2019

8:30 am CONVENE FULL BOARD

CHANCELLOR'S REMARKS

- Progress Since Last Quarterly Board Meeting

8:40 am UNT DALLAS PRESIDENT'S INSTITUTIONAL UPDATE

- Campus Update
- College of Law Update
- Significant Developments

9:00 am CAMPUS UPDATES

- Neal Smatresk, President, UNT
 - Our Creative Campus
 - Our Caring Community
 - Our Will to Succeed
- Michael Williams, President, UNTHSC
 - Significant Developments
 - Campus Updates
 - MD School

9:20 am SPOTLIGHT ON STUDENTS

9:40 am STRATEGIC AND OPERATIONAL EXCELLENCE COMMITTEE

Call to Order

- Approval of minutes of November 15, 2018 meeting

Briefings:

UNT System Strategic Plans Review

- Lesa Roe, UNTS, Chancellor
- Barbara Abercrombie, UNTS, Chief Human Capital Officer
- Bob Mong, UNTD, President
- Michael Williams, UNTHSC, President
- Neal Smatresk, UNT, President

University of North Texas System Progress Card

- Lesa Roe, UNTS, Chancellor

BACKGROUND MATERIAL

- Quarterly Operations Report

Adjourn Strategic & Operational Excellence Committee.

11:15 am FINANCE AND FACILITIES COMMITTEE

Call to Order

- Approval of minutes of November 15-16, 2018 meeting

Briefings:

Financial Ratios and Investment Governance

- Gary Rahlfs, UNTS, Vice Chancellor for Finance

FY18 Comprehensive Annual Financial Report Highlights

- Aaron LeMay, UNTS, Associate Vice Chancellor for Finance and System Controller

UNT Dallas Campus Master Plan Update

- Bob Mong, UNT Dallas, President
- Steven Maruszewski, UNT System, Vice Chancellor for Facilities
- Cassandra Nash, UNT System, Associate Vice Chancellor for Facilities Design and Construction

BACKGROUND MATERIAL

- Quarterly Operations Report

Recess Finance and Facilities Committee.

12:15 pm LUNCH

1:15 pm ACADEMIC AFFAIRS AND STUDENT SUCCESS COMMITTEE

Call to Order

- Approval of minutes of November 15-16, 2018 meeting

Briefing:

THECB 60x30TX Higher Education Plan

- Rosemary Haggett, UNTS, Vice Chancellor for Academic Affairs & Student Success

Academic Pathways

- Rosemary Haggett, UNTS, Vice Chancellor for Academic Affairs & Student Success
- Jennifer Cowley, UNT, Provost
- Betty Stewart, UNTD, Provost
- Charles Taylor, UNTHSC, Provost

Optimizing Financial Aid to Meet Enrollment Goals

- Shannon Goodman, UNT, Vice President for Enrollment
- Stephanie Holley, UNTD, Vice President for Student Access and Success

BACKGROUND MATERIAL

- Quarterly Academic Measures Report

Recess Academic Affairs & Student Success Committee.

2:30 pm AUDIT COMMITTEE

Call to Order

- Approval of minutes of November 15, 2018 meeting

Action Item:

10. UNTS Acceptance of the Externally Audited UNT System FY18 Comprehensive Annual Financial Report

Briefings:

Quarterly Report of Audit Activities

- Tracy Grunig, UNTS, Chief Audit Executive

UNT System Enterprise Audit Report Inventory

- Tracy Grunig, UNTS, Chief Audit Executive

BACKGROUND MATERIAL

- UNT System Consolidated Quarterly Compliance Report, September 2018 through November 2018

Adjourn Audit Committee.

4:00 pm CONVENE FULL BOARD AND RECESS TO EXECUTIVE SESSION
(Room #213)

Government Code, Chapter 551, Section .072 - Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property

- Discussion regarding the purchase, exchange, lease or value of real property in Fort Worth, Tarrant County, Texas
- Discussion and action regarding the following four real estate items:

- (1) Authorization to acquire by purchase or eminent domain, if necessary, the property and improvements described as being all that certain tract or parcel of land, commonly known and numbered as 903 Kendolph Street, Denton, Denton County, Texas, identified as DCAD tract 39466, being more particularly described as follows:

BEING the same tract described in Warranty Deed dated January 26, 2000, from Denton Oil Changers, Inc., as grantor, to Eagle Car Wash, Ltd., as grantee, recorded as Instrument # 2000-10487, in Volume 4519, Page 1803 of the Official Public Records of Denton County, Texas;

BEING Lot 1, in Block B of J.S. WILLIAMS ADDITION, an Addition to the City of Denton, Denton County, Texas, according to the Map thereof recorded in Volume 343, Page 434, Map Records, Denton County, Texas.

- (2) Authorization to acquire by purchase or eminent domain, if necessary, the property and improvements described as being all that certain tract or parcel of land, commonly known and numbered as 902 Avenue C, Denton, Denton County, Texas, identified as DCAD tract 34790, being more particularly described as follows:

BEING the same tract described in Warranty Deed dated April 8, 2009, from Ken Christiansen, as grantor, to 902 Avenue C, LLC, as grantee, recorded as Instrument # 2009-48331 of the Official Public Records of Denton County, Texas; also being described in Warranty Deed dated August 19, 1996, from Live Oak Trust, as grantor, to Ken Christiansen and Phoebe Christiansen, as grantee, recorded as Instrument # 1996-060877;

BEING all that certain lot, tract, or parcel of land situated in the Eugene Puchalski Survey Abstract Number 996, in the City and County of Denton, Texas, being all of that certain tract of land conveyed by deed from W.W. Willingham III to Jessie Sally Compton, Trustee for Live Oak Trust, recorded in Volume 766, Page 733,

Deed Records, Denton County, Texas, and being more particularly described as follows:

BEGINNING at an iron rod found for corner in Eagle Drive, a public roadway and in the west line of Avenue C, a public roadway;

THENCE South, 81.00 feet with said west line of said Avenue C to a gin spindle found for corner, said point being the northeast corner of Lot 1, Block 1 of Christiansen Addition, an addition to the City of Denton, Denton County, Texas according to the plat thereof recorded in Cabinet F, Page 163, Plat Records, Denton County, Texas;

THENCE West, 131.24 feet with the north line of said Christiansen Addition to an iron rod found for corner in the east line of Lot 1, Block B of J.S. Williams Addition, an addition to the City of Denton, Denton County, Texas according to the plat thereof recorded in Volume 343, Page 434, Deed Records, Denton County, Texas;

THENCE North, 81.00 feet with said east line of said J.S. Williams Addition to a P.K. Nail set for corner in said Eagle Drive;

THENCE East, 131.24 feet with said Eagle Drive to the PLACE OF BEGINNING, and containing 0.244 acres, more or less, of land.

- (3) Authorization to acquire by purchase or eminent domain, if necessary, the property and improvements described as being all that certain tract or parcel of land, commonly known and numbered as 906 Avenue C, Denton, Denton County, Texas, identified as DCAD tract 130831, being more particularly described as follows:

BEING Lot 1, Block 1 of Christiansen Addition, an addition to the City of Denton, Denton County, Texas, according to the plat thereof recorded in Cabinet F, Page 163, Plat Records, Denton County, Texas, and containing 0.249 acres, more or less, of land.

- (4) Authorization to acquire by purchase or eminent domain, if necessary, the property and improvements described as being all that certain tract or parcel of land, commonly known and numbered as 1000 Avenue C, Denton, Denton County, Texas, identified as DCAD tracts 34792 and 149135, being more particularly described as follows:

BEING the same tract described in Warranty Deed dated March 21, 2006 (acknowledged March 23, 2006), from Jiang Zhi Hua, as grantor, to Luna Li, as grantee, recorded as Instrument # 2006-47940 of the Official Public Records of Denton County, Texas;

BEING all that certain tract or parcel of land lying and being situated in the E. Puchalski Survey, Abstract 996, City of Denton, Denton County, Texas, being the same (called) First and Second Tracts as described in a Substitute Trustee's Deed from Bryon R. Berry, as Substitute Trustee, to First State Bank of Denton on the 1st day of May, 1990 and recorded in Volume 2774, Page 887, Real Property Records of Denton County, Texas, and being more particularly described as follows:

BEGINNING at an "X" in concrete on the North Right-of-Way of Wilshire Street at the Southwest corner of the above mentioned First Tract;

THENCE North 00°03'05" West a distance of 165.96 feet to an iron rod set for corner;

THENCE South 88°40'43" East a distance of 131.22 feet to an "X" in concrete on the West Right-of-Way of Avenue C;

THENCE South 00°16'47" West with the West Right-of-Way of Avenue C, a distance of 49.97 feet to an iron rod found for corner;

THENCE North 89°33'51" West a distance of 121.01 feet to an "X" found in concrete for corner;

THENCE South 00°07'23" East a distance of 113.90 feet to an "X" in concrete on the North Right-of-Way of Wilshire Street;

THENCE North 89°52'49" West with the North Right-of-Way of Wilshire Street a distance of 10.03 feet to the POINT OF BEGINNING and containing 0.1794 acres, more or less, of land.

Government Code, Chapter 551, Section .074 - Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Discipline, or Dismissal of Officers or Employees

- Consideration of individual personnel matters related to the appointment, employment, evaluation, reassignment, discipline and dismissal of System and Institution officers or employees
- Consideration of individual personnel matters related to the performance objectives of the UNT System Chancellor

Government Code, Chapter 551, Section .071 - Consultation with Attorneys Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers

- Consultation with counsel regarding confidential legal matters, including pending, threatened, and contemplated litigation or settlement offers
- Consultation with counsel regarding contemplated, ongoing and/or finalized investigations and any findings, conclusions or recommendations related to those investigations
- Consultation with counsel regarding audits and any findings, conclusions or recommendations related to those audits
- Consultation with counsel on the status of negotiations and/or compliance with contracts and agreements, including but not limited to research grants and contracts, including legal obligations and duties and any and all related facts

Government Code, Chapter 551, Section .089 – Deliberations Regarding Security Devices or Security Audits

- Consideration of matters related to security assessments or deployments relating to information resources technology, network security information, and the deployment, or specific occasions for implementation, of security personnel, critical infrastructure, or security devices.

5:30 pm CONVENE FULL BOARD AND RECESS (Room #138)

Friday, February 15, 2019

9:30 am CONVENE FULL BOARD

Recess for committee meetings.

9:35 am ACADEMIC AFFAIRS AND STUDENT SUCCESS COMMITTEE

Action Item:

- 11. UNT Approval to Add the UNT Bachelor of Science Degree Program with a Major in General Business
- 12. UNT Approval to Add the UNT Master of Arts Degree Program with a Major in Applied Behavior Analysis
- 13. UNTHSC Approval of Tenure for New Faculty Appointee

Adjourn Academic Affairs & Student Success Committee.

9:50 am FINANCE AND FACILITIES COMMITTEE

Action Items:

- 14. UNTS Approval of UNT System Regulation 08.2000, Investment of System Funds
- 15. UNTS Authorization to Amend the UNTS FY19 Capital Improvement Plan to Add Campus Energy Infrastructure Improvements and the Facilities Management and General Services Buildings Renovation
- 16. UNTS Delegation of Authority to the Audit Committee of the UNT System Board of Regents to Retain an External Audit Firm
- 17. UNT Gift-Related Naming of the UNT College of Business as the “G. Brint Ryan College of Business”
- 18. UNT Naming of Various Buildings at UNT
- 19. UNTHSC Delegate Authority for the UNTHSC President to Enter into Letter of Agreement with inVentive Health Consulting/Syneos Health to Receive Funding in the Form of an Educational Grant to Implement a Continuing Medical Education Initiative

Adjourn Finance and Facilities Committee.

10:30 am CONVENE THE FULL BOARD

CONSENT AGENDA

- 1. UNTS Approval of the Minutes of the November 15-16, 2018, Board Meeting
- 2. UNT Approval of UNT Faculty Development Leaves for 2019-20 Academic Year
- 3. UNT Approval of Tenure for New UNT Faculty Appointees
- 4. UNT Appointment of Deborah Leliaert as Vice President Emeritus
- 5. UNTHSC Approval of Tenure for New Faculty Appointees
- 6. UNTHSC Approval of Purchase of Two Confocal Microscopes by UNTHSC
- 7. UNTHSC Authorization to Enter into Agreement with Tarrant County Medical Examiner’s Office for Joint Providership of Continuing Medical Education

8. UNTHSC Authorization to Execute a Professional Services Agreement with Tarrant County Public Health for Perinatal Health Services
9. UNTHSC Authorization to Execute a Confidential Disclosure Agreement and Sub-award Agreement with Tarrant County Public Health

ACTION ITEMS:

10. UNTS Acceptance of the Externally Audited UNT System FY18 Comprehensive Annual Financial Report
11. UNT Approval to Add the UNT Bachelor of Science Degree Program with a Major in General Business
12. UNT Approval to Add the UNT Master of Arts Degree Program with a Major in Applied Behavior Analysis
13. UNTHSC Approval of Tenure for New Faculty Appointee
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11:00 am RECESS FOR EXECUTIVE SESSION (Room #213)

Government Code, Chapter 551, Section .074 - Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Discipline, or Dismissal of Officers or Employees

- Consideration of individual personnel matters related to the appointment, employment, evaluation, reassignment, discipline and dismissal of System and Institution officers or employees
- Consideration of individual personnel matters related to the performance objectives of the UNT System Chancellor

Government Code, Chapter 551, Section .071 - Consultation with Attorneys Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers

- Consultation with counsel regarding confidential legal matters, including pending, threatened, and contemplated litigation or settlement offers
- Consultation with counsel regarding contemplated, ongoing and/or finalized investigations and any findings, conclusions or recommendations related to those investigations
- Consultation with counsel regarding audits and any findings, conclusions or recommendations related to those audits

- Consultation with counsel on the status of negotiations and/or compliance with contracts and agreements, including but not limited to research grants and contracts, including legal obligations and duties and any and all related facts

Government Code, Chapter 551, Section .089 – Deliberations Regarding Security Devices or Security Audits

- Consideration of matters related to security assessments or deployments relating to information resources technology, network security information, and the deployment, or specific occasions for implementation, of security personnel, critical infrastructure, or security devices

11:45 am Reconvene the Board in Open Session (Room #138) to consider action on Executive Session items, if any

12:00 pm ADJOURNMENT



MINUTES

BOARD OF REGENTS Strategic and Operational Excellence Committee November 15, 2018

The Strategic and Operational Excellence Committee of the Board of Regents of the University of North Texas System convened on Thursday, November 15, 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas, with the following committee members in attendance: Regents Milton Lee, Carlos Munguia, Gwyn Shea, and Glen Whitley.

There being a quorum present, the meeting was called to order by Committee Chairman, Regent Milton Lee, at 9:28 a.m.

The minutes of the August 9, 2018 Strategic and Operational Excellence Committee meeting were approved on a 4-0 vote following a motion by Regent Glen Whitley seconded by Regent Gwyn Shea.

The Committee was briefed on the **UNT System Strategic Plans Review** by UNT System Chancellor Lesa Roe, UNT Health Science Center President Michael Williams, UNT Dallas President Bob Mong, and UNT President Neal Smatresk.

Chancellor Roe provided an update on the **UNT System Progress Card**.

There being no further business, the Strategic and Operational Excellence Committee meeting adjourned at 12:16 p.m.

Submitted By:

Rosemary R. Haggett
Rosemary R. Haggett
Board Secretary

Date: Dec. 6, 2018



UNT SYSTEM ADMINISTRATION STRATEGY

Board of Regents- February 14, 2019

SYSTEM ADMINISTRATION: Purpose, Vision, Goals



System Administration Purpose:

Lead, Serve, Inspire

System Administration Vision:

Recognized as a trusted partner of exceptional performance and service.

Goals:

- People
- Service
- Strength

DESIRED RESULTS



People

Service

Strength



- Best place to work
- Extraordinary service experience
- Best value
- Strong regional and corporate reputation
- Management practices and tools promote success

2019 TARGETS: People



| <u>Initiative</u> | <u>2019 Initiative/Owner</u> | <u>2019 Target</u> |
|--|---|--|
| 1. Recruit and Develop Talent | <ul style="list-style-type: none"> • Improve on-boarding employees (B. Abercrombie) • Enhance training and development (B. Abercrombie) • Develop compensation strategy for system administration (B. Abercrombie) | <ul style="list-style-type: none"> • 90% of new employees surveyed on a 5 point scale rate on-boarding as ≥ 4 • Every employee has a development plan • 360s/action plans established for Chancellor direct reports • Market study complete for system administration and overlapping positions with campuses |
| 2. Performance Management for Staff and Administrators | <ul style="list-style-type: none"> • Implement a standard tool for performance management system-wide (B. Abercrombie) • Establish and train on effective performance management (B. Abercrombie) | <ul style="list-style-type: none"> • 100% performance plans in place • Standard tool established system-wide |
| 3. Employee Engagement | <ul style="list-style-type: none"> • Communicate strategy to all employees (L. Roe) • Implement employee recommendations (All VCs & Chiefs) • Create a culture of workplace diversity and inclusion (L. Roe) | <ul style="list-style-type: none"> • Town Halls held quarterly with all campuses and system admin. • System administration Gallup engagement $\geq 52\%$ • Overall Gallup engagement $\geq 46\%$ • Diversity and inclusion training for cabinets of system administration and system institutions • Improve equal opportunity policies and infrastructure |

2019 TARGETS: Service

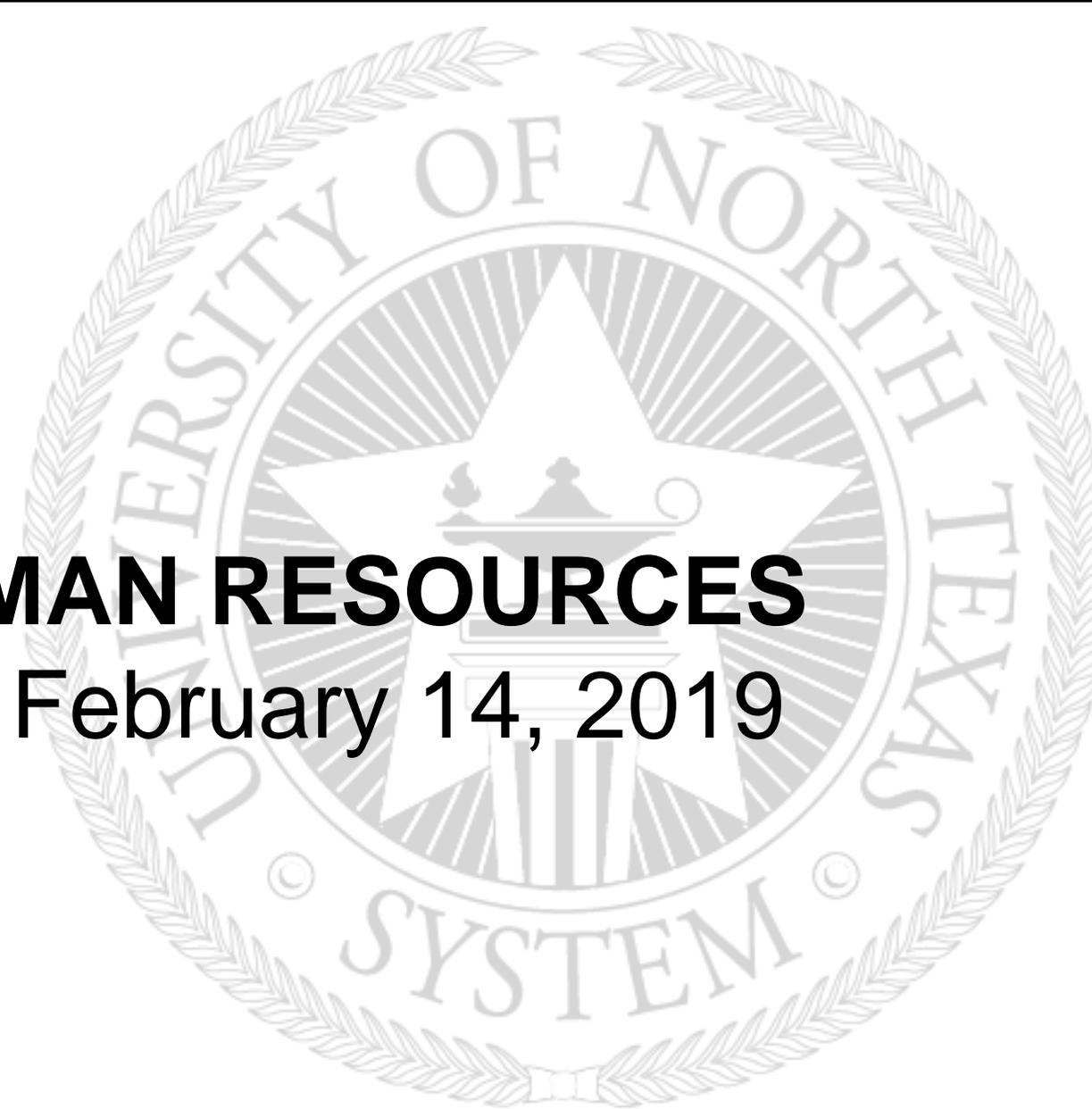


| <u>Initiative</u> | <u>2019 Initiative/Owner</u> | <u>2019 Target</u> |
|---|---|---|
| 1. Culture of Service | <ul style="list-style-type: none"> Establish service metrics (All VCs and Chiefs) | <ul style="list-style-type: none"> Each system administration division will have a service initiative with a target and metric |
| 2. Reviews of Core and Campus Services. | <ul style="list-style-type: none"> Complete IT external review. (R. Dhuwaraha) Complete facilities external review (S. Maruszewski) Initiate next set of service reviews (L. Roe) | <ul style="list-style-type: none"> System administration and campus improvements from reviews contribute positively toward quality and efficiency Administrative cost \leq 11.2% |
| 3. Align Services with University Initiatives | <ul style="list-style-type: none"> System administration and cross-university understanding of strengths, weaknesses, opportunities and threats (L. Roe) IT/HR/CFO Councils strategically functioning to address campus needs (R. Dhuwaraha/B. Abercrombie/G. Rahlfs) | <ul style="list-style-type: none"> Hold system-wide strategy workshops Quarterly reporting at Chancellor’s Council with campus leads |
| 4. Services Improvement | <ul style="list-style-type: none"> Trusted HR data, pay, and benefits (B. Abercrombie/G. Rahlfs) | <ul style="list-style-type: none"> Complete HRIS improvement projects Complete Payroll deduction improvements |

2019 TARGETS: Strength



| <u>Initiative</u> | <u>2019 Initiative/Owner</u> | <u>2019 Target</u> |
|--|---|--|
| 1. Strengthened Financial Planning and Future System Tools | <ul style="list-style-type: none"> Establish financial planning processes and tools. (G. Rahlfs) Determine the future Enterprise Resource Planning (ERP) for UNT System (G. Rahlfs) | <ul style="list-style-type: none"> Implement Axiom long-range planning and publish planning calendar each quarter. Establish recommendation on future ERP for UNT System |
| 2. Streamlined and Improved Policies | <ul style="list-style-type: none"> Lead and support policy improvement of system and campuses. (B. Abercrombie /N. Footer) | <ul style="list-style-type: none"> Establish a streamlined policy table of contents Review and revise all system administration HR policies |
| 3. Strengthen Brand Identity | <ul style="list-style-type: none"> Connect with corporations and regional leaders on DFW needs (L. Roe) Implement brand refresh at each system institution (L. Roe) | <ul style="list-style-type: none"> Quarterly visits to top CEO employers of UNT system graduates Downtown Dallas study complete Brand refresh contract executed and integrated with university planning System administration trained on campus branding |
| 4. Incorporate Risk Management into Strategic and Operational Planning | <ul style="list-style-type: none"> Establish and communicate Enterprise Risk Management (ERM) framework (G. Rahlfs) Perform comprehensive risk assessment (T. Grunig) | <ul style="list-style-type: none"> ERM framework used to understand system-wide risk |



UNT SYSTEM HUMAN RESOURCES

Board of Regents- February 14, 2019

Faculty and Staff Engagement

Previous State

- No baseline engagement scores system wide or by campus.
- No action plans for supervisor training to lead and develop engaged teams.
- Lack of knowledge and understanding about engagement factors for success.

Current State

- Baseline engagement scores for system and all campuses.
- Developed plan for continued improvement on issues brought out in previous survey.
- Implement sessions for supervisors on how engagement magnifies success factors for students.

Future State

- Engagement scores and participation in survey high enough to be recognized as a “Great Place to Work” at system and campuses.
- Methodical way to share outcomes and measures from annual survey.
- Use of outcomes to effect student retention and graduation.

Performance Management

Previous State

- Insufficient performance management cycle.
- No online tool for easy tracking and updates.
- Lack of understanding of the process for coaching, updating and goal-setting.

Current State

- Reviewing options for online tools for performance management.
- 360 evaluations and coaching being provided at 2 of our campuses for select administrators.
- Paper evaluations being done annually with little to no feedback throughout the year.

Future State

- Implement online tool to be used system and campus wide for the performance management life cycle.
- 360 evaluations and coaching done for Chancellor, Vice Chancellors, Presidents and Chief positions every 3 years.
- Goal setting and career development sessions for all employees.

Comprehensive Compensation Plan

Previous State

- Inconsistent compensation strategies on all campuses and system.
- Comprehensive Compensation study done in 2012.
- Lack of training and information for managers and supervisors to understand the plan.
- No effective means to transfer what we learned in the compensation study to EEO plan.

Current State

- Continuing to use 2012 compensation survey.
- Purchased the College and University Professional Associations online Data on Demand to have market data specific to faculty and staff.
- Lack of market data from the Dallas Fort Worth MSA to overlay with the higher education data.

Future State

- Hire consultant to provide a comprehensive compensation survey to include the DFW market as well as the higher education market.
- Use the survey to enhance current salary structure to pay plan as well as the EEO plan.
- Build supervisory tools to enable managers to have more transparency in the compensation area.
- Consistently provide market driven pay plans for our faculty and staff.

HRIS Data Integrity

Previous State

- Implementation of 2003 PeopleSoft HCM module done with insufficient resources and understanding of downstream data effects.
- Perception across campuses and system that HR data is wrong and/or can't be trusted.

Current State

- Prioritized data issues to ensure most relevant problems are handled first and with adequate resources.
- Perception of how data is pulled, manipulated and shared is being changed.
- Redefining roles within the HCM system to ensure users with access have proper training and skills to understand the data.

Future State

- HR Data will be trusted, reliable, and consistently available through reporting modules.
- Access to HCM will be limited to users within HR and ITSS with additional personnel added only as needed for short term projects.
- Data will be used to enhance and support the system and campus goals.

UNT Dallas Strategic Plan Review

Bob Mong, President

Goal: Grow Enrollment & Graduation

Action Update: Enrollment, FTIC Retention, Degrees Awarded

- Enrollment
 - Targeted Recruitment
 - Spring 2019 enrollment target was 3,800 students total. Actual was 3,598. 8% growth year-over-year and largest growth among North Texas universities.
 - Fall 2019 enrollment target: 4,300 students
 - Key Community Partnerships
 - Strategic enrollment committee looking at intercollegiate athletics, international programming, retention initiatives, and UNTD downtown space
- FTIC Retention
 - Closing the gap between our rate and state average. Goal for Fall 2018 was 80%. Our actual retention was 73%. Retention Committee establishing tactics to increase 2019-2020 retention to 80%.
 - UNTD has 2nd lowest debt upon graduation from all public universities in USA. UNTD is also 66th/500 in per-student scholarships.
- Degrees Awarded
 - AY 2017-2018 total was 808 (up 35% from AY 2016-2017). Record December 2018 graduation of 375.
 - Estimate for AY 2018-2019 is 868.
 - May 2019 Commencement Speaker is Tom Joyner.

Long-term Targets:

→5,000 headcount by Fall 2020

→ 87% FTIC Retention

→ 1,101 Degrees Awarded

Goal: Grow Research

Action Update: UNTD Office of Sponsored Projects (OSP)

- Implementation was September 1, 2018
- Two new awards: THECB Foundation (\$192,500) and Substance Abuse & Mental Health Services Administration (\$301,894)
- Training Sessions On:
 - Institutional Review Board (IRB)
 - Grants
 - Principal Investigator (PI)
- Online IRB Application started in January
 - 9 Applications
- OSP continues to find and submit grant proposals that fit our status as a developing University

Long-term Target: TBD

Goal: Grow Foundation Assets

Action Update: UNTD Foundation, Fundraising

- Started FY 2016 at \$0 (baseline)
 - \$4,866,000 cumulative raised FY 2016, FY 2017, & FY 2018
 - FY 2019 collected year-to-date is \$439,970
 - To date, \$5,305,970 cumulative raised FY 2016, 2017, 2018, and 2019
- UNTD Foundation Reconstruction
 - 12-member board is active
 - Since formation in 2012, first-ever audit completed with good, informative results
 - 100% participation at November 2018 Board Retreat. Outcomes of Retreat:
 - Board Officers Installed
 - Standing Committees established: Audit & Finance Committee; Nominating & Development Committee
- Establishing a presence in the donor community and active fundraising
 - Wide circulation of “Why Invest in UNT Dallas” presentation to high-net worth individuals, corporations, and foundations
 - Grand opening and ribbon cutting ceremonies for UNTD Student Center, Hart Amphitheater, and UNT Dallas Law Center (formerly COL Municipal Building)
 - UNT Dallas Law Center and fundraising event planned around Law Day

Long-term Target: \$5,000,000 by FY2021 (*Cumulative balance*)

Goal: Grow Top Rated Programs

Action Update: Priority Programs

- Seven (7) Priority Programs Identified
 1. Bilingual/English as a Second Language (ESL)
 - 303 students enrolled in Fall 2018 (15% growth since Fall 2017) & 288 students enrolled in Spring 2019 (13% growth since Spring 2018)
 - Charles Butt Aspiring Teacher Scholarship; William K. Kellogg Foundation and Meadows Foundation Grant; High school teaching pathway with Dallas ISD, Sunset HS, and Mountain View College; Emerging Teacher Academy with El Centro College
 2. Juris Doctorate
 - ABA accreditation visit scheduled for March 2019
 3. Logistics and Supply Chain Management
 - 54 students enrolled in Fall 2018 (23% growth since Fall 2017) & 54 students enrolled in Spring 2019 (4% growth since Spring 2018)
 4. Clinical Mental Health Counseling
 - 84 students enrolled in Fall 2018 (1% growth since Fall 2017) & 84 students enrolled in Spring 2019 (1% growth since Spring 2018)
 5. Public Health
 - 96 students enrolled in Fall 2018 (75% growth since Fall 2017) & 78 students enrolled in Spring 2019 (32% growth since Spring 2018)
 6. Biology
 - 212 students enrolled in Fall 2018 (68% growth since Fall 2017) & 178 students enrolled in Spring 2019 (28% growth since Spring 2018)
 7. Business Analytics
 - Enrolling will begin in Fall 2019
- Currently deliberating on next priority program

Long-term Target: 10 Priority Programs Identified by FY2021

Goal: Become Best Place to Work

Action Update: Employee Engagement, Student Net Promoter Score (NPS)

- Employee Engagement
 - Focus on “I know what is expected of me at work” (job description review and career plans)
 - Culture Committee (as part of strategic planning committee) is divided into subcommittees including:
 - Career Development committee, 360 evaluations, and employee recognition programs
 - 360 Evaluations were completed in January
 - Hire for the mission
 - Heavy investment in mid-level and high-level training (increased participation in state and national professional development opportunities)
 - Town halls in November and December 2018; one was on “campus safety” and the other was on “employee recognition.” At least one more Town hall will be scheduled for this academic year.

Long-term Targets:

→64% Employee Engagement

→ Student NPS - TBD

Goal: Achieve Efficient and Effective System

Action Update: Project Status Updates

- Work to improve customer service, system relations, and our own competencies
 - Under the Hood Initiative for multi-semester registration and university calendar
 - Automation for CRM (work with vendor complete) and degree audit (plans in place for implementation to solve issues)
 - Successfully train and implement the Toyota Productive System on our campus
- Align our business practices with system goals
 - Consistently improve the business practices and financial acumen on campus
 - Closely track revenue and expenses
- Work closely with the UNT System and Regents to execute steady and sustainable growth
- Continued refinement in use of data to increase applications and enrollment
- Increased efforts to coordinate efficiencies with System, UNT, and HSC

Questions & Discussion

UNT Health Science Center Strategic Review

Grow High-Impact Research

Action Update: (\$ through December 2018)

- \$14.2M in research expenditures
- \$16M in research awards
- Established Institute for Translational Research
- Launched Faculty Research Support Team in January

Action Update:

- Conducting external assessment - results in April will inform future plans
- \$4.2M in YTD gifts and pledges compared to \$15.97M in FY18
- FY18 included \$10M NIMHD Grant

Action Update:

- Hired TreanorHL to recommend strategy for bridging Master Plan
- Deans and Division of Research have completed audit of space
- Plan for identifying moves to be finalized by end of FY19

UNTHSC FY19 Scorecard: People

| 2019 DESIRED RESULTS (OWNER) | MEASURES/ TARGETS | STATUS |
|--|---|--------|
| People (Drive our culture) | | |
| Recruit and Retain: Engaged, Learners, Innovative, Self-developers | | |
| 1.1.1 Employee engagement improved (All Cabinet members & Deans) | M: Gallup survey results T: 55% | |
| 1.1.2 Innovation mindset established (Monty Mohon) | M: # of campus-wide ideas that lead to institutional change initiatives T: 5 | |
| 1.1.3 Performance management process built on coaching (All Cabinet Members and Deans) | M: % of departments utilizing quarterly performance coaching in FY20 to improve annual evaluations T: 100% | |

UNTHSC FY19 Scorecard: Programs

| 2019 DESIRED RESULTS (OWNER) | MEASURES/ TARGETS | STATUS |
|--|---|--------|
| Programs (Deliver our promises) | | |
| Strengthen curricula and student experiences: Emotional Intelligence, Team Orientation, Communication, Leadership | | |
| 2.1.1 Emotional intelligence curriculum created across all schools and colleges (Charles Taylor) | M: % of schools and colleges with approved EQ/EI curriculum plans T: 100% | |
| 2.1.2 Advance student well-being (Charles Taylor) | M: % of students involved in HSC well-being initiatives by end of FY20 T: 100% | |
| 2.1.3 Interprofessional practice fully integrated into Clinical Practice Group (Charles Taylor) | M: # of quality IPE activities implemented into Clinical Practice Group T: 5 | |
| Grow High-Impact Research: Regional Health and Care Needs | | |
| 2.2.1 Focused growth of clinical and translational research (VPR) | M: # of clinical and translational research programs T: 10% increase | |

UNTHSC FY19 Scorecard: Strengths

| 2019 DESIRED RESULTS (OWNER) | MEASURES/ TARGETS | STATUS |
|--|---|--------|
| Strengths (Defend our position) | | |
| Operate With Excellence: Amplify Our Brand, Grow Philanthropy, Execute | | |
| 3.1.1 Culture of philanthropy strengthened (Doug White) | M: Total FY19 pledges and gifts T: \$25M | |
| 3.1.2 Revenue streams diversified (Greg Anderson) | M: Funding from new revenue streams T: \$1M | |
| 3.1.3 Policy efficiency created (Desiree Ramirez) | M: Total # of policies T: <80 | |
| 3.1.4 Brand identity refreshed (Monty Mohon) | M: % of campus identity components updated by end of FY20 T: 90% | |
| 3.1.5 Data-driven space utilization implemented (VPR/Charles Taylor/Greg Anderson) | M: % of UNTHSC space utilization optimized T: 50% | |

UNT Strategic Plan Review

Neal Smatresk, President

UNT Strategic Planning Updates

While we are developing our new strategic plan, we will keep reporting our current planning implementation progress on:

- Student Success
- Research
- Philanthropy
- Reputation
- Process Improvement

Student Success

- Enrollment 38,087, Winter session had 2,392 students
- Made strategic adjustments in our financial aid and scholarship allocation for FTIC and transfer students
- Spring enrollment and Fall graduation progress
- Student Success Committee is implementing plans to improve retention, graduation and career preparation
 - Task groups have been formed to address retention for: at risk students; high achieving students; mental health issues; and financial aid barriers
 - Data driven college retention plans have been reviewed and returned for implementation
- We are expanding professional development opportunities through Career Center services and our Career Connect program

Research

- In FY18, Total Research Expenditures reported to THECB were \$36.7M
- First quarter research expenditures are up over 30% from FY18
- 355 active sponsored projects are currently funded totaling approximately \$121.7M
- Average sponsored project award amount is approximately \$343,000
- The four Institutes of Research Excellence currently have 86 active sponsored projects with FY18 expenditures totaling approximately \$7.3M
- 3 patents filed and 2 licenses executed to date in FY19
- New partnership with Army to manufacture lighter drones through friction reducing coatings and lighter airframes
- Initiated a collaborative partnership between UNT, the UNTHSC and the Airforce to develop biosensors and big data to monitor combat performance

Philanthropy

- 3,829 new commitments totaling \$13,687,704 as of 11/30/2018
- We have just announced a major new naming gift pending Regents approval
- Identifying strategic opportunities to fund endowed academic positions
- Increase focused communications to donors to emphasize the transformational impact of endowments
- Chancellor Roe, President Smatresk and Advancement have increased the number of corporate visits to improve corporate grants and gifts
- Continue to leverage technology solutions to improve results (Blackbaud)

Reputation

- We had 3 of our scholars listed as the most cited in the world, putting us #4 in the state
- We have added *Early Childhood Education degree through Grade 6 (EC-6) as a BS in Interdisciplinary Studies*, for elementary school teachers at #12 Nationally
- We have launched a brand audit with Carnegie Dartlet, evaluated our promotional (collateral) materials, and will continue to develop UNT national brand awareness
- Athletics continues to create national press for us primarily through football and basketball success

Process Improvement

- Launched new THECB Almanac Dashboard to aid with institutional peer comparison
- Released new payroll analytic to campus budget officers to identify trends in compensation
- Contracted with Bridge training software to improve compliance training and potentially expand other training areas
- Used Toyota problem solving partnership to focus on improvements to graduate admissions and facilities construction processes, and other areas at the university
- Continued training in customer service and more timely service
- Analyzed UNT policies for necessary deletions/revisions to help streamline work
- Used cross-collaboration to develop more efficient processes through internal review and streamlining

Process Improvement, continued

- Established new mediation program to resolve interpersonal disagreements
- Implemented program to advance financial knowledge of leaders
- Supported improved student learning and work environments with cross collaboration across divisions/academic areas and professional growth activities
- Focused attention on work-life balance with activities and workshops
- Brought in specialist for leadership workshop to help with focus on communications
- Grew participation in President's Edge, a Spanish basics training, and division/department retreats
- Provided social engagement through activities such as potlucks, book clubs, attendance at Mean Green Athletics events

UNT Strategic Planning

- We have launched our new strategic planning process
- Kicked off with our brand audit from Carnegie Dartlet
- We are holding a variety of town hall meetings to gather the plan and document it for SACSCOC

Our Plan Begins With Who We Are

Creative:

We produce the creative leaders of tomorrow

Caring:

We embrace and empower students in a supportive community

Gritty:

Our steadfast commitment secures our success

Key Themes

- Building a creative culture in our academic and research programs
- Promoting student success and preparing them for careers in a rapidly changing marketplace
- Understanding the big challenges and opportunities of the future and embedding them into our research and education

Strategic Planning Timeline: Jan/Feb

- January–February
 - Use identity exercise as an authentication check to launch planning cycle; we will draft our identity and align identity to brand, mission, vision, and purpose (MVP)
 - Using our identity and MVP we will begin to lay out the major components of a plan to stakeholder groups
 - Use listening to departments as a major part of the initial process
 - Meet with Faculty Senate/Staff Senate/SGA/GSA
 - Denton, Frisco and greater North Texas communities, alumni chapter, and high school students

Department Strategic Plan Discussions

We are starting our university strategic planning process and want to get your thoughts on our identity and future plans. We ask you to reflect on the statements below which will serve as a starting point for our conversation.

1. Our recent brand audit showed that we see our university as creative, caring, and gritty.
2. Our current mission statement is “At the University of North Texas, our caring and creative community prepares students for careers in a rapidly changing world”.

As you think about the above two statements, do you see your department fitting into each of these?

3. We anticipate that our strategic plan will highlight components of scholarship/innovation, student success/careers, and addressing grand challenges facing our fields.

If you imagine five years from now what is it that you can see that you department has achieved in these areas?

Strategic Planning Timeline: March-Nov

- By the end of February we will have broad outlines of the plan
- We will continue to collect goals that are consistent with our MVP and identity
- March–April
 - First draft plan ready have SACSCOC
 - Outline grand challenges and big goals
 - Return draft plans to pillar groups
 - Hold public town hall meetings to vet the draft
 - Form assessment and implementation with actions and goals; Design webpage
 - Finalize vision, mission, purpose consistent with identity
 - Develop marketing plan, align collateral materials with plan, web rollout
- By the end of the semester have a fully formed plan, ready for the cabinet retreats and PIW
- August draft developed and finalized status to present at the November BOR

UNT System Progress Card



UNT System Strategic Planning Progress Card, pg. 1

| 1. Grow Enrollment and Graduation | Fall 2014 (FY15) | Fall 2015 (FY16) | Fall 2016 (FY17) | Fall 2017 (FY18) Target | Fall 2017 (FY18) Actual | Fall 2018 (FY19) Target | Fall 2018 (FY19) Actual | Fall 2019 (FY20) Target |
|--|---------------------|---------------------|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 1.a. Total Fall Headcount Enrollment | 40,966 | 42,025 | 43,375 | 43,923 | 43,860 | 45,362 | 44,102 | 44,914 |
| 1.a. UNT | 36,164 | 37,175 | 37,979 | 38,121 | 38,081 | 39,128 | 38,087 | 38,354 |
| 1.a. UNTHSC | 2,227 | 2,362 | 2,366 | 2,288 | 2,270 | 2,233 | 2,258 | 2,260 |
| 1.a. UNTD | 2,575 | 2,488 | 3,030 | 3,514 | 3,509 | 4,001 | 3,757 | 4,300 |
| | FY15 | FY16 | FY17 | FY18 Target | FY18 Actual | FY19 Target | FY19 Actual | FY20 Target |
| 1.b. Total Degrees Awarded | 9,193 | 9,243 | 10,360 | 10,553 | 10,898 | 11,234 | | 11,275 |
| 1.b. UNT | 8,052 | 8,105 | 8,994 | 9,075 | 9,300 | 9,500 | | 9,500 |
| 1.b. UNTHSC | 666 | 663 | 766 | 712 | 790 | 800 | | 800 |
| 1.b. UNTD | 475 | 475 | 600 | 766 | 808 | 934 | | 975 |
| 2. Grow Research | FY15 | FY16 | FY17 | FY18 Target | FY18 Actual | FY19 Target | FY19 Actual | FY20 Target |
| 2.a. Total Research Expenditures | \$68,421,831 | \$67,417,014 | \$75,895,230 | \$79.20M | \$82.12M | \$88.10M | | \$96.00M |
| 2.a. UNT | \$29,181,911 | \$22,791,952 | \$31,441,781 | \$32.40M | \$36.66M | \$39.00M | | \$41.00M |
| 2.a. UNTHSC | \$39,235,790 | \$44,578,672 | \$44,420,752 | \$46.80M | \$45.42M | \$49.10M | | \$55.00M |
| 2.a. UNTD | \$4,130 | \$46,390 | \$32,697 | No Projections in SP | \$0.4M | No Projections in SP | | No Projections in SP |
| 3. Grow Foundation Assets | FY15 | FY16 | FY17 | FY18 Target | FY18 Actual | FY19 Target | FY19 Actual | FY20 Target |
| 3.a. Grand Total Foundation & Institutional Gifts, UNT System Consolidated | \$27,625,822 | \$35,796,120 | \$40,561,568 | \$52.40M | \$60,472,819 | \$62.60M | | \$70.8M |
| 3.a. UNT | \$22,788,702 | \$25,112,372 | \$29,286,920 | \$33.00M | \$36,439,033 | \$36.50M | | \$40.00M |
| 3.a. UNTHSC | \$3,644,258 | \$9,991,807 | \$10,238,561 | \$18.50M | \$21,401,148 | \$25.00M | | \$29.60M |
| 3.a. UNTD | \$1,192,862 | \$691,941 | \$1,036,087 | \$0.90M | \$2,632,638 | \$1.10M | | \$1.20M |
| 3.b. Total Institutional and Foundation Endowments | \$188,023,604 | \$195,829,199 | \$222,575,400 | \$239.7M | \$263,076,423 | \$268.6M | | \$275.3M |
| 3.b. UNT | \$136,376,591 | \$142,774,041 | \$165,476,757 | \$173.8M | \$194,859,685 | \$197.5M | | \$200.2M |
| 3.b. UNTHSC | \$50,583,854 | \$51,777,750 | \$55,550,769 | \$62.7M | \$66,892,522 | \$69.7M | | \$73.6M |
| 3.b. UNTD | \$1,063,159 | \$1,277,408 | \$1,547,874 | \$3.2M | \$1,324,216 | \$1.4M | | \$1.5M |

UNT System Strategic Planning Progress Card, pg. 2

| 4. Grow Top Rated Programs | FY15 | FY16 | FY17 | FY18 Target | FY18 Actual | FY19 Target | FY19 Actual | FY20 Target |
|---|----------------------|------|------|-------------|-------------|-------------|-------------|-------------|
| 4.a. UNT: Number of Programs in the Top 100 | - | - | 68 | 70 | 72 | 72 | | 75 |
| 4.b. UNTHSC: SEE_2020: The Roadmap 2019 | SEE MEASURES/TARGETS | | | IN | ROADMAP | | | |
| 4.c. UNTD: Number of Priority Programs Identified | - | - | 5 | 6 | 6 | 7 | | 9 |

| 5. Become Best Place to Work | FY15 | FY16 | FY17 | FY18 Target | FY18 Actual | FY19 Target | FY19 Actual | Long-term Target |
|--|------|------|-------|-------------|-------------|-------------|-------------|--------------------|
| 5.a. Employee Engagement Grand Mean ¹ (System-wide) | NA | NA | 3.80 | >FY17 Value | 3.83 | 3.90 | | 4.40 |
| 5.a. UNT | NA | NA | 3.73 | >FY17 Value | 3.79 | 3.85 | | 4.40 |
| 5.a. UNTHSC | NA | NA | 3.93 | >FY17 Value | 3.92 | 4.01 | | 4.40 |
| 5.a. UNTD | NA | NA | 3.80 | >FY17 Value | 3.83 | 3.90 | | 4.40 |
| 5.a. UNTS Administration | NA | NA | 3.81 | >FY17 Value | 3.90 | 3.94 | | 4.40 |
| 5.b. % Engaged Employees (System-wide) | NA | NA | 37.6% | >FY17 Value | 41.0% | 46.0% | | Best Place to Work |
| 5.b. UNT | NA | NA | 35% | >FY17 Value | 38% | 42% | | Best Place to Work |
| 5.b. UNTHSC | NA | NA | 43% | >FY17 Value | 46% | 55% | | Best Place to Work |
| 5.b. UNTD | NA | NA | 44% | >FY17 Value | 44% | 50% | | Best Place to Work |
| 5.b. UNTS Administration | NA | NA | 35% | >FY17 Value | 47% | 52% | | Best Place to Work |

| 6. Achieve Efficient and Effective System | FY15 | FY16 | FY17 | FY18 Target | FY18 Actual | FY19 Target | FY19 Actual | FY20 Target |
|---|-------|-------|-------|-------------|-------------|-------------|-------------|-------------|
| 6.a. Administrative Cost ** | 10.6% | 12.6% | 12.2% | 12.0% | 11.4% | 11.2% | | 11.0% |



MINUTES

BOARD OF REGENTS Finance and Facilities Committee November 15-16, 2018

Thursday, November 15, 2018

The Finance and Facilities Committee of the Board of Regents of the University of North Texas System convened on Thursday, November 15, 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas, with the following committee members in attendance: Regents Milton Lee, Carlos Munguia, Rusty Reid, and Laura Wright.

There being a quorum present, the meeting was called to order by Committee Chairman, Regent Rusty Reid, at 3:24 p.m.

The minutes of the August 9-10, 2018 Finance and Facilities Committee meeting were approved on a 4-0 vote following a motion by Regent Laura Wright seconded by Regent Carlos Munguia.

The Committee received the annual investment update for the two Foundations. Mike Mlinac and Albert Lockwood provided the **UNT Foundation Annual Investment Update**. James Meintjes and Kyle Hitchcock of JP Morgan Chase gave the **UNTHSC Foundation Annual Investment Update**.

UNT CFO Bob Brown gave a **UNT Frisco: Capital Planning and Programming Update**.

UNTS Interim Vice Chancellor for Facilities, Planning and Construction Cassandra Nash presented **UNT Campus Master Plan Update**.

Chair Reid noted that the **Quarterly Operations Report** appeared in the meeting appendix as background material.

There being no further business, the Finance and Facilities Committee meeting recessed at 4:25 p.m. until Friday, November 16, at approximately 9:15 a.m.

Friday, November 16, 2018

The Finance and Facilities Committee of the Board of Regents of the University of North Texas System convened on Friday, November 16, 2018, in Room 333 of the University Union, University

of North Texas, 1155 Union Circle, Denton, Texas, with the following committee members in attendance: Regents Milton Lee, Carlos Munguia, Rusty Reid, and Laura Wright.

There being a quorum present, the meeting was called to order by Committee Chairman Regent Rusty Reid at 9:08 a.m.

Chair Reid noted that the Committee had seven action items to consider. UNT Provost Jennifer Cowley presented the first three items.

10. UNT Approval of New UNT Undergraduate Differential Tuition Beginning Fall 2019

Pursuant to a motion by Regent A.K. Mago and seconded by Regent Carlos Munguia, the Committee approved the above item on a 4-0 vote.

11. UNT Approval of New UNT Graduate Differential Tuition Beginning Fall 2019

Pursuant to a motion by Regent Laura Wright and seconded by Regent Milton Lee, the Committee approved the above item on a 4-0 vote.

12. UNT Approval of Increase to Board Designated Tuition for Graduate Students Beginning Fall 2019

Pursuant to a motion by Regent Carlos Munguia and seconded by Regent Milton Lee, the Committee approved the above item on a 4-0 vote.

UNT CFO Bob Brown presented the next two items.

13. UNT Approval of Reduced Rate for Excessive Undergraduate Hours Beginning Fall 2019

Pursuant to a motion by Regent Milton Lee and seconded by Regent Laura Wright, the Committee approved the above item on a 4-0 vote.

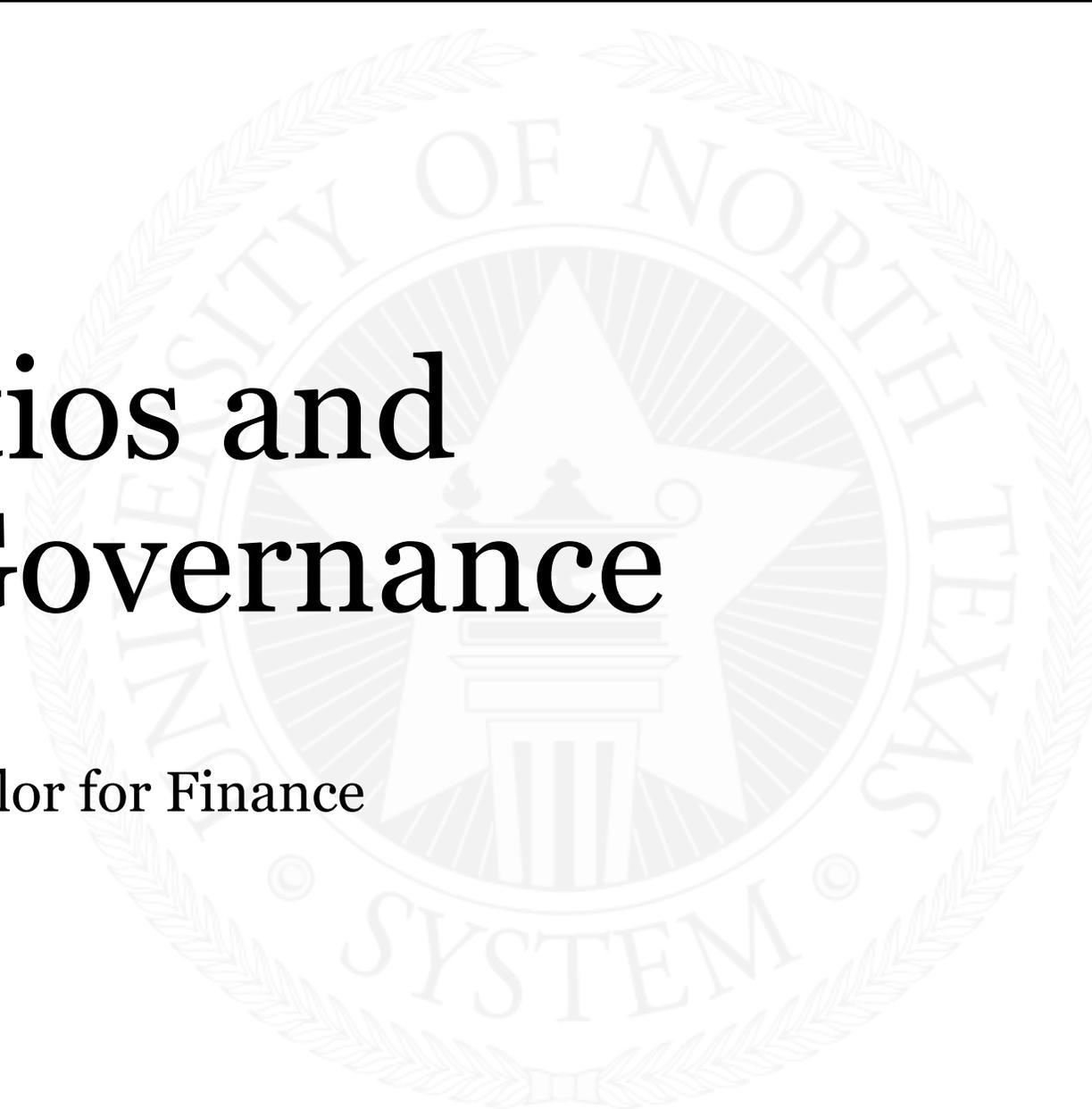
14. UNT Approval of New Save and Soar (Fixed Rate) Tuition Plan and Discontinuance of Eagle Express Tuition Plan

Pursuant to a motion by Regent Milton Lee and seconded by Regent Carlos Munguia, the Committee approved the above item on a 4-0 vote.

UNT Vice President for Advancement David Wolf presented the next item.

15. UNT Honoring Naming of Room 269 of the College of Visual Arts and Design Building as the "Ray and Georgia Gough Design Research Space"

Pursuant to a motion by Regent Laura Wright and seconded by Regent Milton Lee, the Committee approved the above item on a 4-0 vote.



Financial Ratios and Investment Governance

Presented by:

Gary Rahlfs, UNTS, Vice Chancellor for Finance

February 14-15, 2019

Composite Financial Index (CFI) Defined

Four ratios comprise the CFI in order to evaluate financial health and answer several fundamental questions:

| Ratio | Analysis | CFI Weight | Benchmark | Formula |
|------------------------|--|------------|--------------------|---|
| Primary Reserve Ratio | Resources sufficient and flexible? | 35% | .40x (5 months) | Expendable Net Position*/ Total Expenses |
| Net Operating Revenues | Living within available resources? | 10% | 2% - 4% | Operating Inc (Loss) + Net Non-Op Rev (Exp)/ Operating Rev + Non-Op Rev |
| Return on Net Position | Asset performance and management support the strategic direction? | 20% | 3% | Change in Net Position/ Total Beginning of Year Net Position |
| Viability Ratio | Financial resources, including debt, managed strategically? | 35% | 1.25x | Expendable Net Position*/ Outstanding Debt |

*excluding net position restricted for capital investments

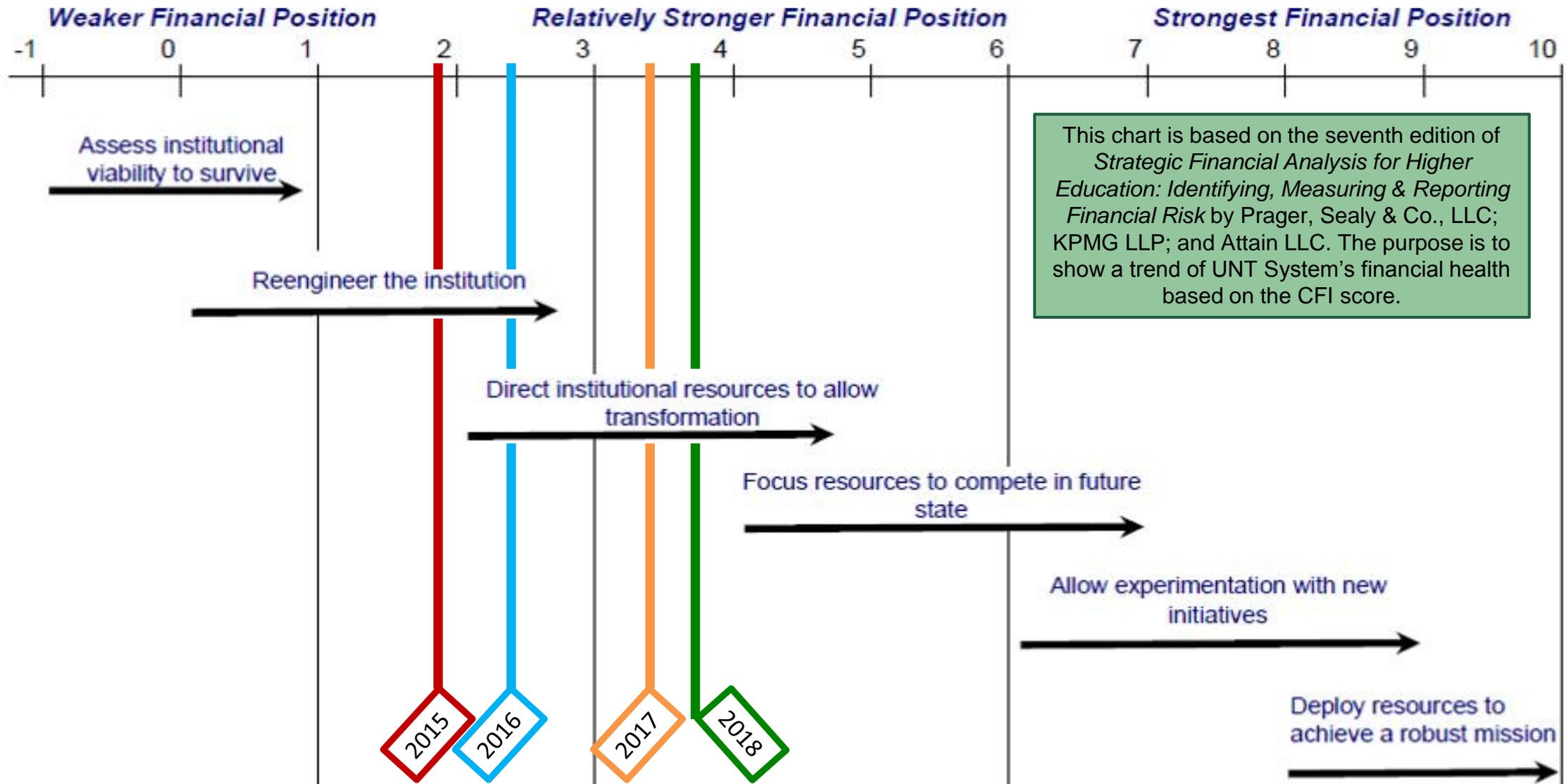
Source: "Strategic Financial Analysis for Higher Education; Identifying, Measuring & Reporting Financial Risks", Seventh Edition, 2010 by Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC.

CFI Trend is Generally Positive

| Overall Financial Health | <i>Resources Flexibility and Sufficiency</i> | <i>Operating Results</i> | <i>Financial Asset Performance</i> | <i>Debt Management</i> | <i>Consolidated*</i> |
|--------------------------|--|------------------------------|--|----------------------------|------------------------------|
| | Primary Reserve Ratio | Net Operating Revenues | Return on Net Position | Viability Ratio | Composite Financial Index |
| | <i>0.40x</i> | <i>2% - 4%</i> | <i>3%</i> | <i>1.25x</i> | <i>Score</i> |
| FY14 | 0.42x | 0.55% | 7.80% | 0.99x | 2.8 |
| FY15 (ex. GASB 68) | 0.38x | 1.23% | 1.01% | 0.80x | 1.9 |
| FY16 (ex. GASB 68) | 0.39x | 1.62% | 4.41% | 0.80x | 2.4 |
| FY17 (ex. GASB 68) | 0.45x | 3.26% | 10.09% | 0.91x | 3.4 |
| FY18 (ex. GASB 68 & 75) | 0.55x | 2.66% | 9.50% | 1.09x | 3.7 |
| FY15 (inc. GASB 68) | 0.25x | 1.28% | 1.21% | 0.53x | 1.4 |
| FY16 (inc. GASB 68) | 0.27x | 1.63% | 5.04% | 0.55x | 1.9 |
| FY17 (inc. GASB 68) | 0.33x | 3.20% | 11.38% | 0.67x | 3.0 |
| FY18 (inc. GASB 68 & 75) | 0.34x | 2.83% | 12.13% | 0.68x | 3.1 |

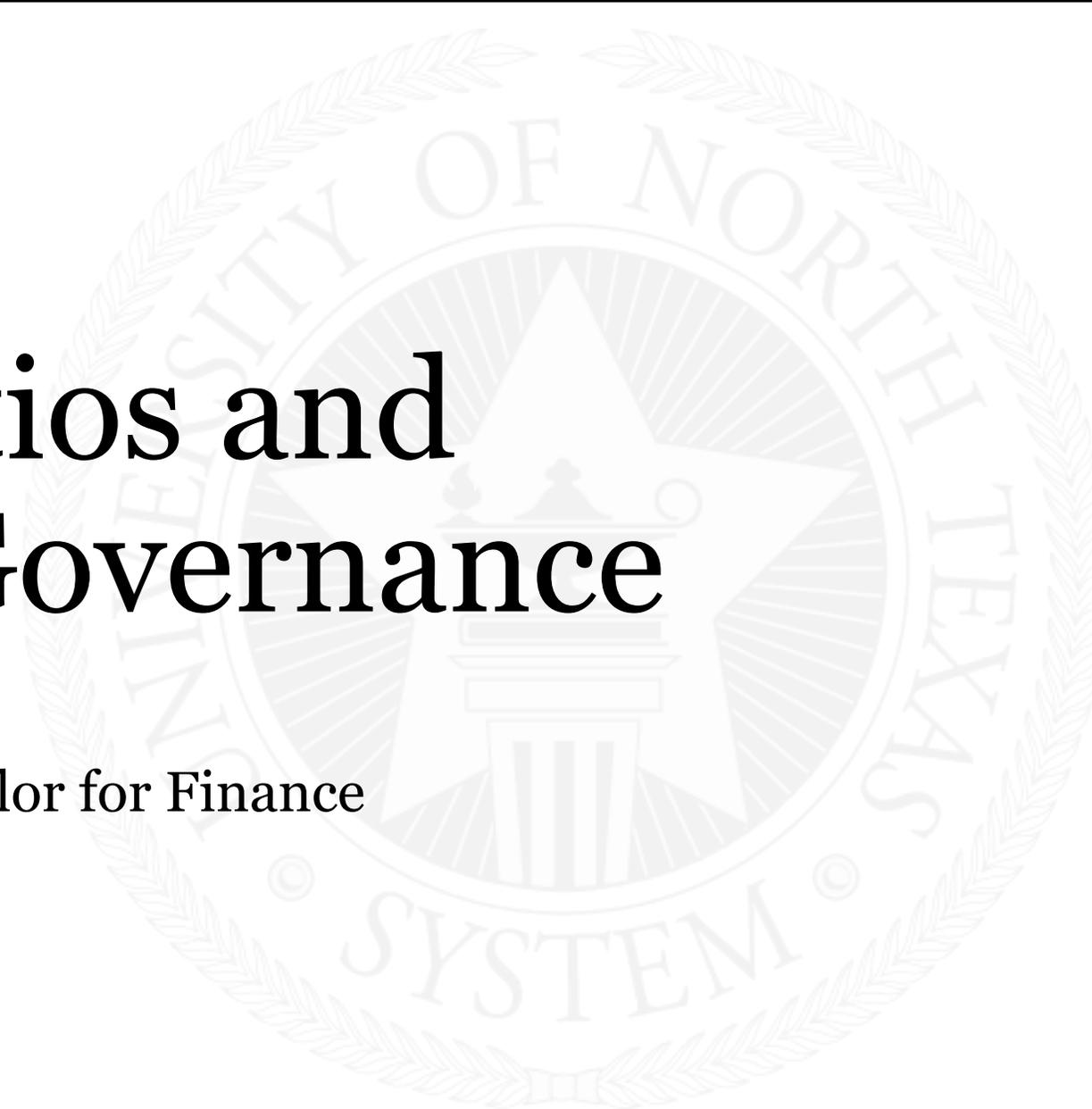
*The Viability Ratio excludes the financial burden of Tuition Revenue Bonds

Relative Financial Strength



Investment Governance

- Investment Advisory Committee (IAC) expanded from 5 internal members (VCF, Treasurer, 3 CFO's) to include 3 external members:
 - Jim Kerrigan
 - Jim Mewhinney
 - Don Potts
- New IAC met in December and January
 - Governance / Investment Policy Statement update
 - Performance Reporting (from DiMeo Schneider & Associates)



Financial Ratios and Investment Governance

Presented by:

Gary Rahlfs, UNTS, Vice Chancellor for Finance

February 14-15, 2019

CAFR and Financial Highlights 2018

C. Aaron LeMay – Presented to Board of Regents – February 14, 2019

Agenda

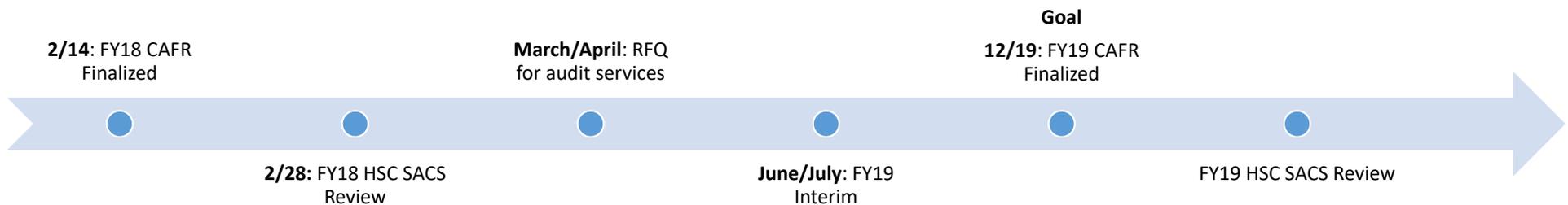
- FY2018 CAFR and External Audit Process
- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Deeper Look at Revenues and Expenses
- Upcoming GASB Pronouncements
- FY2019 Financial Improvement Projects

CAFR Process Improvements

- Performed an AFR improvement project to track and document the AFR process
 - Created a detailed AFR work plan
 - Created checklists and desk review procedures
 - Documented measurements of success
- Training - Comptroller provided training for AFR, APS 011, General Revenue Reconciliation, State Pass-Through, and SEFA preparation
- Implemented Other Post Employment Benefits (OPEB/GASB 75)
- Consolidated Debt on System financials and Implemented New Capital Project Accounting Model
- Conducting a post CAFR survey and will hold a 2nd annual debrief meeting
- Accounting & Financial Reporting Process Improvement Plan created for FY 18 & 19

Fiscal Year 2018 External Audit

- FY18 Firsts:
 - Internal Audit assistance with Grant Thornton fieldwork
 - Continuous improvement analysis
- Acceleration of auditor requested documentation
 - All but 2 possible core provided by client (PBC) documents submitted prior to December 20, 2018
- Auditors and management discussing timing and testing for the FY2019 audit
 - Goal for Audit Completion – December 19, 2019



Fiscal Year 2018 External Audit

- GT Provided by Client Work
 - 202 consolidated interim and final audit PBCs
 - 70 subsequent PBC requests
 - 1,776 (approx.) files generated to complete the requests
- Passed Adjustments
 - \$3.6mil UNT construction accrual
 - \$1.2mil UNT Dallas residence hall settlement, recognized subsequent event
- Control Testing
 - Payroll: Significant deficiency in the verification process between the payroll run and the bank confirmation.

Statement of Net Position

For the Year Ended August 31, 2018

Total Assets &
Deferred Outflows



- Increased \$104.0M in FY2018 driven by a
 - \$90.0M decrease in cash from bond funded projects
 - \$174.1M increase in net capital assets
 - \$15.8M increase in non-current investments
 - \$2.9M increase for OPEB impacting deferred outflows

| | 2018 | 2017 | % Increase (Decrease) |
|--|---------------------|---------------------|--------------------------|
| Assets and Deferred Outflows of Resources | | | |
| Current Assets | \$ 643,213 | \$ 733,234 | (12.3%) |
| Non-Current Assets: | | | |
| Capital Assets, Net | 1,245,030 | 1,070,890 | 16.3% |
| Other Non-Current Assets | 341,753 | 324,759 | 5.2% |
| Deferred Outflows of Resources | 46,494 | 43,570 | 6.7% |
| Total Assets and Deferred Outflows of Resources | \$ 2,276,490 | \$ 2,172,453 | 4.8% |

Statement of Net Position

For the Year Ended August 31, 2018

| | 2018 | 2017 | % Increase (Decrease) |
|--|---------------------|---------------------|--------------------------|
| Liabilities and Deferred Inflows of Resources | | | |
| Current Liabilities | \$ 429,499 | \$ 435,674 | (1.4%) |
| Non-Current Liabilities: | | | |
| Bonded Indebtedness | 682,832 | 731,380 | (6.6%) |
| Other Non-Current Liabilities | 296,601 | 144,960 | 104.6% |
| Deferred Inflows of Resources | 62,894 | 34,634 | 81.6% |
| Total Liabilities and Deferred Inflows of Resources | \$ 1,471,826 | \$ 1,346,648 | 9.3% |

Total Liabilities &
Deferred Inflows



- Increased \$125.2M in FY2018 driven by a
 - \$13.2M increase in unearned revenue
 - \$58.3M net increase in commercial paper
 - \$48.5M decrease in revenue bonds payable
 - \$86.4M increase for OPEB recognition from GASB 75
 - \$28.3M increase to deferred inflows primarily from pension & OPEB plans

Statement of Net Position

For the Year Ended August 31, 2018

Net Position

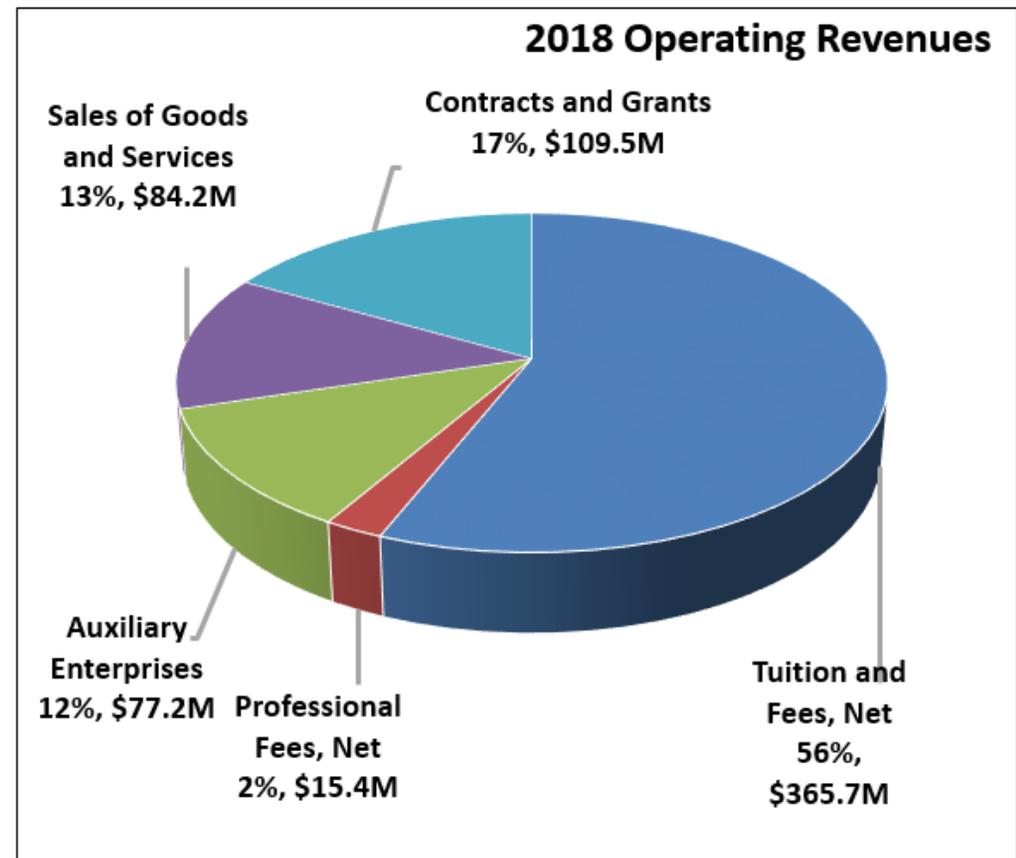


- Decreased \$21.1M in FY2018 driven by a
 - \$45.2M decrease in net investment in capital assets
 - \$18.9M increase in restricted net position
 - \$5.2M increase in unrestricted net position

| | 2018 | 2017 | % Increase (Decrease) |
|--------------------------------------|-------------------|-------------------|--------------------------|
| Net Position | | | |
| Net Investment in Capital Assets | \$ 438,058 | \$ 483,233 | (9.3%) |
| Restricted: | | | |
| Funds Held as Permanent Investments: | | | |
| Non-Expendable | 53,248 | 47,683 | 11.7% |
| Expendable | 32,610 | 26,655 | 22.3% |
| Other Restricted | 47,593 | 40,247 | 18.3% |
| Total Restricted | 133,451 | 114,585 | 16.5% |
| Unrestricted | 233,155 | 227,987 | 2.3% |
| Total Net Position | \$ 804,664 | \$ 825,805 | (2.6%) |

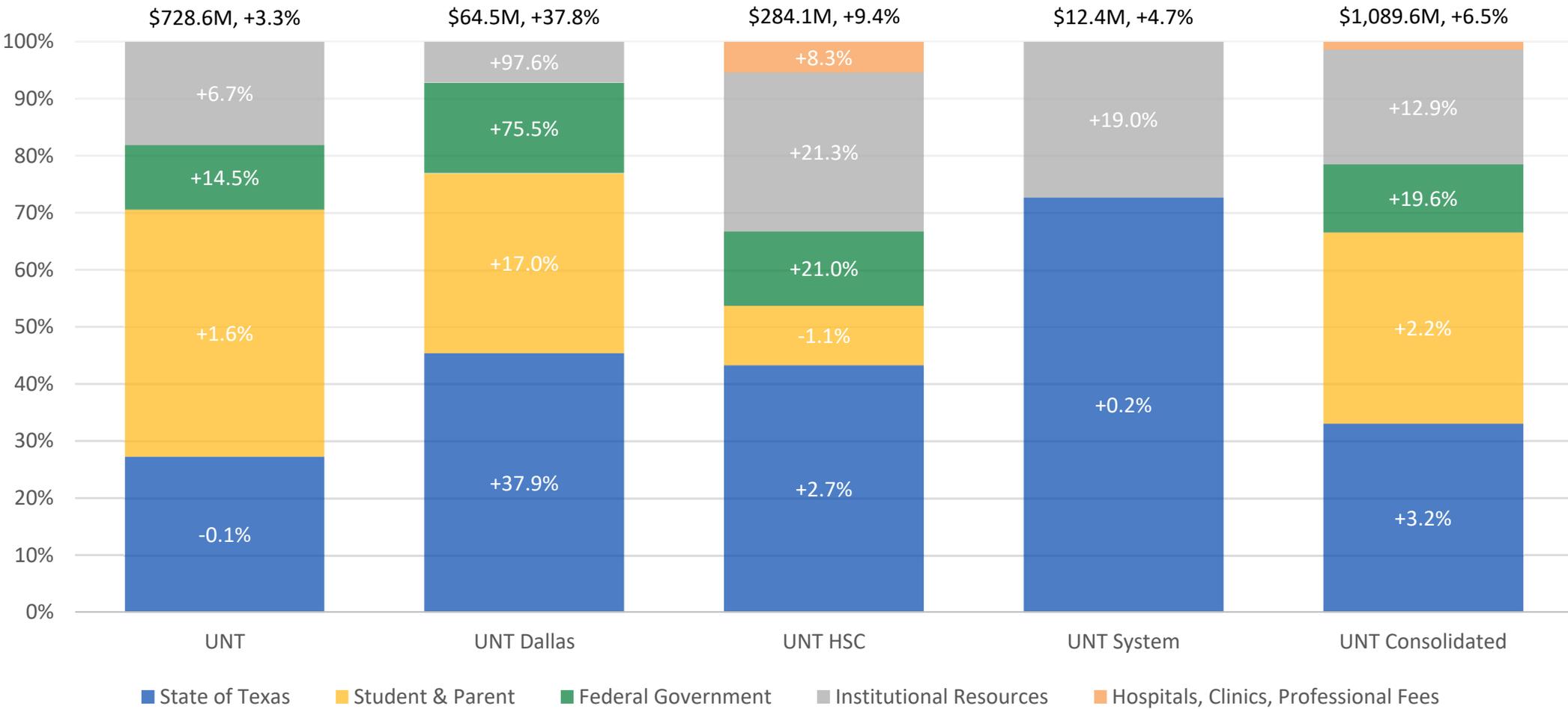
Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended August 31, 2018

| | | |
|--|---|---------|
| <ul style="list-style-type: none"> Operating revenues increased by 5.6% driven by a | ↑ | \$34.5M |
| <ul style="list-style-type: none"> 2.2% increase in net tuition and fee revenue | ↑ | \$7.7M |
| <ul style="list-style-type: none"> Auxiliary revenue and other sales of goods and services increasing by 9.8% | ↑ | \$17.5M |
| <ul style="list-style-type: none"> 21.7% increase in federal direct and pass-through grant revenue | ↑ | \$11.5M |
| <ul style="list-style-type: none"> State direct and pass-through grant revenue decreased by 4.8% | ↓ | \$1.7M |

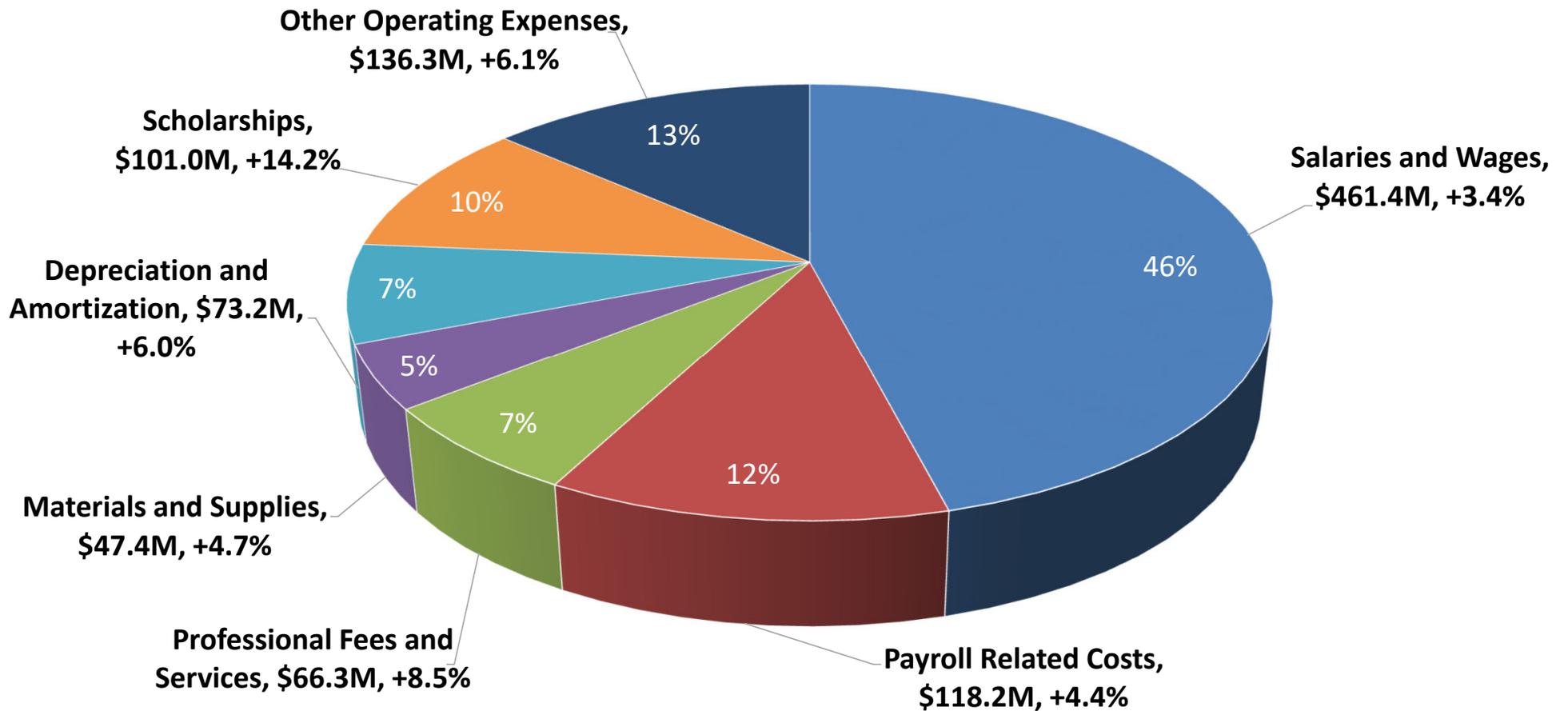


REVENUE SOURCES BY MEMBER INSTITUTION WITH PERCENT CHANGE

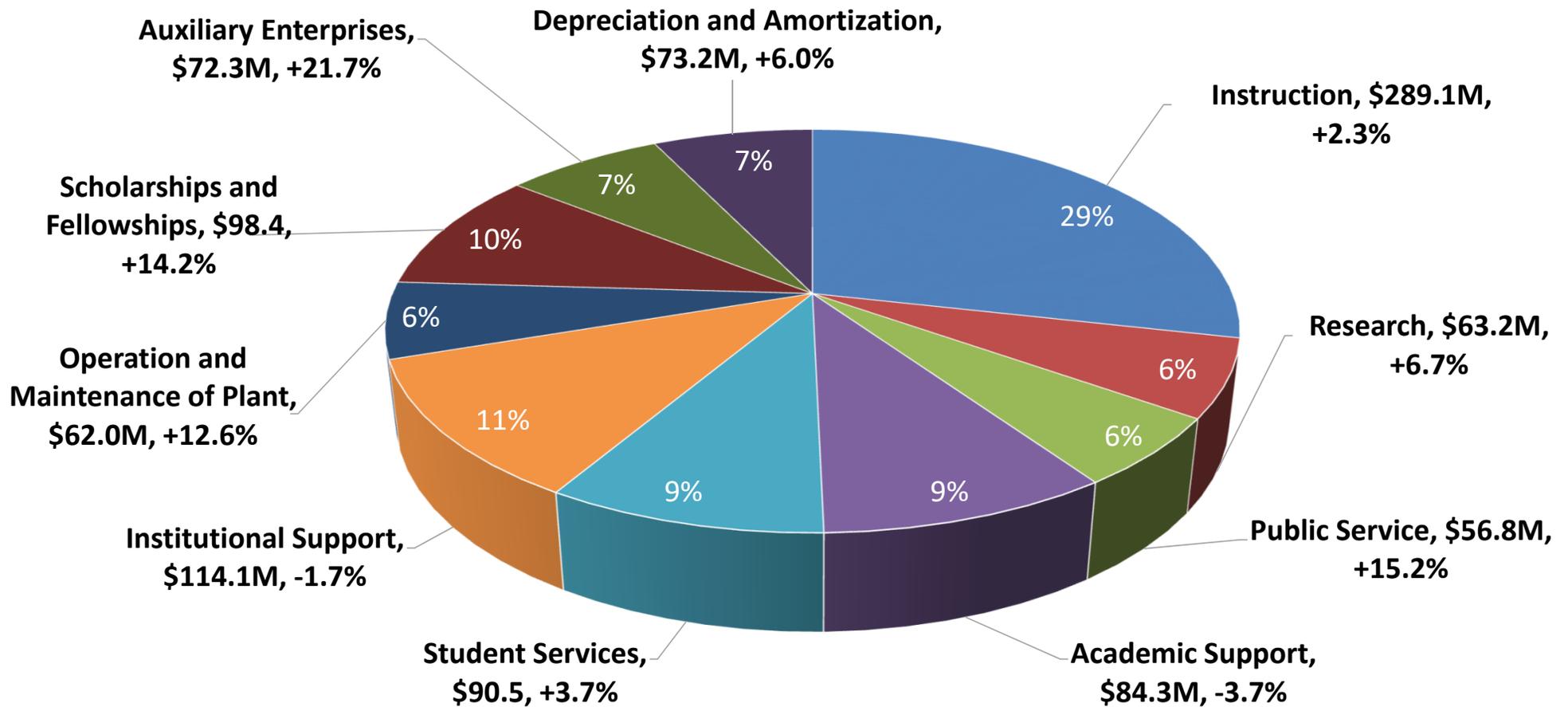
(\$ IN MILLIONS)



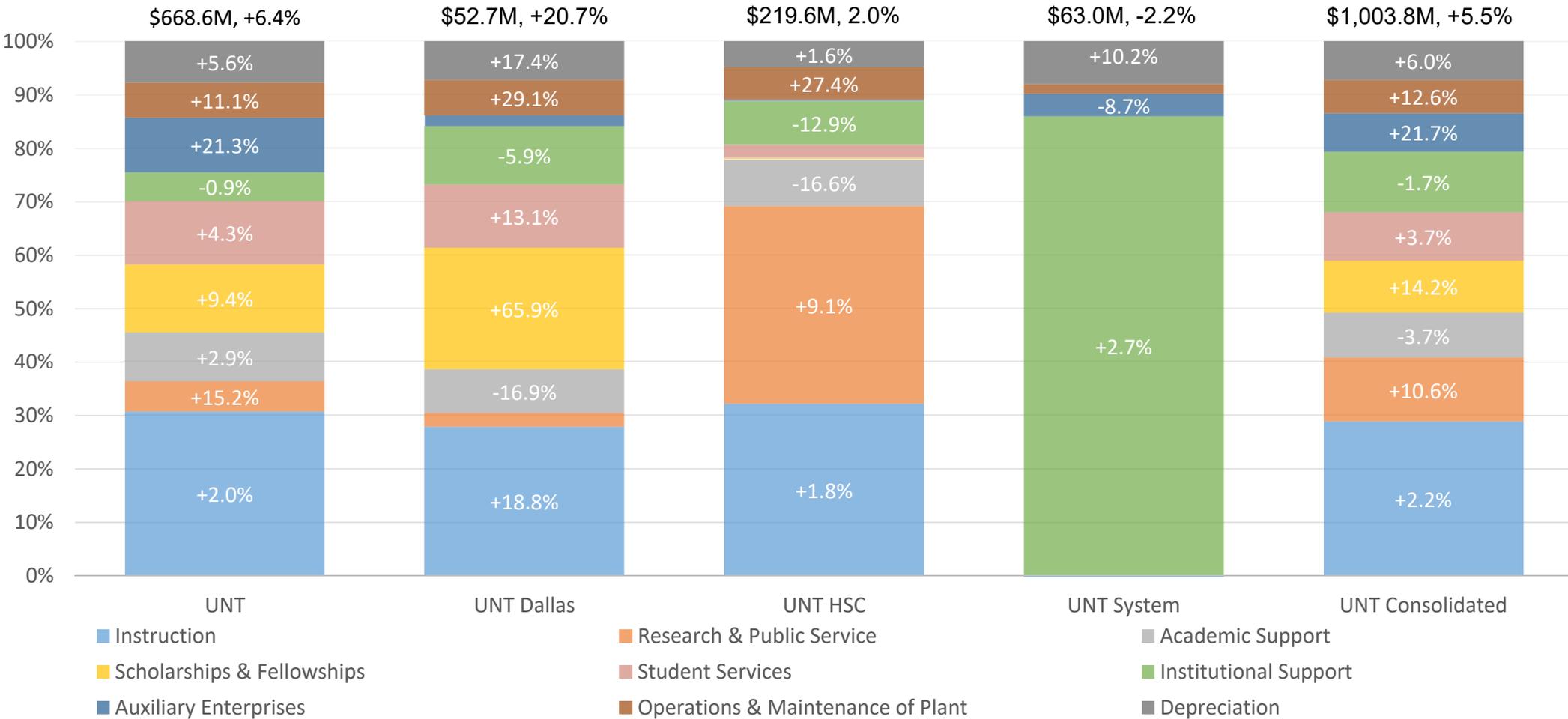
Operating Expenses - Natural Classification



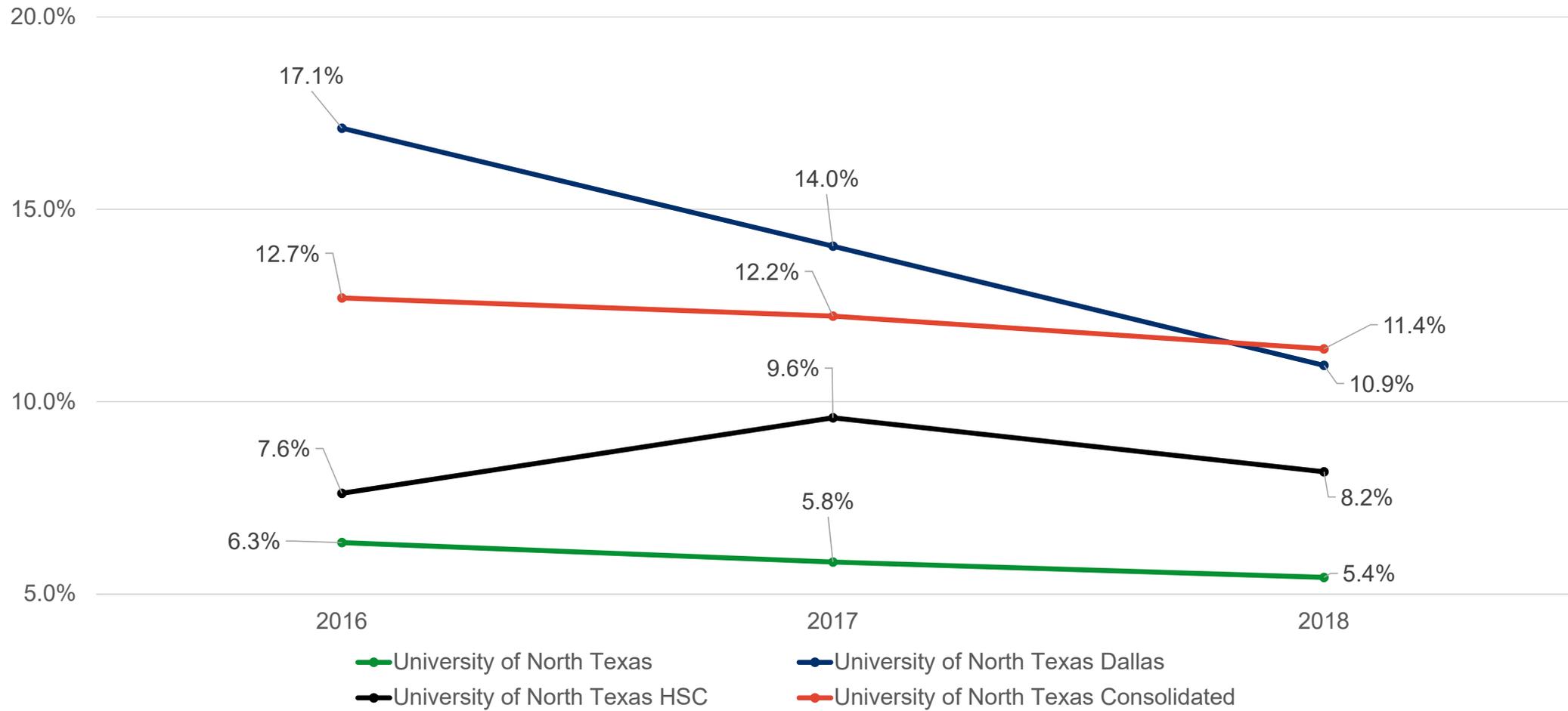
Operating Expenses – NACUBO Function



EXPENSES BY NACUBO CATEGORY AT EACH MEMBER INSTITUTION WITH PERCENT CHANGE (\$ IN MILLIONS)



PERCENT OF OPERATING EXPENSES SPENT ON INSTITUTIONAL SUPPORT BY MEMBER INSTITUTION AS COMPARED TO CONSOLIDATED AFR



Upcoming GASB Pronouncements

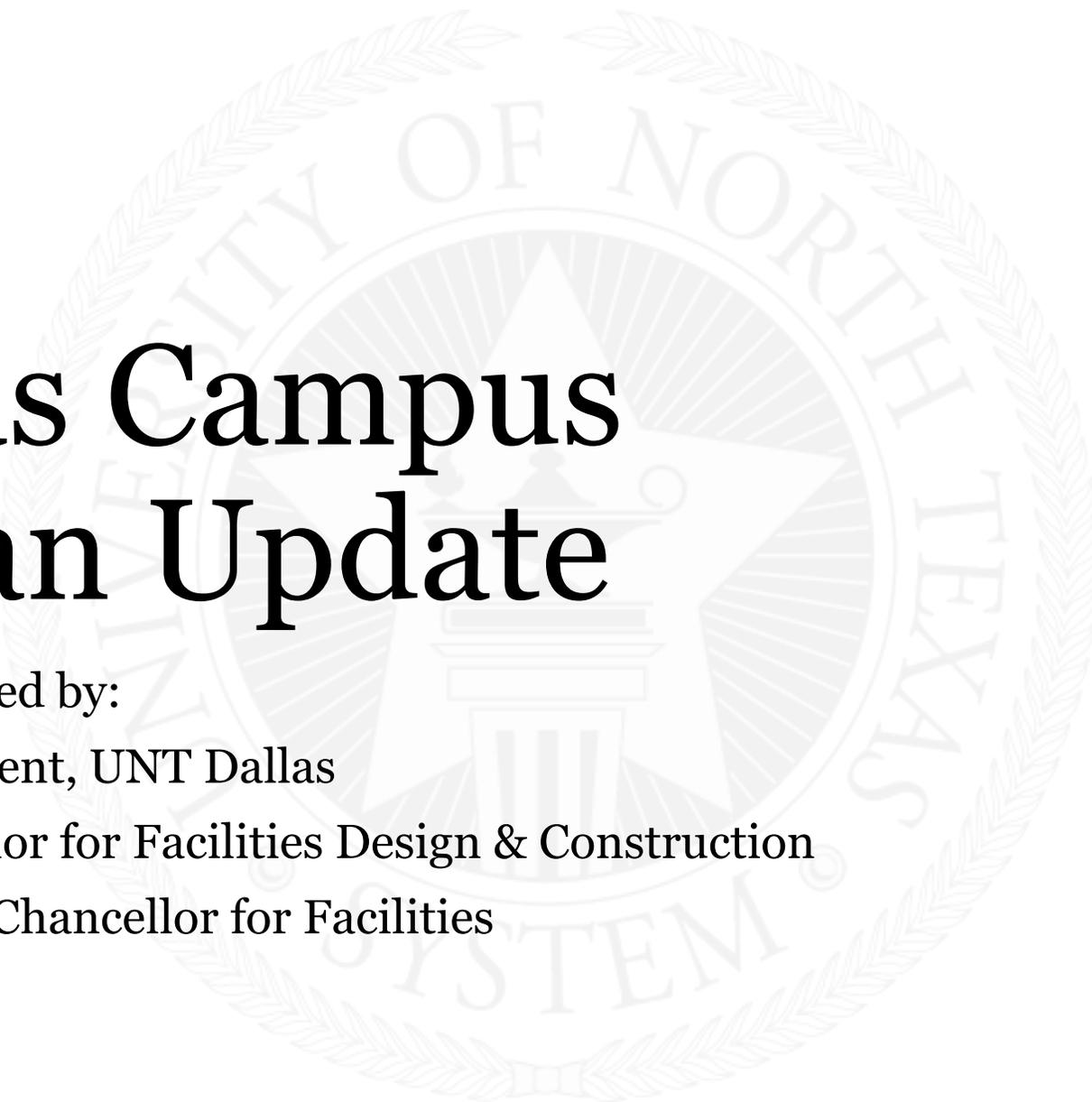
- GASB Statement No. 87, Leases
 - This pronouncement creates a single model for lease accounting. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This statement will be implemented in fiscal year 2021. The System is in process of analyzing current operating leases to assess impact of this statement.
- GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
 - This pronouncement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement will be implemented in fiscal year 2021, or earlier if the State chooses implement the standard early. The System anticipates minimal impact to the comprehensive financial statements.

FY2019 Financial Improvement Projects

- Completed Projects from FY2018
 - Create quarterly financial reports for management
 - Burst key management reports out of Cognos
- Ongoing/New Projects
 - Review and correct data for the new Chart of Accounts (Continuous Improvement Stage)
 - Increase automated reporting tools for AFRs and PBCs (Continuous Improvement Stage)
 - Automation of Travel and Expense (System Implemented; Rollout Stage)
 - Accounting & Financial Reporting Process Improvement Plan created for FY 18 & 19
 - Evaluate the need for an eProcurement System
 - Streamline journal entry processes to identify opportunities for improvement



Questions?



UNT Dallas Campus Master Plan Update

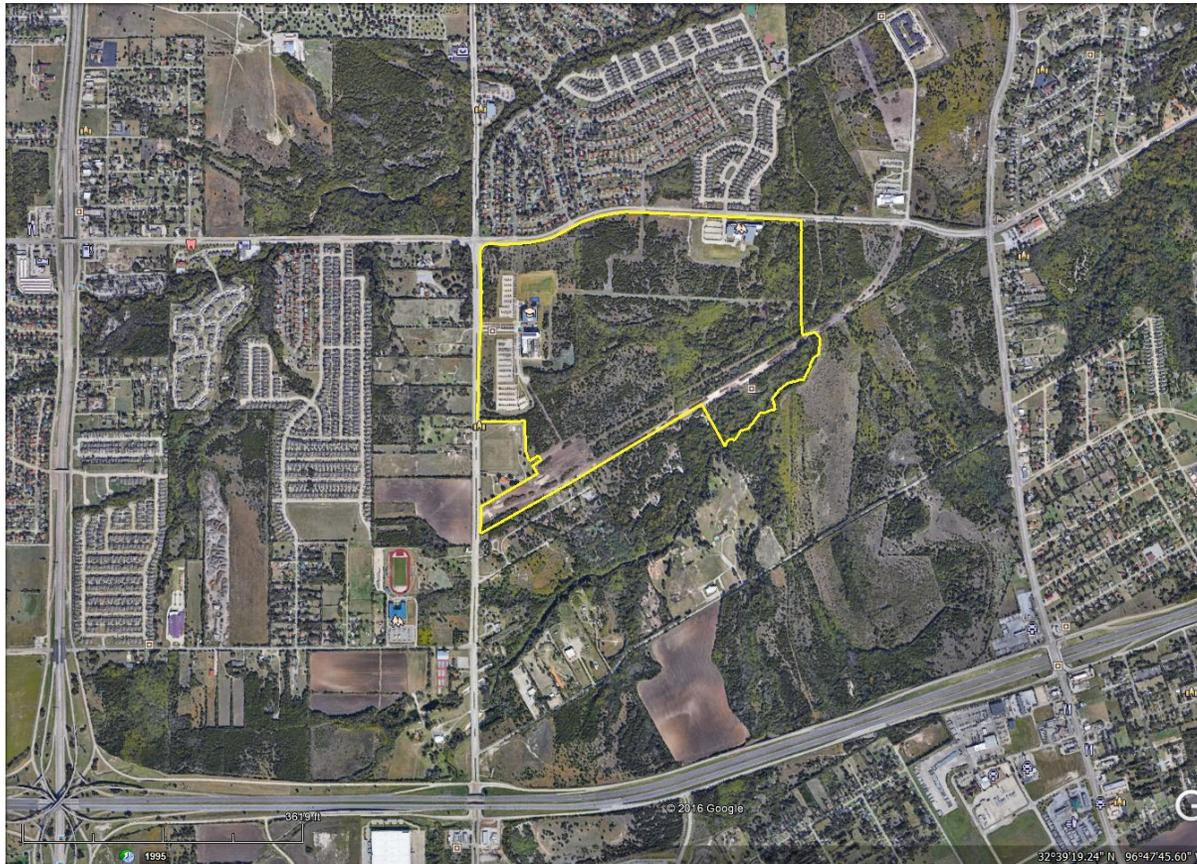
Presented by:

Bob Mong, President, UNT Dallas

Cassandra Nash, Associate Vice Chancellor for Facilities Design & Construction

Steve Maruszewski, Vice Chancellor for Facilities

UNT Dallas Context



- 245 acres at Camp Wisdom and University Hills Boulevard
- Only regionally accredited, public university in the City of Dallas
- Fall 2018 enrollment over 3,750
- 27 undergraduate programs
- 8 graduate programs
- 5 academic schools

Update on Progress of Campus Master Plan



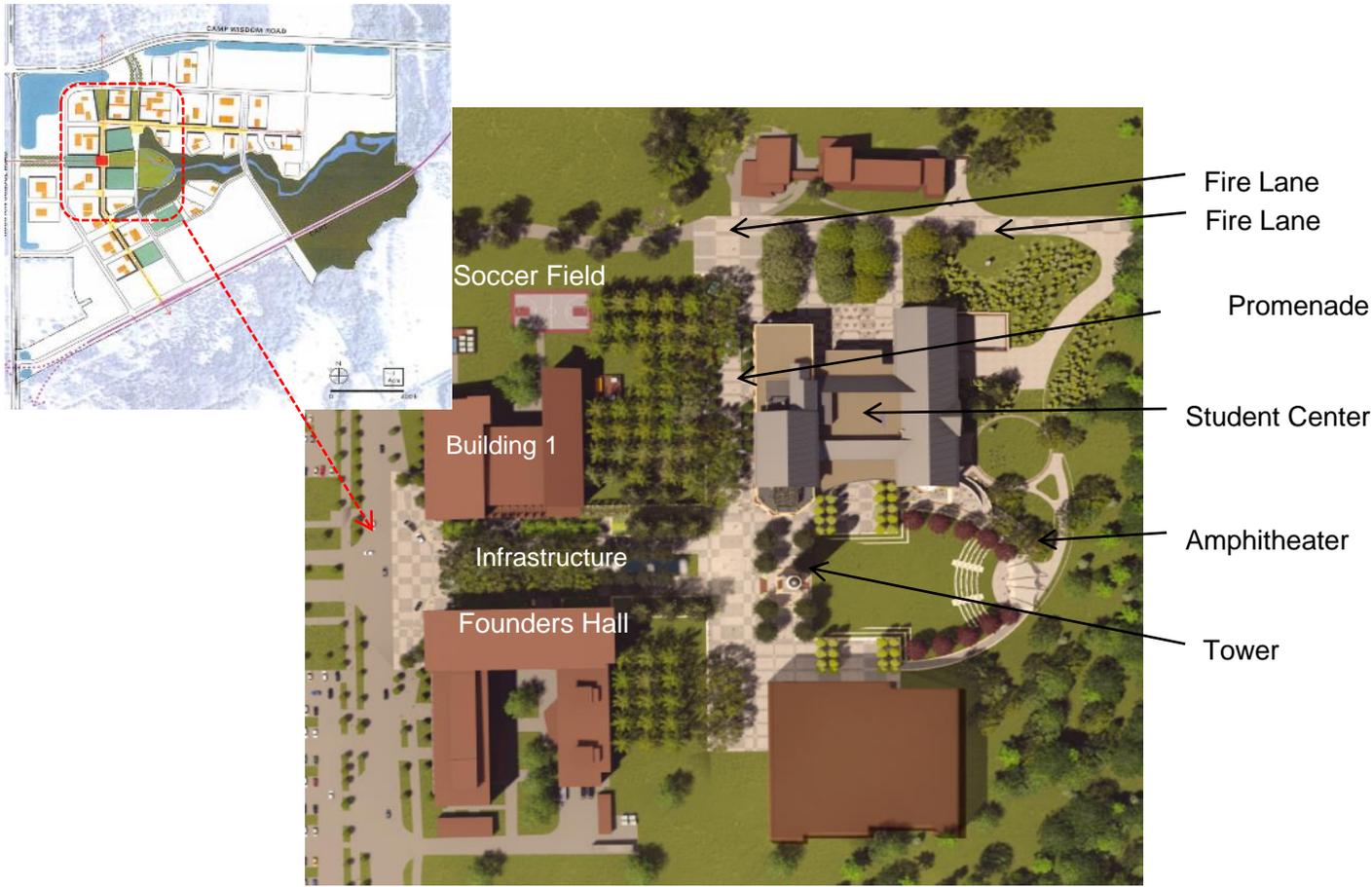
Strategic Plan Informs Master Plan

Purpose – increase educational attainment in the urban metro Dallas market.

Vision – Through education and community connectedness, UNT Dallas aspires to be the pathway to social mobility.

Values – Diversity, Creativity, Leadership & Integrity, Trailblazing, Lifelong Learning

Campus Master Plan Goals



- Create a Compelling Vision for the Campus
- Provide Facilities and Amenities that Support Campus Life
- Enhance the Pedestrian Experience
- Establish a Center for the Community



Current Development



Completed

- Building 1
- Building 2 – Founders Hall
- Wisdom Hall
- DART Station

Underway

- Building 3 – Student Learning & Success Center
- Amphitheater
- Tower
- Landscape Improvements
- Runyon Creek Trail

Wisdom Hall

Project Budget:

\$10,164,700 (infrastructure and housing)

Scheduled Completion:

Fall 2017

Description:

- Approx. 26,773 GSF
- 120-bed living-learning community
- Planned and constructed as a Community of Learning
- Fully integrated and supported by academic and programmatic infrastructure.
- Ribbon cutting ceremony for the residence hall, officially named Wisdom Hall, was held on August 3, 2017.



Student Learning and Success Center

Project Budget:

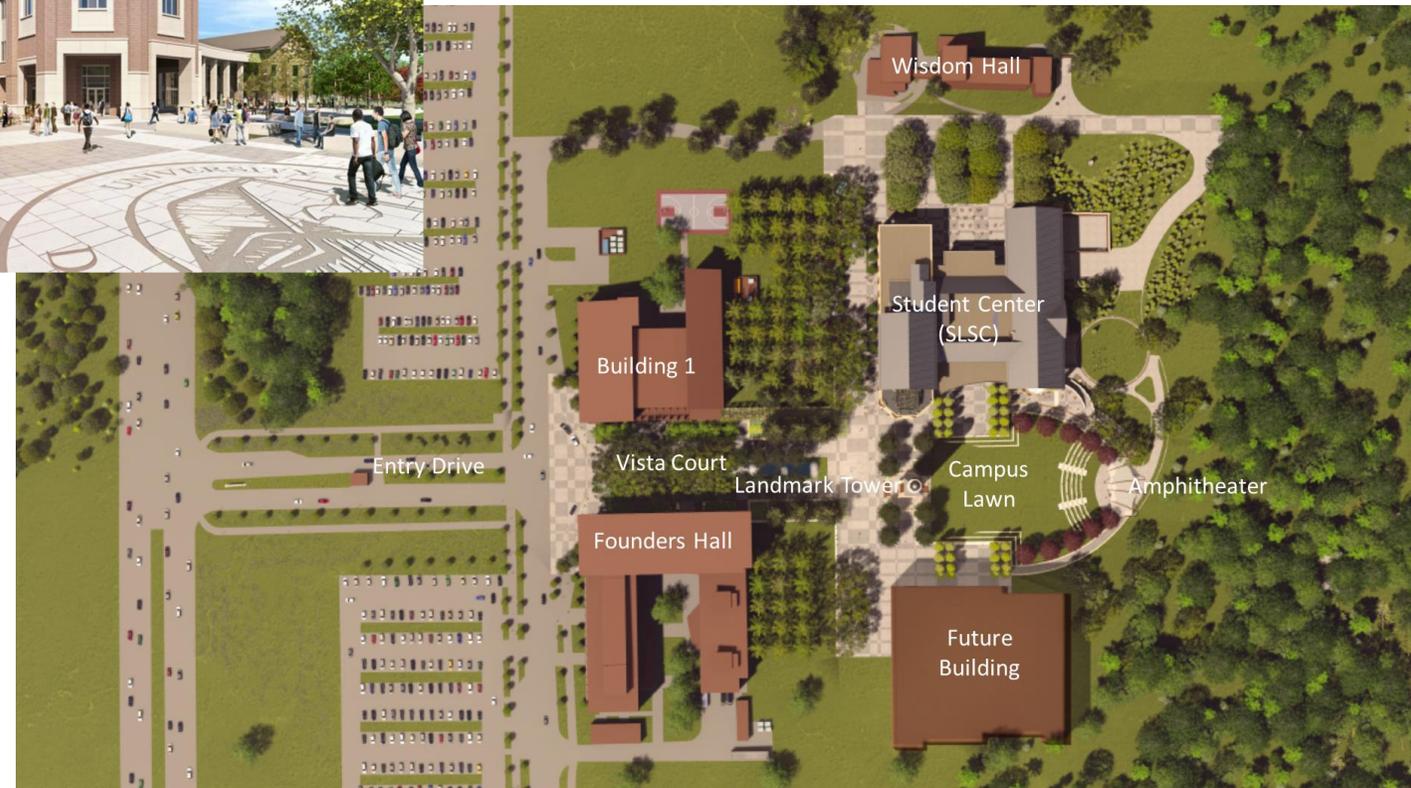
\$63,000,000

Scheduled Completion:

Spring 2019

Description:

- 153,000 GSF
- Enhanced spaces for student support services including seminar rooms, math and writing labs, a tutoring center, study skills programs, and accessibility services
- IT helpdesk
- Knowledge Commons library, Campus Hall and conference space will accommodate faculty development and public outreach gatherings



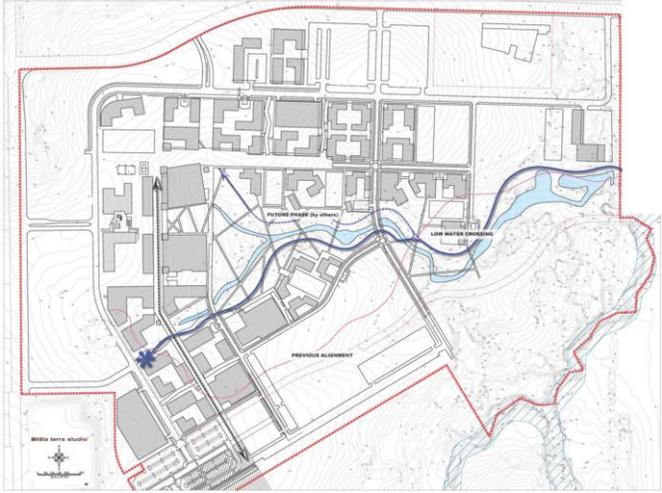
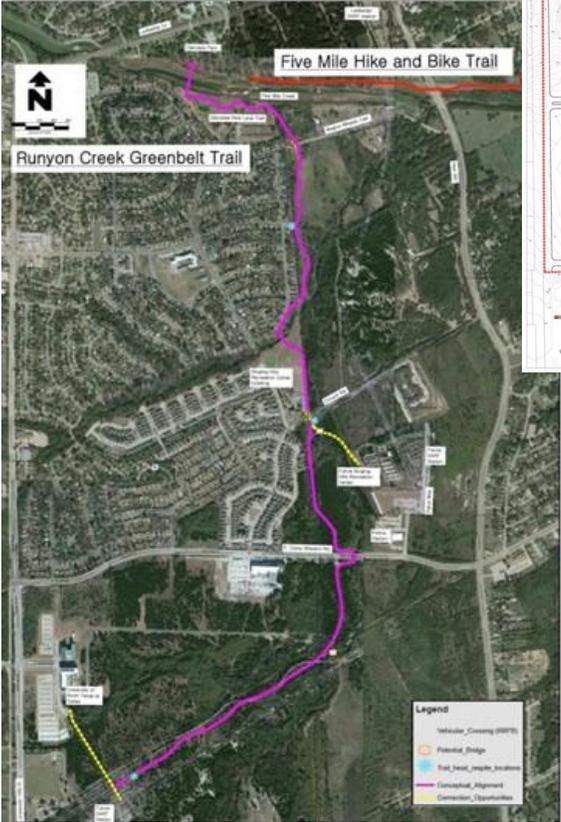
Amphitheater and Tower



Landscape Improvements



Runyon Creek Trail & DART

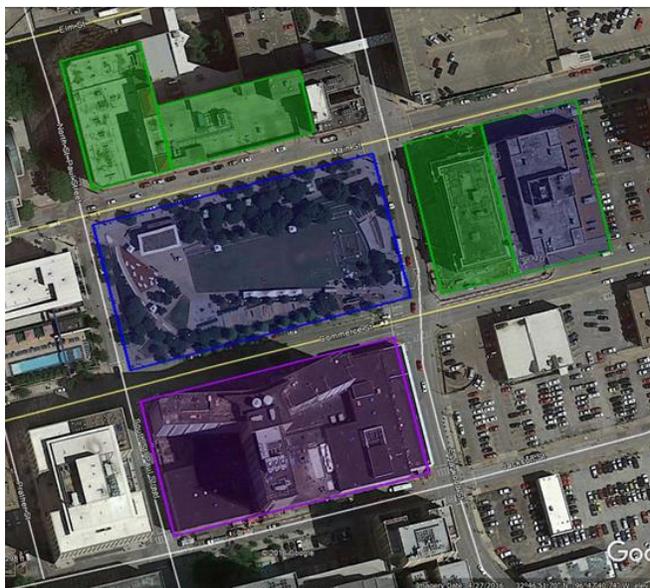


Capital Project Planning

1. STEM Building
 - \$87M
 - 126,000 GSF
2. Second Residence Hall
 - \$30M
 - 250 beds
 - 99,000 GSF
3. Field House
 - \$15M
 - 35,000 GSF
4. Business Technology Building
 - \$65M
 - 144,000 GSF
5. Expanded Parking – Structural Parking Garage
 - \$20M
 - 325,000 GSF
 - 1,000 cars



Downtown Dallas

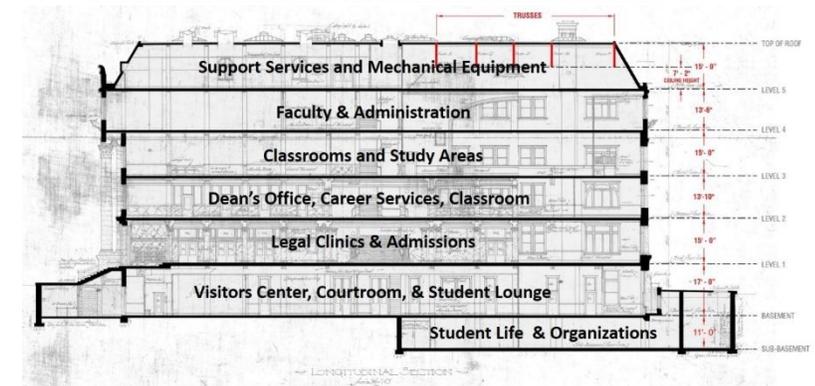


- **UNT Property**
 - 1901 Main (UNTS)
 - 1900 Elm (Apartments)
 - 106 S Harwood (COL)
- **Dallas Property/UNT Option**
 - 2014 Main (Annex)
- **Dallas Property**
 - Main Street Gardens
- **Private**
 - 1914 Commerce (Statler)
 - 1954 Commerce (Library)



UNT Dallas College of Law

- Restoration and rehabilitation of Dallas Municipal Building for permanent home of UNT Dallas College of Law
- Partnership with City of Dallas
- \$16M Exterior Restoration by City of Dallas
- \$56M TRB-funded Interior Rehabilitation in progress
- Estimated substantial completion March 2019
- Move-in June 2019







MINUTES

BOARD OF REGENTS Academic Affairs and Student Success Committee November 15-16, 2018

Thursday, November 15, 2018

The Academic Affairs and Student Success Committee of the Board of Regents of the University of North Texas System convened on Thursday, November 15, 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas, with the following committee members in attendance: Regents Mary Denny, Rusty Reid, and Gwyn Shea.

There being a quorum present, the meeting was called to order by Committee Chairman Regent Gwyn Shea at 1:30 p.m. Regent A.K. Mago joined the Committee at 2:22 p.m.

The minutes of the August 9-10, 2018 Academic Affairs and Student Success Committee meeting were approved on a 3-0 vote following a motion by Regent Mary Denny seconded by Regent Rusty Reid.

UNT Provost Jennifer Cowley and UNT Interim Vice President for Research and Innovation Narendra Dahotre gave the Committee an **Update on UNT Research**. UNTHSC Provost Charles Taylor and UNTHSC Vice President for Research Anuja Ghorpade provided the Committee an **Update on UNTHSC Research**.

There being no further business, the Academic Affairs and Student Success Committee meeting recessed at 2:25 p.m. until Friday, November 16, at approximately 9:00 a.m.

Friday, November 16, 2018

The Academic Affairs and Student Success Committee of the Board of Regents of the University of North Texas System convened on Friday, November 16, 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas, with the following committee members in attendance: Regents Mary Denny, A.K. Mago, and Rusty Reid.

There being a quorum present the meeting was called to order at 9:04 a.m. by Regent Mary Denny who served as Committee Chair in Regent Gwyn Shea's absence.

Regent Denny noted that the Committee had two action items to consider, both new academic programs at UNT. Both action items were presented by UNT Provost, Jennifer Cowley.

8. UNT

Approval to Add the UNT Bachelor of Science Degree Program with a Major in Data Science

Pursuant to a motion by Regent Rusty Reid and seconded by Regent A.K. Mago, the Committee approved the above item on a 3-0 vote.

9. UNT

Approval to Add the UNT Bachelor of Arts Degree Program with a Major in Latino Culture, Economy, and Policy

Pursuant to a motion by Regent A.K. Mago and seconded by Regent Rusty Reid, the Committee approved the above item on a 3-0 vote.

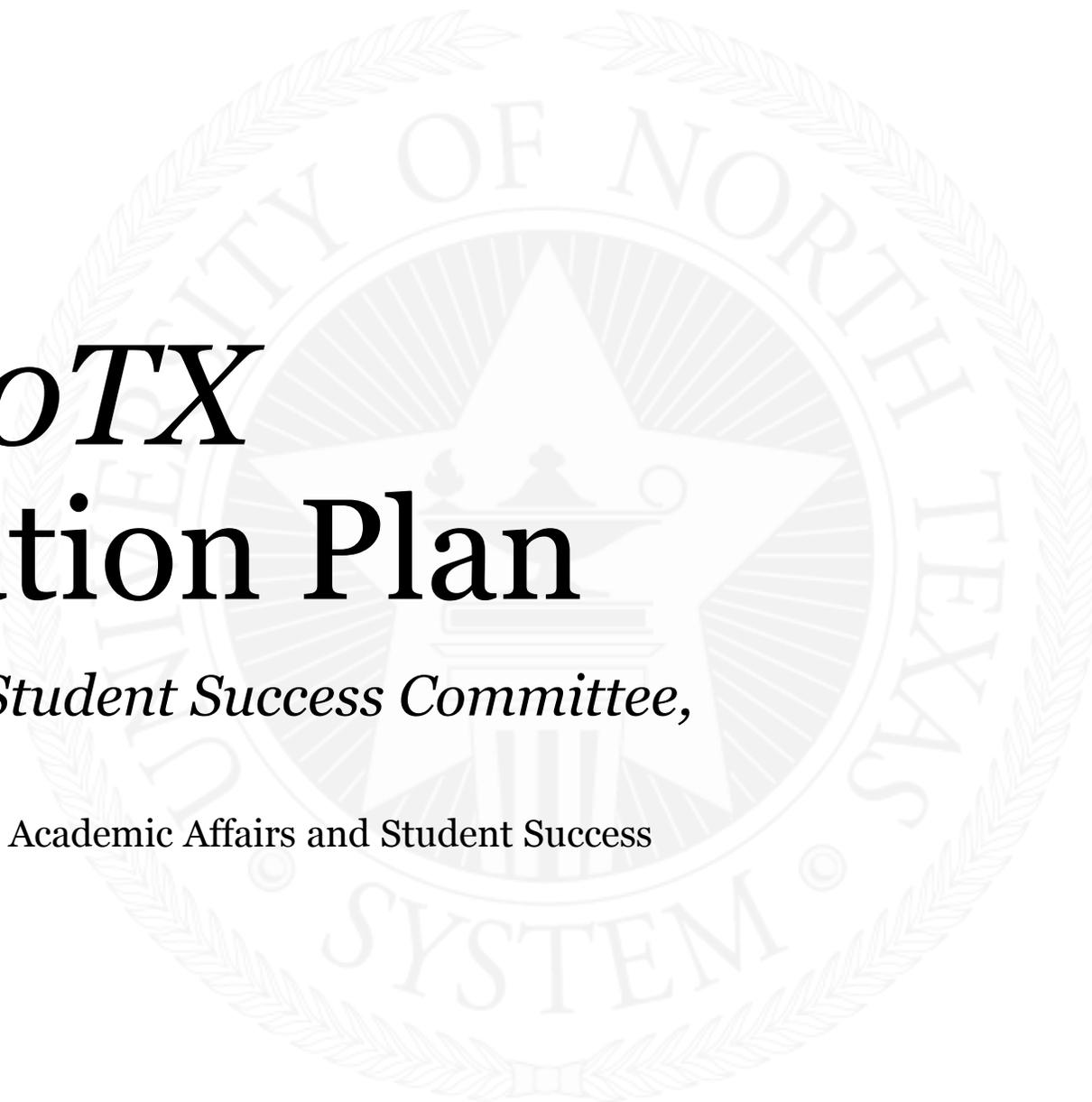
There being no further business, the Committee meeting adjourned at 9:07 a.m.

Submitted By:

Rosemary R. Haggett

Rosemary R. Haggett
Board Secretary

Date: Dec 6, 2018



THECB 60x30TX Higher Education Plan

*Presented to Academic Affairs & Student Success Committee,
February 14, 2019:*

Rosemary Haggett, UNTS, Vice Chancellor for Academic Affairs and Student Success

THECB 60x30TX Higher Education Plan



THE OVERARCHING GOAL: 60x30

At least 60 percent of Texans ages 25-34 will have a certificate or degree.

- *Supports the economic future of the state*



THE SECOND GOAL: COMPLETION

At least 550,000 students in 2030 will complete a certificate, associate, bachelor's, or master's from an institution of higher education in Texas.

- *Requires large increases among targeted groups*



THE THIRD GOAL: MARKETABLE SKILLS

All graduates from Texas public institutions of higher education will have completed programs with identified marketable skills.

- *Emphasizes the value of higher education in the workforce*



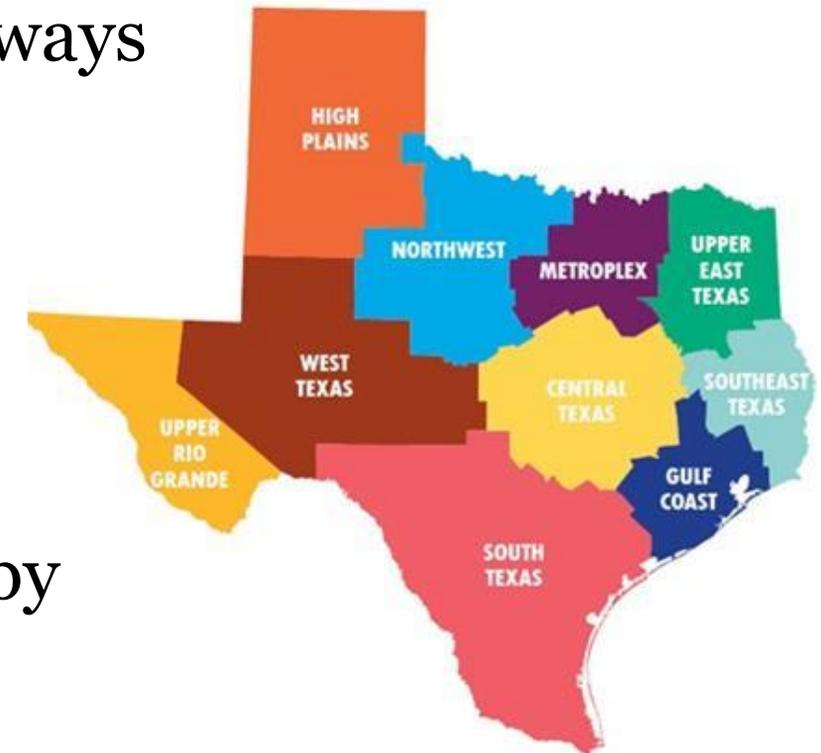
THE FOURTH GOAL: STUDENT DEBT

Undergraduate student loan debt will not exceed 60 percent of first-year wages for graduates of Texas public institutions.

- *Helps students graduate with manageable debt*

Why approach *60x30TX* regionally?

- Regions and institutions differ in many ways
- Institutional actions and outcomes are embedded in regional context
 - High school feeder patterns
 - Transfer networks
 - Local labor market
- Institutional target-setting is improved by considering regional context
- Encourages tactical planning



Taking a Regional Approach: Targets

The THECB developed 3 target sets for each region of the 10 regions of the state:

1. Percent of Texans ages 25-34 with certificate or degree (attainment)

| | 2016 actual | 2020 | 2025 | 2030 |
|-----------|-------------|------|------|------|
| Metroplex | 46% | 54% | 60% | 65% |

2. Number of students completing a certificate, associate, bachelor’s or master’s degree

| | 2017 actual | 2020 | 2025 | 2030 |
|-----------|-------------|--------|---------|---------|
| Metroplex | 76,984 | 93,552 | 113,213 | 136,870 |

3. Percentage of TX public high school graduates enrolling in an institution of higher education in Texas the first fall (HS to HE)

| | 2017 actual | 2020 | 2025 | 2030 |
|-----------|-------------|------|------|------|
| Metroplex | 52% | 57% | 60% | 64% |

DFW Metroplex

60x30 Educated Population

- Support non-traditional students and pathways (such as PLA, CBE, AEL)
- Partner with regional agencies, chambers of commerce, and others to align higher education with employment opportunities

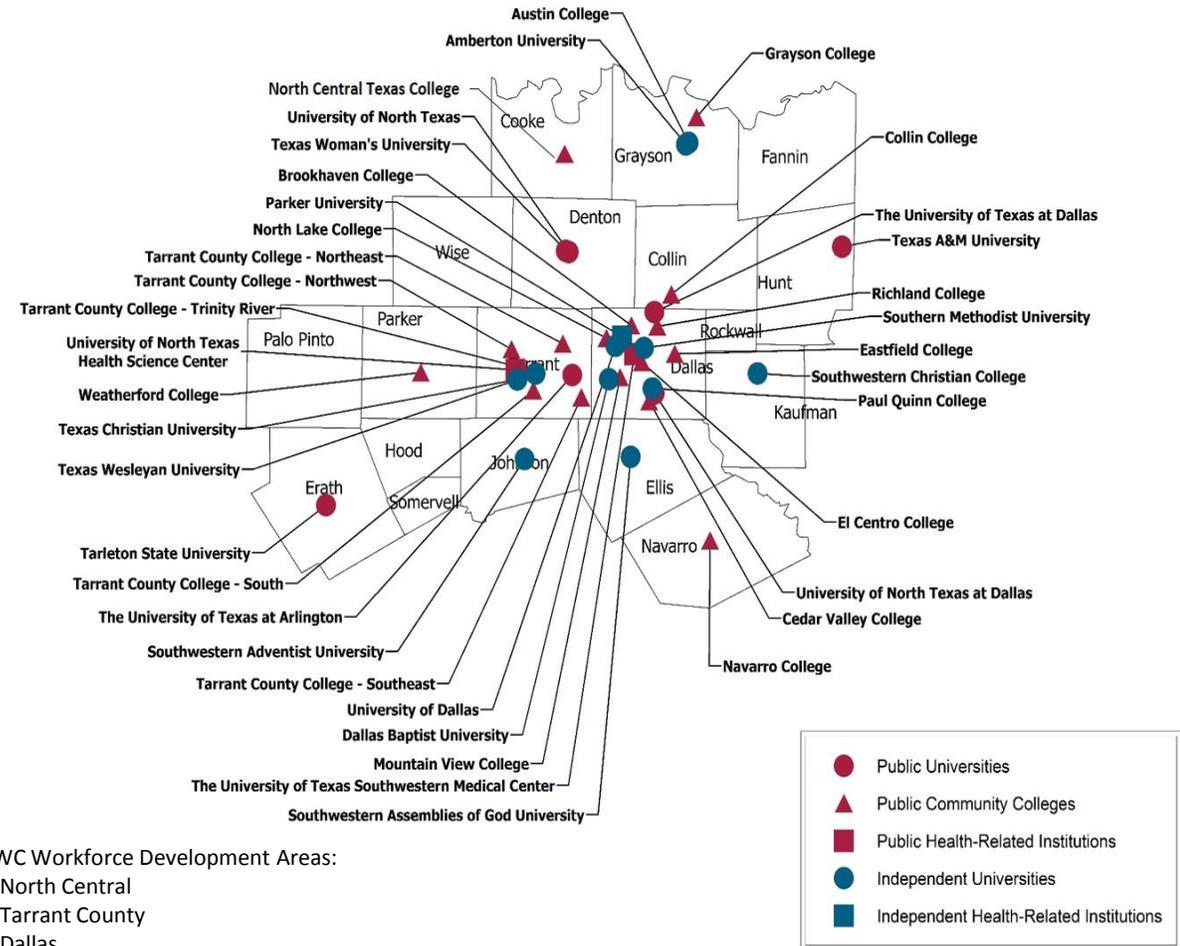
Completion

- Streamline transfer and optimize credit application
- Pilot multi-institutional data sharing

High School-to-Higher Education

- Develop and offer college preparatory courses
- Improving college credit offerings taken by secondary school students (dual credit, AP, IB, ECHS)

Education Service Centers:
10-Richardson
11-Fort Worth



TWC Workforce Development Areas:
4-North Central
5-Tarrant County
6-Dallas
25-Texoma

Metroplex Institutional Completion Targets

| Year | THECB Regional Target | Regional Sum of Institutional Targets | Submission as % of Target |
|------|-----------------------|---------------------------------------|---------------------------|
| 2020 | 93,552 | 87,087 | 93% |
| 2025 | 113,213 | 103,696 | 92% |
| 2030 | 136,870 | 120,621 | 88% |

What's next?

- THECB has an exceptional item request for \$1.3M to provide competitive regional grants to continue this work.
- The Metroplex Regional Advisory Group will continue to meet in spring and summer 2019 to design an implementation plan to address the strategies.
- Regional action plans are due to the THECB by the end of August 2019.

Academic Pathways

*Presented to Academic Affairs & Student Success Committee,
February 14, 2019:*

Rosemary Haggett, UNTS, Vice Chancellor for Academic Affairs and Student Success

Jennifer Cowley, UNT, Provost

Betty Stewart, UNTD, Provost

Charles Taylor, UNTHSC, Provost

What is an academic pathway?

- A continuum of study which prepares students with academic and career skills needed for entry into a broad cluster of careers and/or admission into postsecondary education including possible graduate studies (e.g. Business, Education, Public Service, STEM, Social Science, Arts & Humanities, etc.)
- A focused and integrated set of courses and sequences designed to increase transfer success and degree completion

Variety of Pathway Possibilities

High School →
4-yr

High School →
2-yr → 4-yr
(with or without Early
College HS & Dual Credit)

2-yr → 4-yr

International

4-yr →
Graduate/Prof.

The Role of Pathways in 60x30TX

“A focused and integrated set of courses and sequences designed to **increase transfer success and degree completion**”



THE OVERARCHING GOAL: 60x30

At least 60 percent of Texans ages 25-34 will have a certificate or degree.

- *Supports the economic future of the state*



THE SECOND GOAL: COMPLETION

At least 550,000 students in 2030 will complete a certificate, associate, bachelor's, or master's from an institution of higher education in Texas.

- *Requires large increases among targeted groups*

The Role of Pathways in 60x30TX

*“A continuum of study which prepares students with academic and **career skills** needed for entry into a broad cluster of careers and/or admission into postsecondary education...”*



THE OVERARCHING GOAL: 60x30

At least 60 percent of Texans ages 25-34 will have a certificate or degree.

- *Supports the economic future of the state*



THE THIRD GOAL: MARKETABLE SKILLS

All graduates from Texas public institutions of higher education will have completed programs with identified marketable skills.

- *Emphasizes the value of higher education in the workforce*

UNT Dallas Academic Pathways

Presented by:

Betty Stewart, UNTD, Provost

In support of the state's 60x30TX goals:

- An Innovative Partnership with Dallas ISD, DCCCD, and UNT Dallas- **Early College High School (ECHS)**
- ECHS students earn:
 1. A high school diploma
 2. Up to 60 hours of college credit or
 3. An Associate's degree
 4. Career Experience

ECHS: Expanding College Opportunities

- **ECHS**- offers students the opportunity to earn **dual credit-credit** for both high school courses and college courses.
- Students can earn up to 60 hours of college credit or an Associate's degree **tuition-free**.



Characteristics of ECHS



- Accepts 100 9th grade students
- Students move together as a **cohort** through high school
- Students attend 9th and 10th grade on their campus in a dedicated wing of the building
- Students attend classes on college/university campus for 11th and 12th grades or alternate scheduling
- Industry partners play a vital role in the success of students

Role of Industry Partners

- Provide real-world experiences that prepare students to enter their chosen field
- Experiences include:
 - ❖ Mentoring
 - ❖ Professional Networks
 - ❖ Internships

UNT Dallas partners with two ECHS programs

1. Lincoln High School

- a) Pathways are Hospitality Management and Logistics
- b) Industry Partners are Omni Hotels, Hyatt Hotels, FedEx, and Texas State Fair
- c) Higher Ed Partners are El Centro College and UNT Dallas



Students receive: (1) Business & Industry endorsement **and** (2) an Associate of Art (AA) degree or hours toward a Bachelor of Business Administration (BBA) degree.

UNT Dallas partners with two ECHS programs

2. Sunset High School

- a) Pathways are Early Childhood Education and Public Health
- b) Industry Partners are Dallas ISD, Children's Health, and Baylor Scott & White
- c) Higher Ed Partners are Mountain View College and UNT Dallas



Students receive: (1) Multidisciplinary (option C) endorsement from high school; **and** (2) an Associate of Art degree or hours toward a Bachelor of Science in Interdisciplinary Studies- EC-6 & Bilingual Certification **or** an Associate of Science degree or hours toward a Bachelor of Arts in Public Health

Progress of ECHS to date:

ECHS:

- First cohort completing 10th grade
- Students will take dual credit classes from their community college partner in 11th grade
- Students will take dual credit classes at UNT Dallas in their senior year

Other:

- UNT Dallas will perform a **reverse transfer** at the student's respective community college so that the student can earn an Associate degree upon completion of 60 hours
- Students have the option of completing the Bachelor's degree at UNT Dallas or another university

UNT Academic Pathways

Presented by:

Jennifer Cowley, UNT, Provost

International Pathways

- 2+2, 3+2, 4+1, and other options
- Nanjing Forestry University
 - 3+2 in Computer Science
 - First 3 students joined UNT in the Fall of 2018



UNT to UNT Graduate Pathways

- 4+1 program, High Achieving Students start graduate school their senior year taking courses that count towards the Bachelor's and Master's Degrees.
- 42 students are currently enrolled in a graduate pathway
 - 16 Engineering
 - 8 Education
 - 8 Liberal Arts
 - 4 Merchandising & Hospitality
 - 4 Health and Public Service
 - 2 Journalism

Graduate Preparation Pathways

- Support for Students Planning for Professional Graduate School
 - Joint Admission Medical Program (JAMP) Camp
 - Pre-Law Advising, Legal Studies Certificate

Health Pathways

- 3+4 Pathway with UNTHSC



Audiology & Speech Language Pathology



Behavioral Analysis



Biomedical Engineering



Chiropractic



Counseling



Dental



Health Informatics



Kinesiology and Health Promotion



Medical



Medical Laboratory Sciences



Occupational Therapy



Optometry



Pharmacy



Physical Therapy



Physician Assistant



Podiatry



Public Health



Rehabilitation Studies



Veterinary Medicine



Undergraduate Certificate



UNT 3+4 Pathway to Osteopathic Medicine

UNTHSC Academic Pathways

Presented by:

Charles Taylor, UNTHSC, Provost & Executive Vice President for
Academic Affairs

Primary Care Pathway Program (PCPP)

- An expedited pipeline from community college through medical school to earn a Doctor of Osteopathic Medicine degree.
- A collaborative initiative between Midland College, Midland Memorial Hospital, UNT Denton and UNTHSC Texas College of Osteopathic Medicine (TCOM).
- Goal: increase the number of primary care physicians in west Texas, primarily the Midland-Odessa area.

Primary Care Pathway Program (PCPP)

- The 7-year “Student Pathway” includes:
 - Two years at Midland College
 - One year at UNT Denton
 - Upon successful completion of the 3-year requirements with a minimum overall GPA of 3.5, students are admitted into TCOM
 - Four years at TCOM to earn a Doctor of Osteopathic Medicine degree
 - Two Summer Internships –
 - Midland Memorial Hospital
 - UNT Health Science Center

Primary Care Pathway Program (PCPP)

- Keys to Success of the PCPP:
 - Administrative infrastructure with dedicated personnel.
 - Focused recruiting, marketing and outreach initiatives.
 - Ongoing communication and quality improvement activities.
 - Emphasis on academic rigor, co-curricular enrichment activities, healthcare experiences and ongoing support for students.
 - Financial support from community leadership and local donors.

PCPP Participation

- A sense of camaraderie established among students (e.g. team names)
 - The initial **Beta Cohort** currently has four students completing their required year at UNT this May.
 - The second group, **Gamma Cohort** has six students completing their second year at Midland College. They have all earned early acceptance at TCOM.
 - The third group, **Delta Cohort** has 12 students in their first year at Midland College. The entire group shows exceptional promise.
 - More than 110 students have shown interest in entering the Primary Care Pathway Program over the next four years.

Optimizing Financial Aid to Meet Enrollment Goals

Shannon Goodman - [UNT](#)

Stephanie Holley – [UNT Dallas](#)



What is Financial Aid?

- **Self-help aid**

- Loans (Federal, State, Private)
- Work Study (Federal, State, Institutional)

- **Gift aid**

- Grants (Federal, State, Institutional)
- Scholarships (University, Departmental, External)
- Other (Waiver, Exemptions, etc.)

- **Not all aid types allow discretion in how they are awarded**

Leveraging financial aid

- **What is it?**

- Balancing affordability and resources by calculating the aid packages needed to enroll specific populations of students
- Developing a strategic financial aid plan that addresses enrollment goals and optimizes financial aid awards
- Maximizing net tuition revenue to maintain and improve the quality of academic programs and campus services

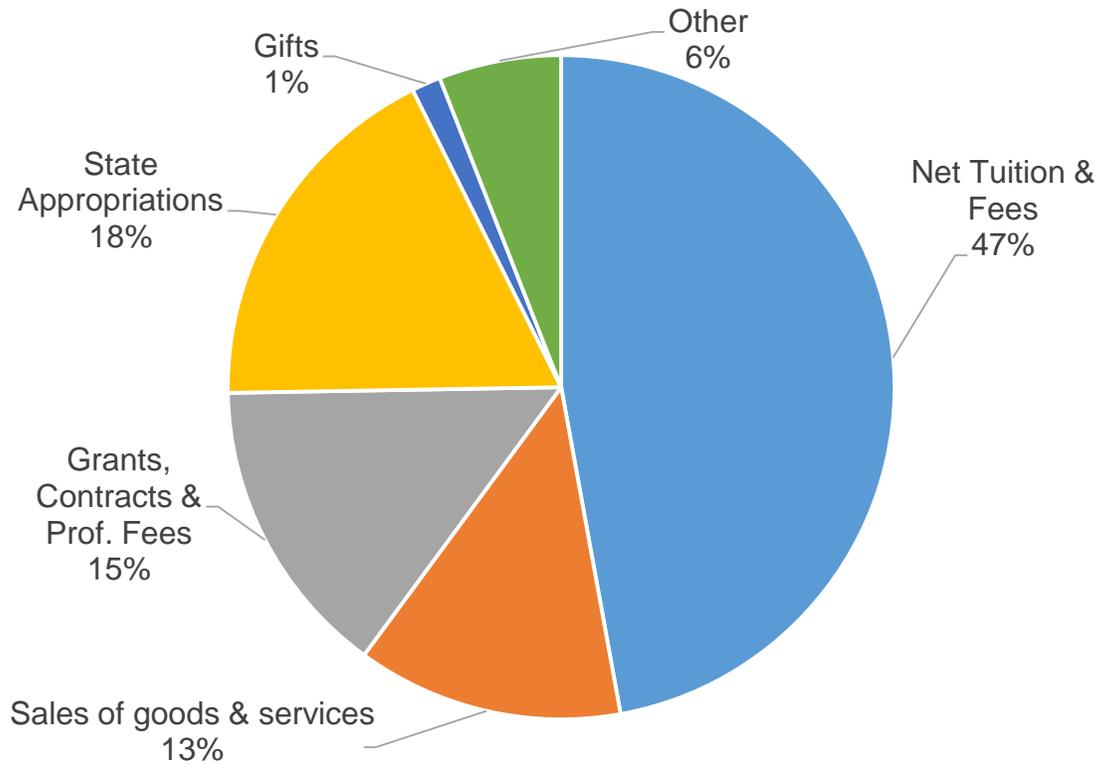
- **How do we do it?**

- Follow best practice coupled with assistance from industry-leading consultants such as Education Advisory Board, and Ruffalo Noel-Levitz

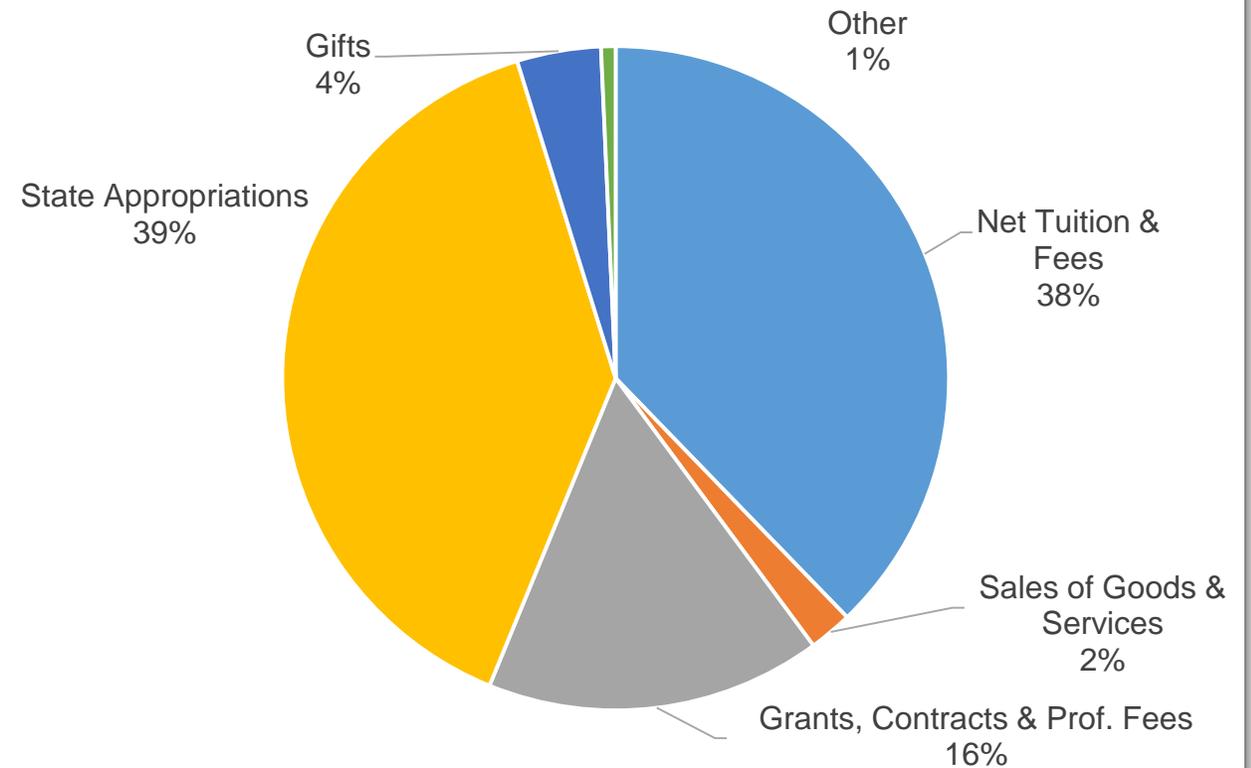
Source: Ruffalo Noel Levitz

Importance of Net Tuition & Fee Revenue

UNT FY 2019 Budgeted Revenues



UNT Dallas FY 2019 Budgeted Revenues



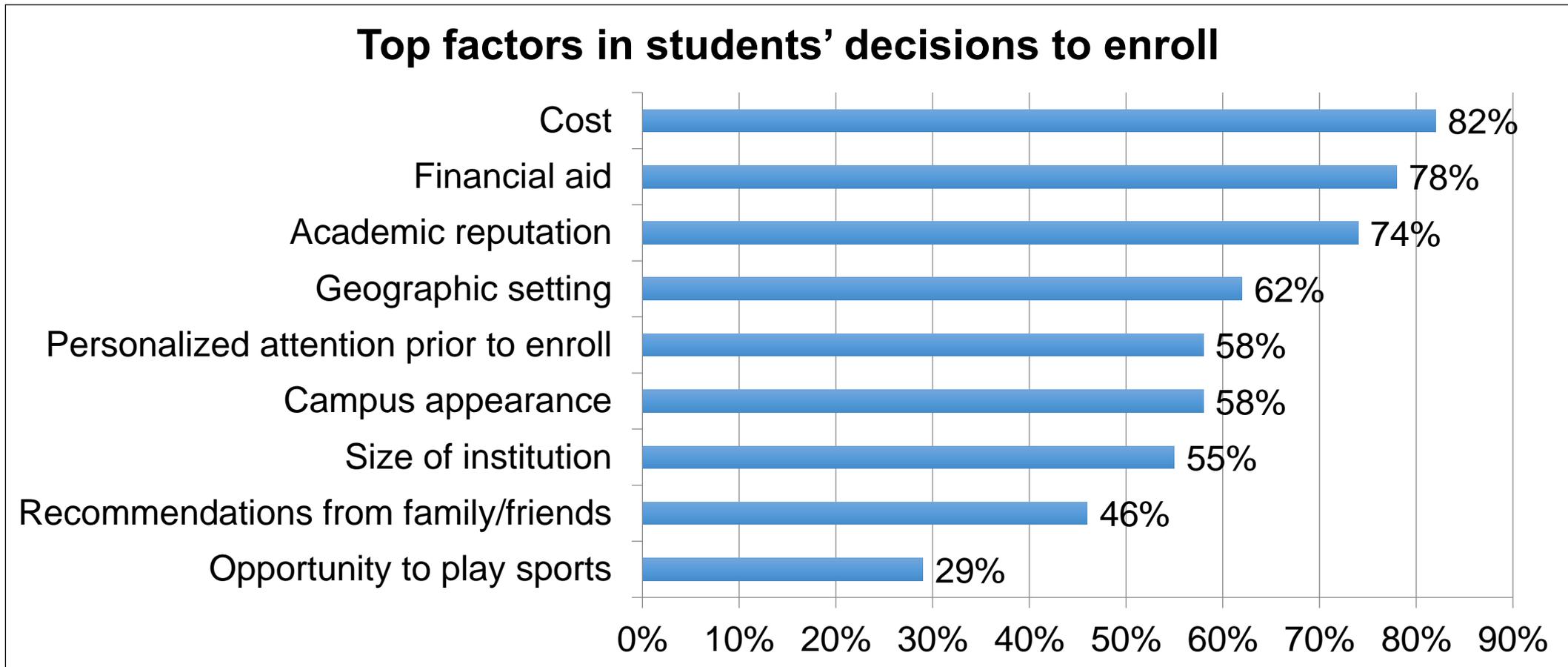
Source: UNT System 2019 Consolidated Operating Budget

Why is leveraging financial aid important?

- There is a squeeze on most revenue streams
- The value proposition of higher education is being challenged
- The competitive landscape is changing
- Students increasingly consider the cost of their education

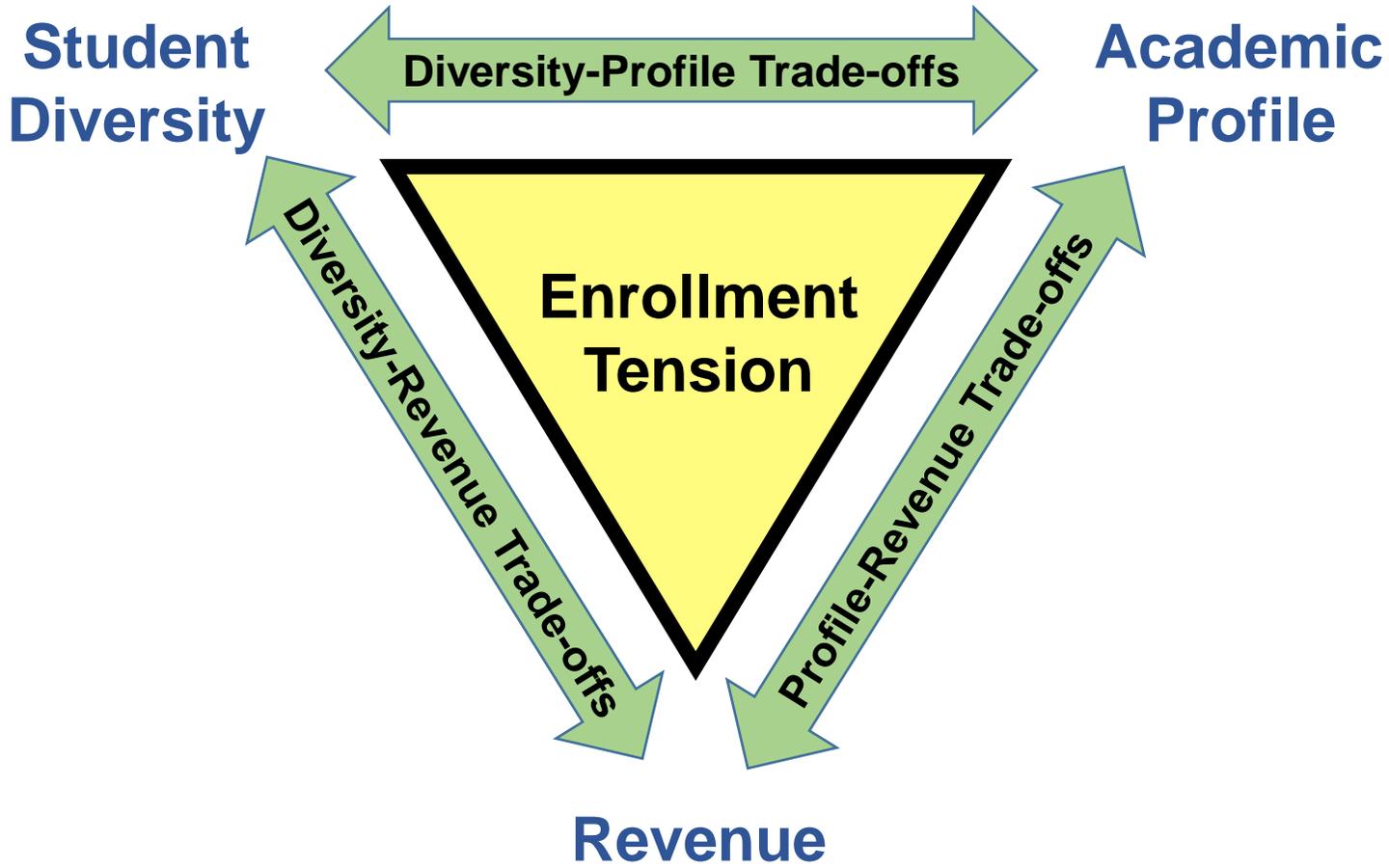


Cost and financial aid are very important factors



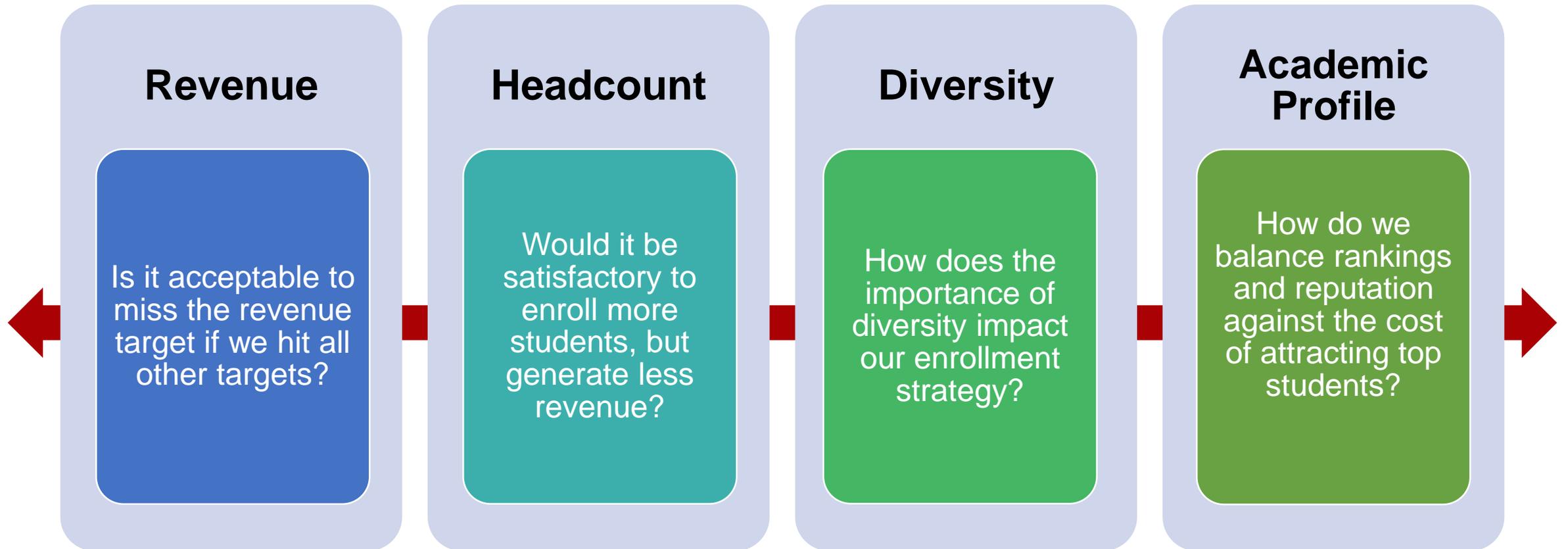
Source: Ruffalo Noel Levitz, 2017 National Student Satisfaction & Priorities Report (4-Year Public)

Enrollment goal considerations



Source: Education Advisory Board

Goals can be contradictory and force trade-offs



Source: Education Advisory Board

Financial aid challenges

Spending the same or less on gift aid as we try to grow enrollment may result in:

✘ **A decline in yield, and a less efficient enrollment funnel**

As average gift aid goes down, recruitment efforts/expense must increase to hold steady

✘ **Exacerbation of access challenge**

Creates barriers to achieving a well-educated workforce to serve a rapidly growing region

✘ **A dip in high-ability students**

Attracting fewer high quality students erodes our academic profile and NRUF eligibility

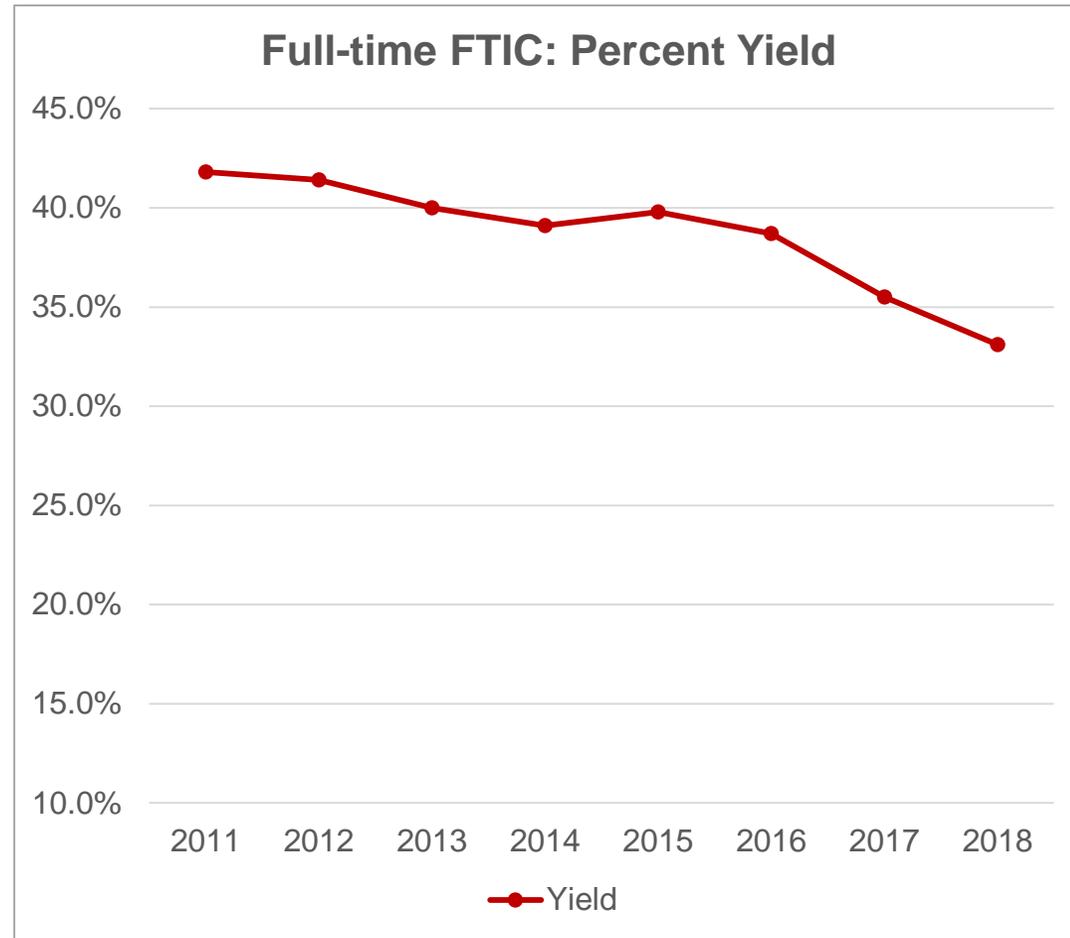
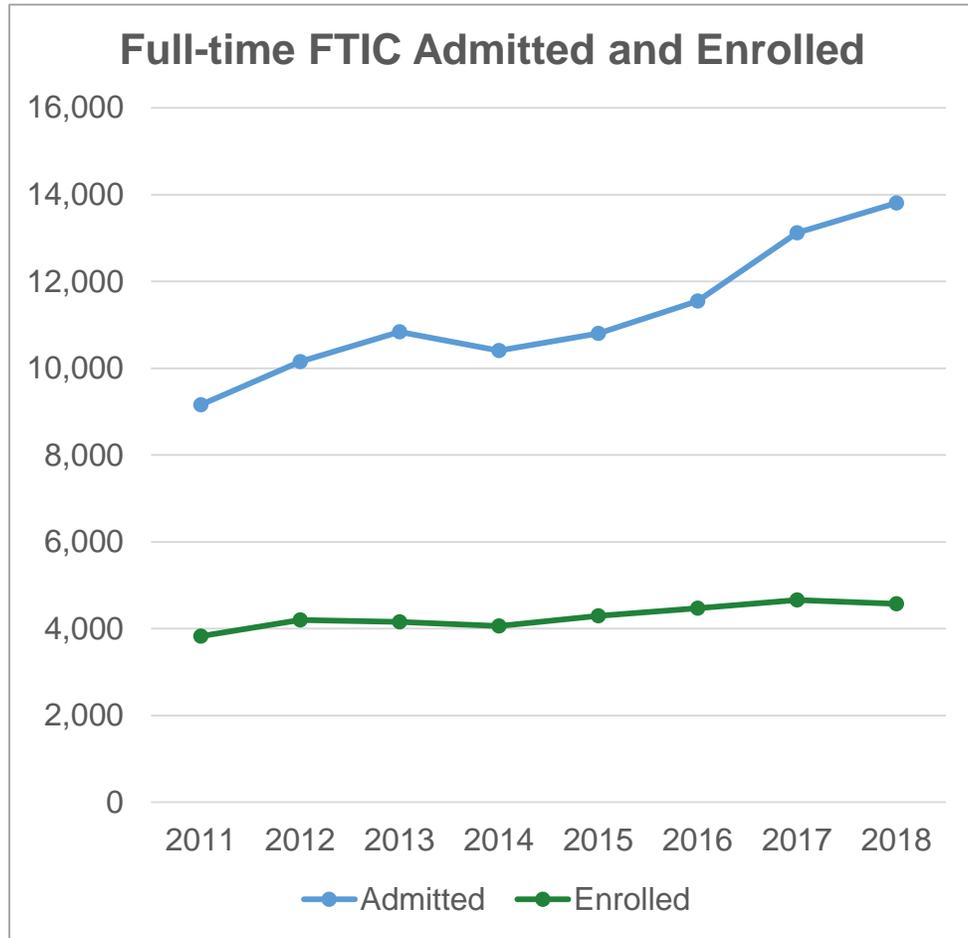
✘ **An increase in student debt**

Creates a greater loan burden for those unable to pay, making less satisfied graduates

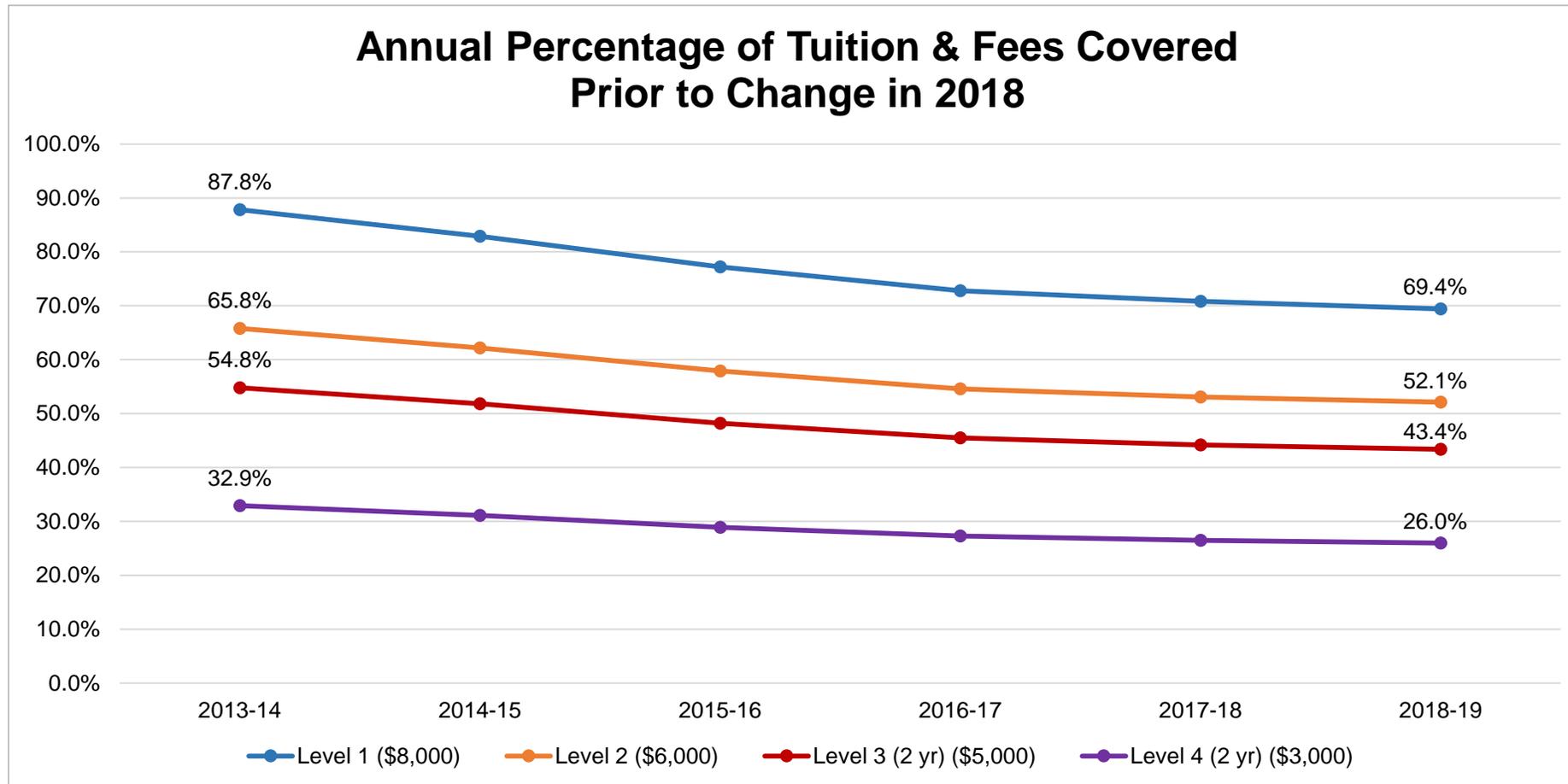
More financial aid can improve our net revenue—but too much can reduce it.

Source: Education Advisory Board

Example: FTIC yield at UNT



UNT FTIC scholarships covered less and less

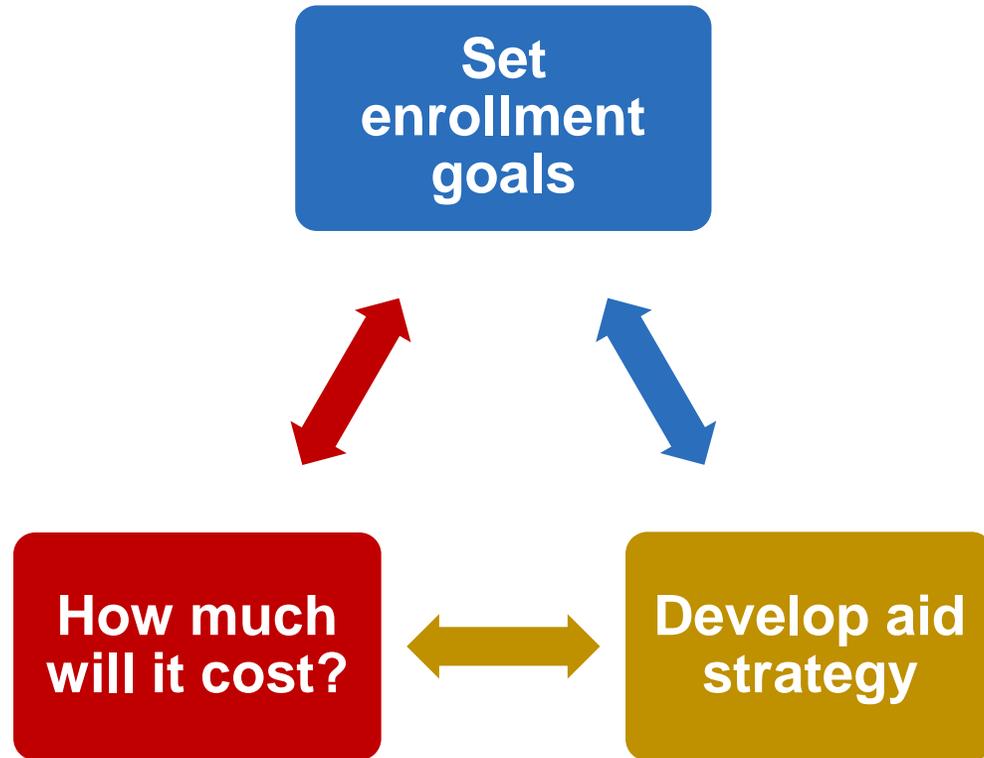


Review enrollment results

- **Analyze the results of the financial aid investment**
 - What is the yield rate for every type of award for each targeted group?
 - How do our scholarship yield rates compare with the previous year?
- **Make adjustments to the process**
 - How will small changes in scholarship size impact yield?
 - How will the pool of enrolled students be affected by the change?



Aid strategy considerations



- **Internal factors**

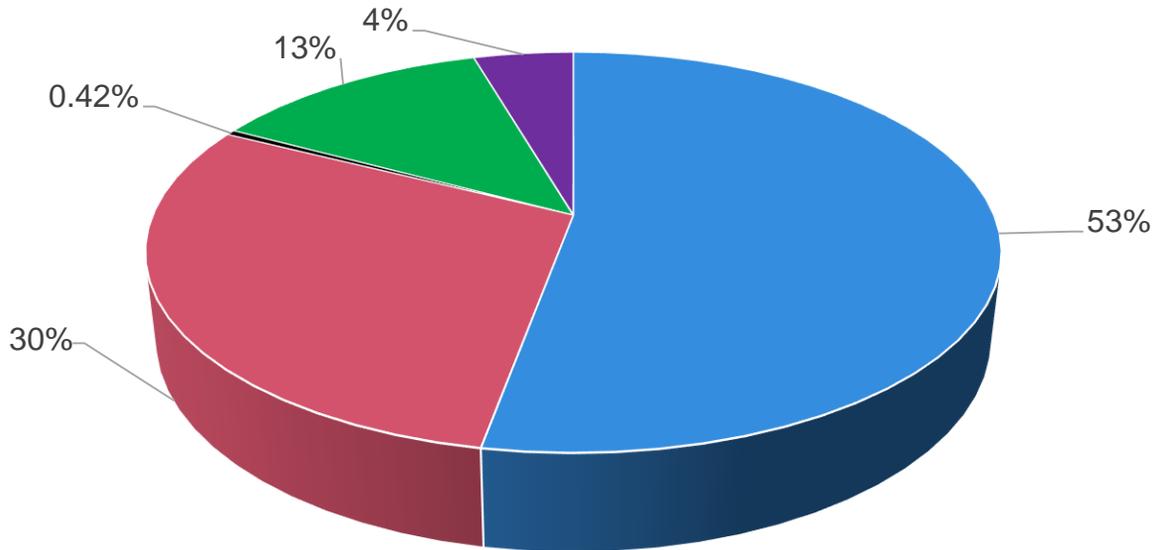
- Available resources to invest
- Competing pressures from various constituents

- **External factors**

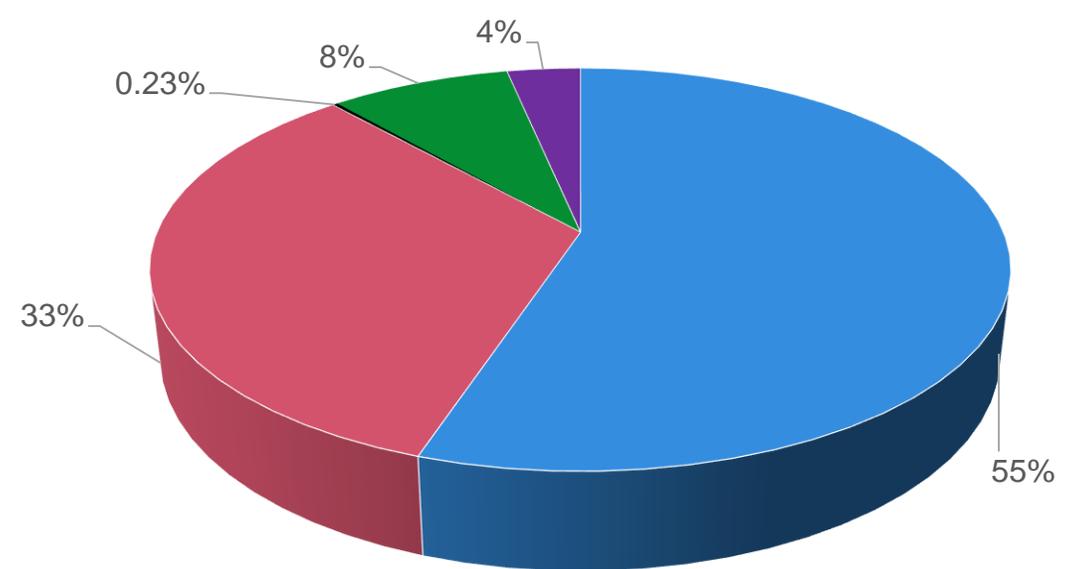
- Demographic trends
- Increased public/private competition
- Changes in federal/state priorities
- What is needed to recruit, enroll, and retain a particular type of student

Greatest flexibility is in scholarships

UNT AY '17-'18 Aid:
\$388,624,490



UNT Dallas AY '17-'18 Aid:
\$33,932,372



- Loans (Federal, State, Private)
- Grants (Federal, State, Institutional)
- Work Study (Federal, State, Institutional)
- Scholarships (University, Department, External)
- Other (Waivers, Exemptions, etc.)

Aid strategies are critical enrollment tools

- Increasingly required for public universities as a result of shifting student demographics and competition
- Goal driven and utilizes complex analysis
- Is a continuous process involving regular assessment and adjustment
- Collaborative endeavor shared by multiple internal stakeholders



MINUTES

BOARD OF REGENTS Audit Committee November 15, 2018

The Audit Committee of the Board of Regents of the University of North Texas System convened on Thursday, November 15, 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas, with the following committee members in attendance: Regents Mary Denny, A.K. Mago, Glen Whitley, and Laura Wright.

There being a quorum present, the meeting was called to order by Committee Chairman Regent Glen Whitley at 2:25 p.m.

The minutes of the Aug 10, 2018 Audit Committee meeting were approved on a 4-0 vote following a motion by Regent A.K. Mago seconded by Regent Mary Denny.

There were several briefings for the Committee's consideration. Tracy Grunig, UNT System Chief Audit Executive, presented three briefings: **FY18 Annual Recap of Internal Audit Activities, Quarterly Report of Audit Activities, and UNT System Enterprise Audit Report Inventory.**

The UNT System Chief Compliance Officers, Steve Hill for UNT System Administration and UNT Dallas, Desiree Ramirez for UNT Health Science Center, and Clay Simmons for UNT, presented a **Compliance and Standards of Conduct Update** for UNT.

Clay Simmons gave the Committee a **University Compliance and Ethics Program and Risk Assessment Overview.**

Committee Chairman Whitley noted that there was one background report, **UNT System Consolidated Annual Compliance Report, September 2017 through August 2018**, for the Committee's information, located in the meeting appendix.

There being no further business, the Audit Committee meeting adjourned at 3:24 p.m.

Submitted By:

Rosemary R. Haggett
Rosemary R. Haggett
Board Secretary

Date: Dec. 6, 2018

Audit Committee
University of North Texas System
Board of Regents
November 15, 2018



Title: Acceptance of the Externally Audited UNT System FY18 Comprehensive Annual Financial Report

Background:

Grant Thornton will present results of the External Audit of the UNT System FY18 Comprehensive Annual Financial Report. The UNT System Audit Committee Charter, adopted May 19, 2018 established a responsibility for the Audit Committee to recommend to the Board of Regents that the externally audited financial statements, including opinion letter, be included in the System's annual report.

Financial Analysis/History:

The Board of Regents directed management to obtain an external audit of the FY18 Comprehensive Annual Financial Report.

Gary Rahlf Digitally signed by Gary Rahlf
Date: 2019.02.08 15:03:56
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.12 11:03:49 -06'00'

Vice Chancellor/General Counsel

Schedule:

The External Audit Opinion of UNT System's FY18 Comprehensive Annual Financial Report will be included in the System's annual report upon approval.

Recommendation:

It is recommended that the Board of Regents accept the Externally Audited UNT System FY18 Comprehensive Annual Financial Report, and direct that the External Audit Opinion Letter be included in the System's Annual Report.

Recommended By:

Tracy C. Grunig
Digitally signed by Tracy C. Grunig
DN: cn=Tracy C. Grunig, o=University of North Texas System, ou=Internal Audit,
email=tracy.grunig@unt-system.edu, c=US
Date: 2019.02.08 15:22:34 -06'00'

Tracy Grunig
Chief Audit Executive

Les B. Roe
Digitally signed by Les B. Roe
Date: 2019.02.08 15:31:49 -06'00'

Les B. Roe
Chancellor

Attachments Filed Electronically:

- Grant Thornton Presentation on the External Audit of UNT System FY18 Comprehensive Annual Financial Report.
- Final External Audit Opinion of UNT System FY18 Comprehensive Annual Financial Report (Grant Thornton)
- Management Representation Letter



Board Order

Title: Acceptance of the Externally Audited UNT System FY18 Comprehensive Annual Financial Report

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, the UNT System Audit Committee Charter, adopted May 19, 2018 established a responsibility for the Audit Committee to recommend to the Board of Regents that the UNT System Comprehensive Annual Financial Report be externally audited, and

Whereas, the external audit firm, Grant Thornton, LLP, conducted an audit of UNT System FY2018 Comprehensive Annual Financial Statements, and provided an unmodified opinion, which is the best possible opinion, and

Whereas, the Board of Regents has reviewed the FY2018 Comprehensive Annual Financial Report and the final audit opinion of the UNT System FY18 Comprehensive Annual Financial Report,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Acceptance of the Externally Audited UNT System FY18 Comprehensive Annual Financial Report
 2. Inclusion of the Audit Opinion letter in the final UNT System FY18 Comprehensive Annual Financial Report
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents



Presentation to the Audit Committee of the Board of Regents – 2018 Audit Results

**University of North Texas System
("System")**

Attendee:

Ben Kohnle - Partner

February 14, 2019



Our Values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Our Responsibilities

We are responsible for:

- Performing an audit under US GAAS and *Government Auditing Standards* of the financial statements prepared by management, with your oversight
- 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 required supplementary information, is fairly stated in relation to the financial statements as a whole.
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose.
- Reading other information and considering whether it is materially inconsistent with the financial statements

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.



Those Charged With Governance and Management Responsibilities

Those Charged with Governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the System's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Entity strategies and related business risks that may result in heightened risks of material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and compliance with federal and state grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with written representations

Audit Timeline & Scope

| | FY15 | FY16 | FY17 | FY18 | Proposed FY19 |
|----------------------------|---------------------|--------------------------|------------------------|------------------------|---------------------------|
| Planning/ Interim | December 2015 | November – December 2016 | June – July 2017 | June – July 2018 | June – July 2019* |
| Final Fieldwork | April – August 2016 | February – April 2017 | October – January 2018 | October – January 2019 | September – December 2019 |
| Issue Financial Statements | August 2016 | May 2017 | February 2018 | February 2019 | December 2019 |

* includes further acceleration of work previously performed during final fieldwork

Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

- We believe that total assets is the appropriate benchmark for the System.

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).

Areas of focus

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

| Areas of focus | |
|---|---|
| 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 | Inter-component transfers |
| Payroll and related liabilities | |
| Net pension liabilities | |
| Other postemployment benefit liabilities | |
| Net position classification | |



Results of Financial Statement Audit

- Unmodified 'clean' opinion
- No scope limitations
- Open and effective communication with management
- No unresolved audit issues

Summary of Misstatements

The below entries were identified by Grant Thornton during the FY18 audit. The financial statements were not revised for the two proposed entries. The magnitude of the unrecorded adjustments by financial statement categories are as follows:

| Description | Increase (Decrease) to: | | | |
|----------------------------------|-------------------------|-----------------------|-----------------|-------------------|
| | Assets | Liabilities | Net Assets | Net Income (Loss) |
| Uncorrected misstatements | | | | |
| Contr In Progress-NonDepr | 3,592,998 | | | |
| AP-Retainage | | (192,576) | | |
| AP-Accounts Payable-Manual | | (3,400,422) | | |
| Bldg/Bldg Improvements-Deprcble | 1,192,261 | | | |
| AP Accounts Payable-Manual | | (1,192,261) | | |
| AccDepr-Bldg/Bldg Improvments | (5,251) | | | |
| Depr-Building | | | 5,251 | 5,251 |
| Net impact | <u>\$ 4,780,008</u> | <u>\$ (4,785,259)</u> | <u>\$ 5,251</u> | <u>\$ 5,251</u> |
| FY18 report balance | \$ 2,229,996,821 | \$ 1,408,932,388 | 804,663,888 | (349,442,882) |
| % impact on report balance | 0.2% | -0.3% | 0.0% | 0.0% |

Management believes the uncorrected misstatements are immaterial to the financial statements. Uncorrected misstatements could be potentially material to future financial statements. As such, we request that these uncorrected misstatements be corrected.

Details of the above entries can be found in the management representation letter.



Outflow Data Analysis – Computer Data Acquisition and Analysis

Suggested Action Items Resulting From Computer Data Acquisition and Analysis Work

Our audit included data analysis which focuses on the outflow side of the System's operations and involved the following data files:

- Vendor Data Information
- Disbursement Data Information
- Human Resources and Payroll Data Information

A summary of suggested actions from the data analyses, which was shared with System management personnel on February 6, 2019 is presented below:

Suggested Action Item – Vendor Data

- Review the categories as to why there is blank information.
- Review and understand the duplication patterns and evaluate the processes as to why duplicate vendors are established and paid. Cleanse the vendor file and evaluate for potential inappropriately established vendors. Evaluate the functionality of the system to restrict the entering of duplicate information.
- Review and gain an understanding as to why vendor names do not match the vendor payee names.

Outflow Data Analysis – Computer Data Acquisition and Analysis (cont'd)

Suggested Action Item – Vendor Data (cont'd)

- Review report to understand why multiple payments were made to single payment vendors based on names. In addition, understand the process of complying with the applicable IRS rules and regulations.

Suggested Action Item – Disbursements Data

- Gain an understanding as to why blank information exists.
- Review and understand the operational reasons as to why invoice date or invoice receipt date could occur prior to the date of a purchase order. Potential indication of noncompliance with the System's procurement policy.
- Review report to understand which vendors are receiving same payment amounts and relate such patterns to operational information and agreements, potential duplicate payments, etc.
- Review report to understand which vendors are receiving recurring payments in the same amounts and relate such patterns to operational information and agreements, etc.

Outflow Data Analysis – Computer Data Acquisition and Analysis (cont'd)

Suggested Action Item – Disbursements Data (cont'd)

- Review and gain a general understanding as to why payment patterns might not comply with the State of Texas Prompt Payment Act.
- Review the payment patterns for reasonableness and disbursements based on operational activities.
- Review the patterns of payments to vendors with no Tax ID Number for general compliance with IRS rules and regulations.
- Review for potential duplicate payments based on invoice numbers, focusing on overpayments or double payment of invoices.

Suggested Action Item – Vendor and Human Resources Data

- Review reports to understand the relationships between the Vendor Master File and the Human Resource File with emphasis where vendor names do not match the employee last name potentially identifying employees conducting business with the System in possible violation of System policy.

Outflow Data Analysis – Computer Data Acquisition and Analysis (cont'd)

Suggested Action Item – Human Resource and Payroll Data

- Review the categories as to why there is blank information.
- Review report to understand the information for family and reporting relationship within the operations of the System.
- Review and understand the overtime patterns by employee, department, position and title and whether patterns are expected.
- Review the checks paid after termination date for appropriateness.
- Review report to understand the information for family and reporting relationships within the operations of the System.
- Evaluate payment patterns to employees such as paid regular salary compared to expected base salary, number of checks paid to each employee, etc.
- Review report to understand why duplicate check numbers are present.

Internal Control Matters

Responsibility

We are responsible for obtaining 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 effectiveness of the System's internal control. Accordingly, we express no such opinion. Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

Definitions

- 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, 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 company's annual or interim financial statements will not be prevented or detected on a timely basis.
- A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Internal Control Matters

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the following identified control deficiency to be a significant deficiency.

| Significant deficiency | Recommendations | Management's Response |
|--|---|--|
| <p>During our testing of payroll controls, we noted instances in which the System had failed to perform the verification process between the payroll run and the bank confirmation. We additionally noted that no verifications were performed for off-cycle payroll runs.</p> | <p>We recommend the System management ensure that processes are in place to perform verification procedures for both on-cycle and off-cycle payroll runs. We additionally recommend that System management has a plan in place when an individual charged with completing the verification, is unable to do so.</p> | <p>Management corrected this control during fiscal year 2018 when they became aware of the deficiency. This included training staff to properly handle the verification procedures and adding a verification process for off-cycle payroll runs. Management will update the procedural documentation related to payroll processing to include backup processes when staff are unable to perform the procedure. These measures should prevent future deficiencies</p> |

The System's response has not been subjected to our audit procedures and, accordingly, we express no opinion on it.

Use of Other Auditors

| Component | Other auditor | Type | Response |
|--|--|-------------------------------------|----------|
| Other unaffiliated auditor | | | |
| University of North Texas Foundation, Inc. | Hankins, Eastup, Deaton, Tonn & Seay, P.C. | Discretely Presented Component Unit | Audit |

In our auditor's report on the System, we make reference to the audit performed by the other unaffiliated auditor.

Use of the Work of Others

Specialists

The audit team utilized the following internal and external specialists to assist with the audit:

- Actuary within our Compensation and Benefits Consulting Practice to review the work of actuaries used by the Teachers' Retirement System (TRS) for pensions and the Employees' Retirement System (ERS) for other postemployment benefits.
- Actuary within our Compensation and Benefits Consulting Practice to review the work of actuary used by the System for its self-insurance liabilities.
- Internal valuation specialists within our New York Pricing Group and an external valuation specialist, Harvest Investments, Ltd. to provide an independent estimate of the fair value of investments.

Subcontractors

Additionally, the audit team received direct assistance from two independent subcontractors during our audit testing: Emma S. Walker P.C. and Gradient Solutions Corporation. This work was reviewed and managed by the Grant Thornton engagement team.

Assistance was provided by an associate of Emma S. Walker P.C. related to the testing of identified balances using procedures provided and reviewed by Grant Thornton personnel.

Gradient Solutions Corporation specializes in the use of computer data acquisition analysis primarily for governmental entities. Assistance was provided by Gradient Solutions related to the performance of computer data acquisition and analysis in the areas of vendor disbursements, human resources, and payroll.

Use of Internal Audit

The fiscal year 2018 audit was the first audit in which the System's internal auditors performed external audit procedures.

| Areas of the audit where we utilized the work of internal audit |
|---|
| Investments |
| Capital assets |
| Grant revenues |
| Contributions revenues |
| State appropriations |

Other Required Communications

Professional standards require that we communicate the following matters to you, as applicable.

| Going concern matters |
|---|
| Fraud and noncompliance with laws and regulations |
| Significant deficiencies and material weaknesses in internal control over financial reporting |
| Use of other auditors |
| Use of internal audit |
| Related parties and related party transactions |



Other Required Communications

(continued)

| Disagreements with management |
|---|
| Management's consultations with other accountants |
| Significant issues discussed with management |
| Significant difficulties encountered during the audit |
| Other significant findings or issues that are relevant to you and your oversight responsibilities |
| Modifications to the auditor's report |
| Other information in documents containing audited financial statements |



Quality of Accounting Practices

| Accounting policies | Appropriate in all material respects |
|----------------------|--|
| Accounting estimates | <p>Amounts were free from material misstatement</p> <ul style="list-style-type: none"> • Valuation of investments • Contributions receivable • Allowance for doubtful accounts • Accruals for self-insurance, pension and other postemployment benefit plans based on actuarial assumptions |
| Disclosures | <p>Appear to be neutral, consistent and clear</p> <p>Other Postemployment Benefit Liabilities - New accounting standard that was issued in the current year. Disclosure emphasizes the fact that the System requires reliance on third parties for assumptions and methodology for accounting and reporting.</p> <p>Subsequent Events – The TRS Board of Trustees lowered the investment rate of return assumption from 8.0% to 7.25% for the TRS Plan. As a result, the System anticipates a material increase in the net pension liability for FY19.</p> |

Commitment to Promote Ethical and Professional Excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link can be accessed from our external website or through this link:

https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.





Audit Wrap Up Presentation

Technical Updates – GASB



Selected pronouncements effective for the year ending June 30, 2019 or subsequent periods - GASB

| Title | Effective date |
|--|---|
| GASB 83- <i>Certain Asset Retirement Obligations</i> | Periods beginning after June 15, 2018 |
| GASB 84- <i>Fiduciary Activities</i> | Periods beginning after December 15, 2018 |
| GASB 87- <i>Leases</i> | Periods beginning after December 15, 2019 |
| GASB 88- <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i> | Periods beginning after June 15, 2018 |
| GASB 89- <i>Accounting for Interest Cost Incurred before the end of a Construction Period</i> | Periods beginning after December 15, 2019 |
| GASB 90 - <i>Majority Equity Interests—an Amendment of GASB Statements No. 14 And No. 61</i> | Periods beginning after December 15, 2018 |

GASB Statement 83, *Certain Asset Retirement Obligations*

| Summary | Potential impact |
|--|--|
| <ul style="list-style-type: none"> • Objective is to develop requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills (GASB 18) or pollution remediation obligations (GASB 49), such as nuclear power plants and sewage treatment facilities • The pronouncement addresses the following: <ul style="list-style-type: none"> - Establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources when a governmental entity has a legal obligation to perform future asset retirement activities related to its tangible capital assets - Proposes capitalization of the ARO as a deferred outflow of resources, to be amortized in a systematic and rational manner (such as the straight-line method), generally over the life of the related asset giving rise to the obligation - Requires disclosures regarding governmental entity legal requirements to provide funding or other financial assurance for their performance of asset retirement obligations (e.g., how are those requirements being met) as well as nature and timing of AROs, method used to determine the estimated liability and useful life of the associated tangible asset. • Effective for periods beginning after June 15, 2018. Earlier application is encouraged. | <p>Similar to the efforts Universities underwent when adopting GASB 49, management should inventory any activity whereby there is a related obligation to dispose of certain assets subject to regulatory and legal requirements. With that list, management must calculate the expense of that effort and track it annually. The effort to inventory these assets/costs may require input from facilities and potentially other areas of the University and the process to estimate costs of future events may also require assistance from facilities and other departments.</p> |

GASB Statement 84, *Fiduciary Activities*

| Summary | Potential impact |
|---|--|
| <ul style="list-style-type: none"> • Guidance addresses the following: <ul style="list-style-type: none"> - The categorization of fiduciary activities for financial reporting - How fiduciary activities are to be reported - When liabilities to beneficiaries must be disclosed • Types of fiduciary funds that must be reported include the following: <ul style="list-style-type: none"> - Pension (and other employee benefit) trust funds - Investment trust funds - Private-purpose trust funds - Custodial funds • A government controls the assets of an activity if it holds the assets or "has the ability to direct the use, exchange or employment of the assets in a manner that provides benefits to the specified or intended recipients" • Fiduciary activities must be disclosed in the basic financial statements of the government entity and a statement of fiduciary net position and changes in fiduciary net position should be presented (unless the period of custody is less than three months). • Effective for periods beginning after December 15, 2018, with early adoption encouraged. | <p>Universities often will agree to act as a fiduciary for certain third party organizations that might be somehow affiliated to the university (such as student clubs, alumni clubs, or other such organizations). Under this new requirement, the University must report the fiduciary activity on its financial statements, where it may not have done so in the past. Management should identify which fiduciary activities it is engaged in to inventory the relationships which may need to be reported. Management may want to consider changing the terms of the relationships such that they are not subject to reporting on the financial statements of the University when the requirement becomes effective.</p> |

GASB Statement 87, Leases

Summary

- The GASB recently issued guidance which resembles the recently issued FASB guidance on leases.
- To determine whether a lease exists, a government should assess whether it has both:
 - 1) The right to obtain the present service capacity from use of the underlying asset as specified in the contract, and
 - 2) The right to determine the nature and manner of use of the underlying asset as specified in the contract
- For Lessees:
 - In general, all leases will be reported on the statement of net position (the distinction between operating and capital leases is no longer relevant) as a "right of use" intangible asset and a corresponding lease liability within long term debt
 - On the statement of changes, rent expense will be replaced by amortization expense of the right-of-use asset as well as interest expense on the lease liability (thus accelerating expenses in the beginning years of the lease term)
 - There is an exemption for short term leases (those with a term of 12 months or less, including extension options) as well as leases that transfer ownership at the end of the term
 - Disclosures regarding matters such as total leased assets by major class of underlying assets and related accumulated amortization (in total), principal and interest payments for each of the five subsequent fiscal years and in five year increments thereafter and commitments under leases before a lease commencement period, among other items

GASB Statement 87, Leases (continued)

Summary, continued

- For Lessors:
 - Record a lease receivable and a deferred inflow of resources equal to the present value of future lease payments (which should generally equal the amount recorded as a liability by the lessee), and also continue to report the leased asset
 - The receivable will be reduced as cash is received, the asset will be depreciated (generally) and the deferred inflow will be recognized over the lease term
 - Disclosures regarding matters such as general description of leasing arrangements, total amount of inflows of resources, and those related to variable payments, residual guarantees, etc., and the existence, terms and conditions of options by the lessee to terminate the lease or abate payments in certain circumstances, among other disclosures
- Effective for periods beginning after December 15, 2019, with early adoption encouraged. Existing leases will be adjusted based on the remaining lease payments as of the beginning of the period of adoption or beginning of any earlier periods restated (for example, for June 30 year ends, adoption is June 30, 2021 so the beginning period is July 1, 2020).

Potential Impact

For those universities which use operating leases to finance certain capital activities, this standard could have a significant impact on the financial statements of the University upon adoption. Management should consider the impact on financial covenants, as well as ensuring a complete inventory of existing leases that will be subject to the new accounting and disclosures.

GASB Statement 88, *Certain Disclosures Related to Debt*

| Summary | Potential impact |
|---|--|
| <ul style="list-style-type: none"> • Improves consistency of information presented in the footnotes with respect to long-term debt, and to distinguish it from other long-term liabilities in applying disclosure requirements. • New guidance defines debt as "a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of payment of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established". • In addition to the existing debt disclosures, universities should disclose the following about all types of debt: <ul style="list-style-type: none"> • Amount of unused lines of credit • Assets pledged as collateral for debt • Terms specified in debt agreements related to significant events of default or termination events with finance-related consequences, as well as any subjective acceleration clauses • Direct borrowings and direct placements of debt should be distinguishable from other types of debt for all disclosures. • Effective for periods beginning after June 15, 2018. Changes to adopt this standard should be applied to all periods presented within the footnotes. | <p>Depending on the amount of information currently disclosed as it relates to debt, higher education institutions may find themselves having to augment existing footnotes to comply with the standard, specifically as it relates to direct borrowings, lines of credit, and other debt instruments.</p> |

GASB Statement 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*

| Summary | Potential impact |
|---|---|
| <ul style="list-style-type: none"> • This Statement improves financial reporting by providing users with more relevant information about capital assets and the cost of borrowing, and enhancing comparability of information for both governmental activities and business-type activities. • Financial statements prepared using the economic resources measurement focus: <ul style="list-style-type: none"> • Interest cost should be recognized as an expense in the period incurred. • Financial statements prepared using the current financial resources measurement focus: <ul style="list-style-type: none"> • Interest cost should be recognized as an expenditure consistent with governmental fund accounting principles. • Effective for periods beginning after December 15, 2019, with early adoption encouraged. Changes to adopt this standard should be applied prospectively at adoption. | <p>Universities may have varying amounts of interest incurred during periods of significant construction. With the implementation of this new guidance, complex calculations of interest to be capitalized will no longer be required, thus simplifying accounting requirements. The new accounting accelerates the expense impact for the construction period, which should be considered when preparing budgets for future periods.</p> |

GASB Statement 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 And No. 61*

| Summary | Potential impact |
|---|--|
| <ul style="list-style-type: none"> Improves consistency comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. Defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment and be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. Component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100% equity interest in the component unit. | <p>Universities may have additional components recorded on their financial statements if legally separate entities meet the definition of a majority equity interest as it establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.</p> |

GASB projects

| Project | Timing |
|--|---|
| Financial Reporting Model- Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6 | Preliminary Views to be issued in September 2018, planned issuance of final standard in 2022. |
| Revenue and expense recognition | Preliminary Views expected in May 2020 (currently in redeliberations) |
| Recognition (conceptual framework) | Preliminary Views to be issued in September 2018 |
| Conduit Debt- Reexamination of Interpretation 2 | Exposure draft issued in July 2018 |
| Equity Interest Ownership Issues | Final statement expected August 2018 |
| Information Technology Arrangements, including cloud computing | Deliberations scheduled to begin September 2018, Exposure Draft expected April 2019 |
| Public-private partnerships, including reexamination of Statement 60 | Deliberations began in May 2018, Exposure Draft expected June 2019 |
| Implementation Guide- GASB 84 (Fiduciary Activities) | Material for Guide in development, ED in December 2018 |
| Implementation Guide- GASB 87 (Leases) | Material for Guide in development, ED in January 2019 |

GASB major project – Financial Reporting Model

Summary

- GASB is revisiting its reporting model established in GASB 34 and 35, as well as other GASB standards, following the FASB project to revisit the reporting model of NFP entities.
- Although there is general consensus that most of the components of the financial reporting model are effective, the Board determined that there is a need to update guidance related to several categories, focusing on the following:
 - MD&A
 - Government-wide financial statements
 - Major funds
 - Governmental fund financial statements
 - Proprietary fund and business-type activity financial statements
 - Fiduciary fund financial statements
 - Budgetary comparisons
- Tentative Preliminary Views of note for colleges and universities (Preliminary Views to be issued in September 2018):
 - Definition of non-operating activities includes i) subsidies received and provided, ii) revenues and expenses of financing, iii) resources from the disposal of capital assets and inventory and iv) investment income and expenses
 - A subtotal for "operating income/(loss) and noncapital subsidies"
 - Government-wide schedule of natural classification of expenses would be presented as supplementary information (BTA activities by segment)

GASB major project – Financial Reporting Model, continued

Potential impact

Similar to the significant impact on reporting and disclosures when GASB 34 and 35 were issued, this proposed guidance could have sweeping effects on the reporting and disclosures by public colleges and universities. Depending on how much the GASB looks to what was done by the FASB on the NFP reporting model, there could be an increase in comparability between the two types of entities that currently use very different reporting models.

Three of the business type activities issues that the GASB is considering that are particularly relevant to public universities are guidance on the operating indicator, MD&A and extraordinary and special items. Based on comments made by GASB representatives, one of the tentative preliminary views is to present a subtotal for "operating income/loss and noncapital subsidies", which includes state appropriations. This is an accommodation to the request by many constituents to include state appropriations as an operating revenue, which will not be changed based on tentative preliminary views. In addition, the addition of a separate schedule of expenses by natural classification will highlight certain expenses that may receive additional scrutiny such as salary/compensation expense. Depending on the ultimate guidance, universities may want to think about how the reporting of these expenses will be captured to be accurately reported in the financial statements.

GASB major project – Revenue and Expense Recognition

| Summary | Potential impact |
|--|---|
| <ul style="list-style-type: none"> • Three primary areas of focus of the project are as follows: <ol style="list-style-type: none"> 1. Common exchange transactions not specifically addressed in existing GASB guidance <ul style="list-style-type: none"> ➢ Project plans to develop guidance or improve existing guidance regarding <ol style="list-style-type: none"> i. Exchange and exchange-like transactions having single elements ii. Exchange and exchange-like transactions having multiple elements iii. The differentiation between exchange-like and non-exchange transactions 2. Post-implementation review of GASB 33 and 36 <ul style="list-style-type: none"> ➢ Areas to be considered include: <ol style="list-style-type: none"> i. Distinguishing between eligibility requirements and purpose restrictions ii. Determining when a transaction is an exchange or a nonexchange transaction iii. Using the availability period concept consistently across governments iv. Applying time and contingency requirements 3. Development of GASB conceptual framework <ul style="list-style-type: none"> ➢ GASB 33 and 36 were developed prior to key parts of the conceptual framework, such as defining deferred inflows and outflows ➢ An evaluation of the recognition of nonexchange transactions against the conceptual framework is necessary • Invitation to Comment recently ended, currently in redeliberations, with Preliminary Views expected in May 2020. | <p>As it relates to recognition of exchange and nonexchange transactions such as grants vs gifts vs contracts, there continues to be an element of judgment and interpretation of existing GASB and FASB guidance. This project could impact the current practices of higher education institutions as it relates to revenue recognition.</p> |

GASB pre-agenda research

Topics

- Going concern disclosures
- Note disclosures reexamination
- Deferred compensation plans, reexamination of Statement 32

This communication is intended solely for the information and use of management and those charged with governance of the University of North Texas and is not intended to be and should not be used by anyone other than these specified parties.



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UNT SYSTEM™



**COMPREHENSIVE ANNUAL FINANCIAL REPORT &
INDEPENDENT AUDITORS' REPORT**
FOR THE YEAR ENDED AUGUST 31, 2018

**UNIVERSITY OF NORTH TEXAS
SYSTEM**

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

For the fiscal year ended August 31, 2018

DALLAS, TEXAS

Lesa Roe, Chancellor

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UNIVERSITY OF NORTH TEXAS SYSTEM

ORGANIZATIONAL DATA

August 31, 2018

BOARD OF REGENTS

Rusty Reid (Term expires 5-22-19) Ft. Worth
Gwyn Shea (Term expires 5-22-19) Irving
B. Glen Whitley (Term expires 5-22-19) Hurst

Brint Ryan (Term expires 5-22-21) Dallas
A.K. Mago (Term expires 5-22-21) Dallas
Laura Wright (Term expires 5-22-21) Dallas

Mary Denny (Term expires 5-22-23) Aubrey
Milton B. Lee (Term expires 5-22-23) San Antonio
Carlos Munguia (Term expires 5-22-23) University Park

STUDENT REGENT

Amanda Pajares (Term expires 5-31-19) Bartlett

OFFICERS OF THE BOARD

Brint Ryan Chairman
Laura Wright Vice Chairman
Rosemary R. Haggett Secretary

ADMINISTRATIVE OFFICERS

Lesia Roe Chancellor
Gary Rahlfs Vice Chancellor for Finance

UNT | SYSTEM™

February 14, 2019

Brint Ryan, Chairman, UNT System Board of Regents
Laura Wright, Vice Chairman, UNT System Board of Regents
Glen Whitley, Chairman, Audit Committee
Board of Regent Members
University of North Texas System
1901 Main Street
Dallas, Texas 75201

Dear Chairman Ryan, Vice Chairman Wright, Chairman Whitley
and Board of Regents

We are pleased to submit the audited Comprehensive Annual Financial Report (CAFR) of the University of North Texas System (UNTS) for the fiscal year ended August 31, 2018. 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*.

Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, rests with the management and those charged with governance of each UNT System member institution. To the best of our knowledge, the information presented is accurate in all material respects, and all disclosures necessary for a reasonable understanding of the system's financial activities are included. The management's discussion and analysis (MD&A) in the financial section provides an overview of the System's financial activities reported in the comprehensive financial statements.

In fiscal year 2018, the University of North Texas System employed over 9,000 faculty and staff, had combined enrollment of nearly 44,000 students in undergraduate, graduate and professional programs, and awarded more than 10,000 degrees. With a total annual impact of nearly \$5.2 billion, the System is a robust contributor to the vitality and growth of the region, and to the prosperity and culture of the state. Rooted in the 128-year history of our flagship institution in Denton, UNTS continues to innovate, excel, and serve.

The University of North Texas, renowned for its arts and music programs and built on a history of teacher training, business education, and liberal arts, is also ranked among the nation's 115 top-tier research universities by the Carnegie Classification. The university has been named one of America's 100 Best College Buys for 22 consecutive years, a ranking based on having a high-achieving freshman class and affordable tuition. *The Princeton Review* continually names UNT as a Best in the West school and *Forbes* has listed UNT as an America's Top College for nine consecutive years. UNT helps power the North Texas region's workforce with well-educated, highly qualified graduates.

UNT Health Science Center at Fort Worth is one of the nation's premier graduate academic medical centers and is composed of five schools that specialize in patient-centered education, research, and health care. UNTHSC is committed to developing collaborative, practice-ready health professionals by emphasizing team-

oriented, evidence-based best practices, quality-improvement approaches and informatics. The university invests \$44 million in annual research expenditures – a figure that has approximately doubled since 2006.

UNT Dallas, the only four-year, public, doctoral-granting comprehensive university in the City of Dallas – the hub of the State’s most densely populated region – offers bachelors, masters, and a juris doctor degree. UNTD enrollment surpassed 3,700 students in the Fall of 2018, over 50% higher than Fall 2015. The UNTD College of Law, a distinctive new school dedicated to providing affordable access to education, maintains annual tuition that is significantly lower than all other law schools, public or private, in Texas.

In 2017, facing a significant budget shortfall due to the downturn in oil and gas industry, the 85th Texas Legislature passed a budget for the 2018-2019 biennium that included \$14.1 billion in funding for higher education, a \$220 million (1.6%) increase over the 2016-2017 biennium. This increase was primarily the result of increases passed in the prior Legislative session, such as increases to the allocations in HEF that some institutions receive, increases in student enrollment, and increased funding for Health Related Institutions. Formula funding for General Academic Institutions was reduced by \$47.7 million from prior biennium levels. Special Items, now known as “Non-formula Support,” were a major topic of discussion and were reduced statewide by \$261.1 million. The session culminated in a two-year appropriations decrease to the System institutions of \$16.7 million from 2016-2017 levels.

The preparation of the System’s externally audited CAFR is overseen by the System Controller team but requires the collective efforts of financial personnel throughout each institution. Without all financial personnel and the hundreds of hours that were spent, this report would not be possible. 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. This financial report serves as a testament to the work we have done to ensure that our stewardship, accountability, and financial viability are just as strong and as important to us as our academic services themselves.

Respectfully,



Gary Rahlfs
Vice Chancellor for Finance, UNT System

cc: Lesa B. Roe, Chancellor
Dr. Neal Smatresk, President UNT
Dr. Michael Williams, President UNTHSC
Robert Mong, President UNT Dallas
Bob Brown, Senior Vice President for Finance and Administration, UNT
Greg Anderson, Executive Vice President for Finance and Operations, UNTHSC
Jim Main, Executive Vice President of Administration and CFO, UNT Dallas
Tracy Grunig, Chief Audit Executive, UNT System
Nancy Footer, Vice Chancellor and General Counsel, UNT System

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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, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of North Texas Foundation, Inc. (the "Foundation"), a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely-presented component unit of the System as of August 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the System adopted new accounting guidance in 2018 related to the accounting for other post-employment benefits. Our opinion is not modified with respect to this matter.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 11 through 20, and the Required Supplementary Information on pages 71 through 72 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 14, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

GRANT THORNTON LLP

Dallas, Texas
February 14, 2019

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UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

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 2010.

The System serves the North Texas area, boosting economic activity in the region by over \$5.2 billion annually. The UNT System has a \$1.2 billion annual consolidated budget and employs roughly 10,000 people at its various locations within the robust North Texas Region. In Fall 2017, nearly 44,000 students enrolled in undergraduate, graduate and professional programs at UNT System institutions. 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 (the "MD&A") is to provide an overview of the financial position and activities of the System as of and for the year ended August 31, 2018, with selected comparative information as of and for the year ended August 31, 2017. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on current year data. Unless otherwise indicated, years in the MD&A refer to the fiscal years ended August 31.

The System comprehensive financial report includes three primary financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements of the System have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

In addition, the System comprehensive financial report contains the Statement of Financial Position and the Statement of Activities for the University of North Texas Foundation, Inc. (the "Foundation"), a discretely presented component unit. The Foundation is a separate nonprofit organization, which is an essential component of the University of North Texas 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 University of North Texas. The financial statements of the Foundation have been prepared in accordance with GAAP as prescribed by the Financial Accounting Standards Board ("FASB").

Financial Highlights

- Total assets and deferred outflows of resources of the System exceeded its total liabilities and deferred inflows of resources in 2018, resulting in a net position of \$804.7 million. Unrestricted net position, which may be used to meet the System's future obligations, was \$233.2 million, or 29.0% of total net position as of August 31, 2018.
- In 2018, the System concluded the fiscal year with a reduction in net position of \$21.1 million, compared to an \$89.1 million positive change in 2017. The primary cause for the decrease is the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for other postemployment benefits ("OPEB") that created a restatement of \$100.8 million. The 2018 change in net position before restatements was \$79.7 million, a decrease of \$3.2 million over prior year. This decrease is primarily attributable to an increase in internal scholarship and exemption funding from

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

UNT, UNTD and HSC resulting in a \$9.6 million increase to discounts and allowances that nets into tuition and fees.

- The System continues to make significant investments, \$250.8 million in 2018 alone, in numerous capital projects across all institutions to strategically benefit students, faculty, and staff. The System has also committed \$446.8 million to fund, with assistance from State supported debt financing and Higher Education Fund ("HEF") capital appropriations, future capital asset additions and improvements over the next several years. These projects are currently in various stages of completion. The "Capital Asset and Debt Administration" section of the MD&A provides more details pertaining to these strategic investments.

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 of Revenues, Expenses and Changes in Net Position. The historical cost of capital assets, net of accumulated depreciation and amortization, is reported on the Statement of Net Position.
- Revenues and expenses are categorized as operating or nonoperating. Revenues from state appropriations, gifts, and investment income are reported as nonoperating revenue in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended.

Statement of Net Position

The Statement of Net Position presents the financial position of the System at fiscal year-end. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the System. They are also able to determine what the System owes to vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and the availability of resources to cover the expenses of the System. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year when considered with nonfinancial facts, such as enrollment levels and the condition of facilities.

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the System as of the end of the year. The net position section of the statement is reported by three major categories: 1) Net Investment in Capital Assets, 2) Restricted, and 3) Unrestricted. The Net Investment in Capital Assets section represents the System's equity in property, plant, and equipment, net of accumulated depreciation and amortization, capital asset related bonds and other debt items. Restricted Net Position is reported for amounts subject to constraints that are either externally imposed or imposed by law. Amounts that are permanently held for investment are divided into two categories: 1) Non-Expendable and 2) Expendable. Unrestricted Net Position is available for any lawful purpose of the System.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

The following table reflects the Condensed Comparative Statement of Net Position for the System as of August 31, 2018 and 2017:

| Condensed Comparative Statement of Net Position | | | |
|--|---------------------|---------------------|--------------------------|
| As of August 31, 2018 and 2017 | | | |
| (in thousands of dollars) | | | |
| | 2018 | 2017 | % Increase (Decrease) |
| Assets and Deferred Outflows of Resources | | | |
| Current Assets | \$ 643,213 | \$ 733,234 | (12.3%) |
| Non-Current Assets: | | | |
| Capital Assets, Net | 1,245,030 | 1,070,890 | 16.3% |
| Other Non-Current Assets | 341,753 | 324,759 | 5.2% |
| Deferred Outflows of Resources | 46,494 | 43,570 | 6.7% |
| Total Assets and Deferred Outflows of Resources | \$ 2,276,490 | \$ 2,172,453 | 4.8% |
| Liabilities and Deferred Inflows of Resources | | | |
| Current Liabilities | \$ 429,499 | \$ 435,674 | (1.4%) |
| Non-Current Liabilities: | | | |
| Bonded Indebtedness | 682,832 | 731,380 | (6.6%) |
| Other Non-Current Liabilities | 296,601 | 144,960 | 104.6% |
| Deferred Inflows of Resources | 62,894 | 34,634 | 81.6% |
| Total Liabilities and Deferred Inflows of Resources | \$ 1,471,826 | \$ 1,346,648 | 9.3% |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 438,058 | \$ 483,233 | (9.3%) |
| Restricted: | | | |
| Funds Held as Permanent Investments: | | | |
| Non-Expendable | 53,248 | 47,683 | 11.7% |
| Expendable | 32,610 | 26,655 | 22.3% |
| Other Restricted | 47,593 | 40,247 | 18.3% |
| Total Restricted | \$ 133,451 | \$ 114,585 | 16.5% |
| Unrestricted | 233,155 | 227,987 | 2.3% |
| Total Net Position | \$ 804,664 | \$ 825,805 | (2.6%) |
| Total Liabilities and Net Position | \$ 2,276,490 | \$ 2,172,453 | 4.8% |

The section below includes explanations and management's analysis of significant changes within the Statement of Net Position:

Total Assets and Deferred Outflows

Current Assets

The System's current assets decreased \$90.0 million, or 12.3%, in 2018 primarily as a result of a \$21.9 million increase in legislative appropriation receivables and a \$112.4 million decrease in cash, cash equivalents and short-term investments from spending bond proceeds obtained in 2017.

Non-Current Assets: Net Capital Assets

Net capital assets increased \$174.1 million, or 16.3%, in 2018 as a result of an increase in capital and intangible assets. This increase was primarily attributable to approximately \$250.8 million of capital improvements offset by depreciation and amortization expense of \$73.2 million. Major capital improvements included \$10.1 million for the Track and Field Stadium and Sport Field, \$41.8 million for the UNT College of Visual Arts & Design Building, \$25.7 million for the new UNT Residence Hall, \$63.8 million for the HSC Interdisciplinary Research and Education Building, \$23.9 million for the UNT Dallas Student Learning and Success Center, \$21.5 million for renovating the Dallas Municipal Building, \$20.7 million in equipment, vehicle and library purchases, \$1.0 million for capitalized software costs, and other additions to depreciable capital assets.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

Other Non-Current Assets

The System's other non-current assets increased by \$17.0 million, or 5.2%, primarily due to a \$15.8 million increase in investments resulting from increases in long-term investment pool over the prior year. Additionally, restricted investments increased by \$1.6 million due to new investments from growth in permanent endowment contributions.

Deferred Outflows of Resources

Deferred outflows of resources increased \$2.9 million, or 6.7%, in 2018, primarily due to the recognition of deferred outflows of resources related to the implementation of GASB 75 for OPEB.

Total Liabilities and Deferred Inflows

Current Liabilities

The System's current liabilities decreased \$6.2 million, or 1.4%, in 2018 primarily due to a decrease of \$22.2 million in short-term commercial paper, comprised of additions of \$58.3 million offset by a decrease of \$80.6 million that was reclassified to long-term notes and loans payable for commercial paper refunded into bonds subsequent to August 31, 2018. Further, there was a \$1.1 million increase in current revenue bonds payable. Unearned revenue increased \$13.2 million, or 5.6%, primarily related to increased tuition and fees associated with student enrollment and increases in tuition and fee rates. Payroll payables also increased \$6.9 million, or 19.7%, from increases in general payroll owed at year-end and payments owed for benefits payable to other entities.

Non-Current Liabilities

Non-current liabilities consist primarily of non-current portions of notes and loans payable, revenue bonds payable, net pension and other postemployment benefits liability, employees' compensable leave payable, and capital lease obligations. In total, non-current liabilities increased \$103.1 million, or 11.8%, primarily due to an \$80.5 million increase in notes and loans payable from the reclassification of commercial paper liability from short-term debt to long-term liability. Further, the State implemented GASB 75 for OPEB in fiscal year 2018, increasing the liability by \$86.0 million. The increase was offset by a \$48.5 million decrease in revenue bonds payable associated with amortization of existing revenue bonds. In addition, there was a decrease of \$12.6 million to net pension liability related to positive performance of actual investment returns as compared to the expected return for the Teacher Retirement System of Texas ("TRS") Plan for the measurement period ended August 31, 2017.

Deferred Inflows of Resources

Deferred inflows of resources increased \$28.3 million, or 81.6%, in 2018 primarily due to deferred inflows of resources related to the implementation of GASB 75 for OPEB, \$19.1 million, and pension obligations, \$9.3 million. Both OPEB and pensions have a netting requirement to net deferred outflows and inflows of resources across measurement periods arising from the difference between projected and actual investment return.

Total Net Position

Total net position represents the residual interest in the System's total assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position decreased by \$21.1 million, or 2.6%, in 2018.

Net Investment in Capital Assets

Net investment in capital assets represents the System's capital and intangible assets, net of accumulated depreciation and amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The net \$45.2 million, or 9.3%, decrease in net investment in capital assets in 2018 primarily resulted from an increase of \$250.8 million of capital additions, reduced by \$73.2 million of depreciation and amortization expense. The net increase was offset by transfers related to notes and bonds payable, capital lease obligations, and deferred outflows and inflows of resources related to unamortized gains and losses on refunded bonds.

Restricted Net Position

Restricted net position primarily includes the System's permanent investments subject to externally imposed restrictions governing their use. In total, restricted net position increased by \$18.9 million, or 16.5%, in 2018

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

primarily due to continued positive growth from fair market value of restricted investments, investment income, and fundraising efforts resulting in an increase in restricted contributions across the System.

Unrestricted Net Position

Unrestricted net position increased by \$5.2 million, or 2.3%, primarily due to the implementation of GASB 75 for OPEB resulting in a \$100.8 million net restatement that reduced the overall positive change to net position. The HEF appropriation retained funds increased \$16.9 million over the prior year along with unrestricted debt service increasing \$81.1 million due to transfers that impacted net investment in capital assets.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the System's revenues earned and the expenses incurred during 2018, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the System, including a provision for depreciation and amortization on capital assets. Certain revenue sources the System relies on for operations include state appropriations, gifts, grants and investment income which are required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended, to be classified as 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 the 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 years ended August 31, 2018 and 2017:

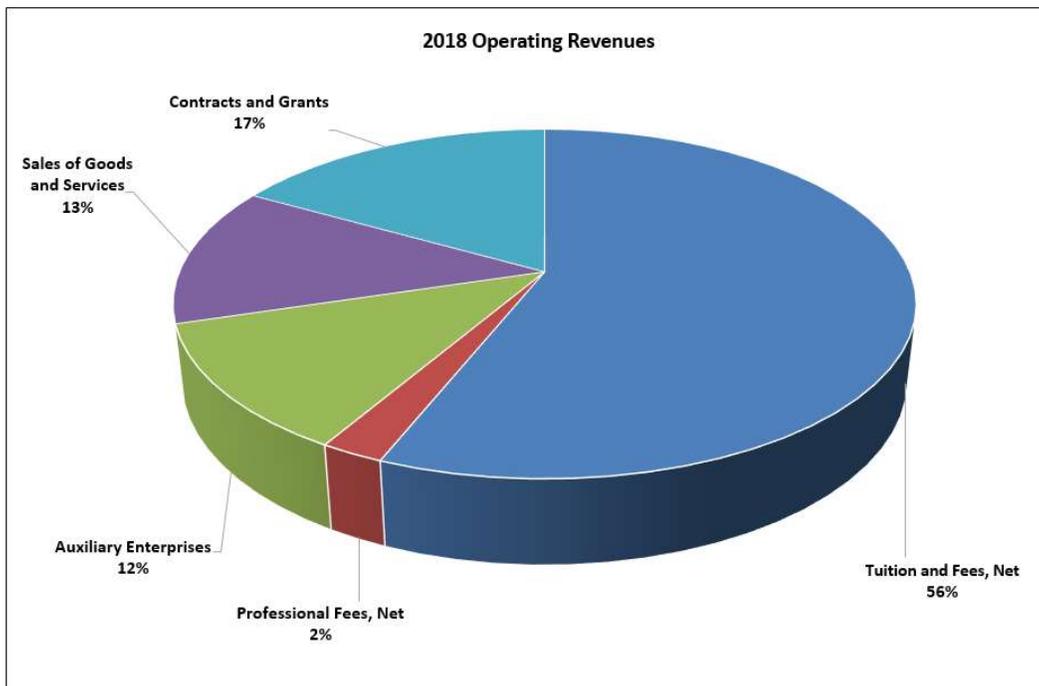
| Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position | | | |
|--|---------------------|---------------------|----------------------------------|
| For the Years Ended August 31, 2018 and 2017 | | | |
| (in thousands of dollars) | | | |
| | 2018 | 2017 | % Increase (Decrease) |
| Operating Revenues | \$ 654,363 | \$ 619,860 | 5.6% |
| Operating Expenses | 1,003,806 | 951,772 | 5.5% |
| Operating Income (Loss) | \$ (349,443) | \$ (331,912) | 5.3% |
| Nonoperating Revenues (Expenses) | 364,447 | 336,694 | 8.2% |
| Income (Loss) Before Other Revenues, Expenses and Transfers | \$ 15,004 | \$ 4,782 | 213.8% |
| Other Revenues, Expenses and Transfers | 64,676 | 78,089 | (17.2%) |
| Change in Net Position | \$ 79,680 | \$ 82,871 | (3.9%) |
| Net Position, Beginning of Year | \$ 825,805 | \$ 742,934 | 11.2% |
| Restatement | (100,821) | - | (100.0%) |
| Restated Net Position, Beginning of Year | 724,984 | 742,934 | (2.4%) |
| Net Position, End of Year | \$ 804,664 | \$ 825,805 | (2.6%) |

**UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018**

Operating Revenues

Operating revenues totaled \$654.4 million in 2018, an increase of \$34.5 million, or 5.6%, over 2017. The System's primary sources of operating revenues are tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 56% of operating revenues, are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased \$7.7 million, or 2.2%, as a result of increased enrollment and increased tuition rates throughout the System. Federal, state, local, and private grant revenues, representing 17% 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. These revenues increased by \$7.7 million. The largest increases came from the combination of auxiliary and other sales of goods and services, \$17.5 million or 12.1%, due to expanded dining and residence hall operations at UNT and UNTD and increases for medical contract services at HSC.

The pie chart below shows operating revenues by major source for the year ended August 31, 2018:



Operating Expenses

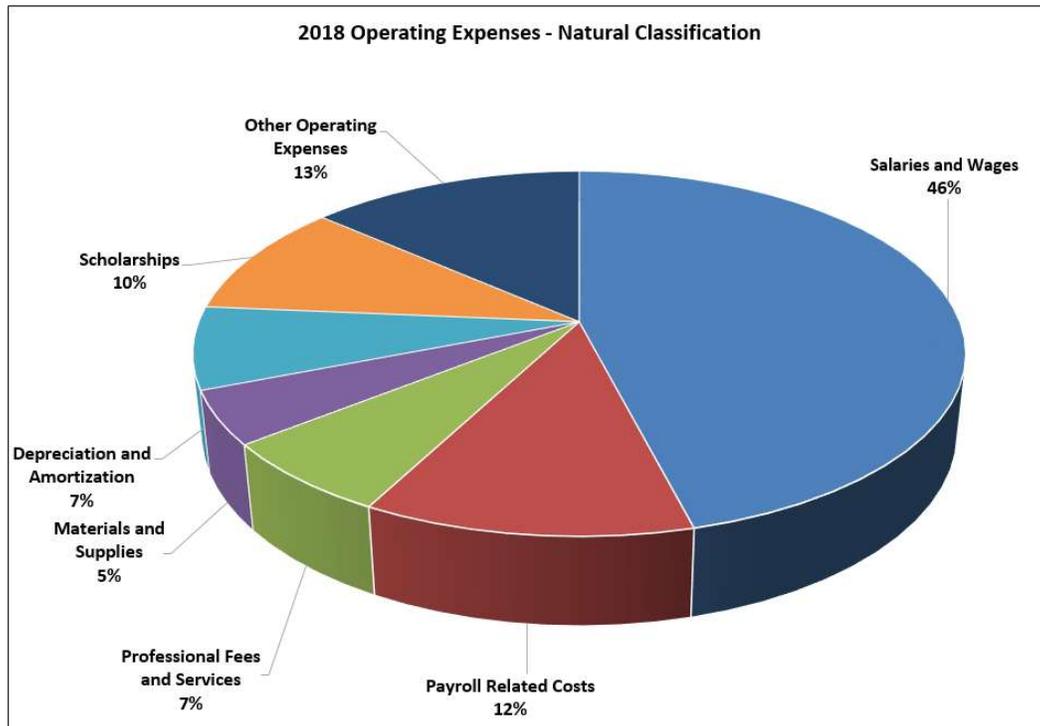
Operating expenses totaled \$1,003.8 million in 2018, an increase of \$52.0 million, or 5.5%, over 2017. The increase is primarily due to a \$12.6 million, or 14.2%, increase in scholarship expenses, natural classification, from both internal and external sources along with payroll expenses increasing \$20.2 million, or 3.6%. While most operating expense categories increased due to expanding operations, the NACUBO function categories for administrative support functions in academic and institutional support combined decreased by \$5.2 million.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2018:

| Operating Expenses - Natural Classification | | | |
|---|---------------------|-------------------|----------------------------------|
| For the Years Ended August 31, 2018 and 2017 | | | |
| (in thousands of dollars) | | | |
| | <u>2018</u> | <u>2017</u> | <u>% Increase (Decrease)</u> |
| Operating Expenses | | | |
| Cost of Goods Sold | \$ 9,020 | \$ 7,932 | 13.7% |
| Salaries and Wages | 461,421 | 446,122 | 3.4% |
| Payroll Related Costs | 118,204 | 113,268 | 4.4% |
| Professional Fees and Services | 66,305 | 61,124 | 8.5% |
| Federal Pass-Through Expenses | 1,259 | 976 | 29.0% |
| State Pass-Through Expenses | 107 | 212 | (49.5%) |
| Travel | 14,006 | 11,971 | 17.0% |
| Materials and Supplies | 47,416 | 45,309 | 4.7% |
| Communications and Utilities | 20,332 | 17,902 | 13.6% |
| Repairs and Maintenance | 39,515 | 38,981 | 1.4% |
| Rentals and Leases | 14,727 | 14,484 | 1.7% |
| Printing and Reproduction | 5,932 | 6,300 | (5.8%) |
| Depreciation and Amortization | 73,218 | 69,095 | 6.0% |
| Scholarships | 100,982 | 88,420 | 14.2% |
| Claims and Losses | (145) | (24) | 509.2% |
| Other Operating Expenses | 31,507 | 29,700 | 6.1% |
| Total Operating Expenses | \$ 1,003,806 | \$ 951,772 | 5.5% |

The pie chart below shows the percentage of total operating expenses pertaining to each type of operating expense based on natural classification for the year ended August 31, 2018:

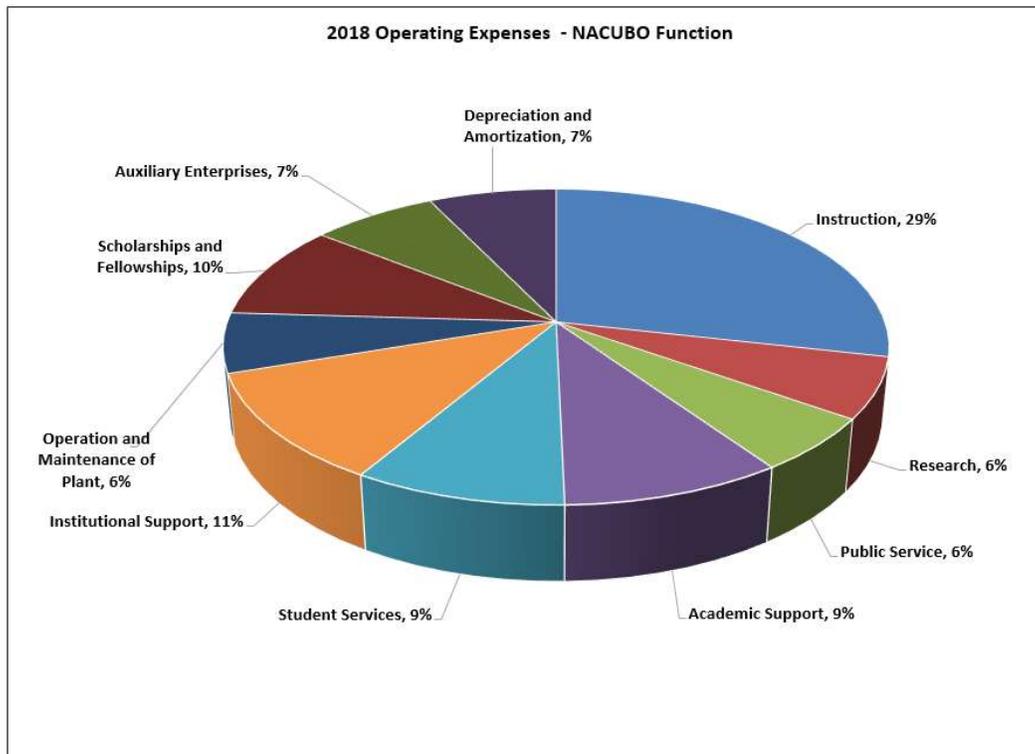


UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2018:

| Operating Expenses - NACUBO Function For the Years Ended August 31, 2018 and 2017 (in thousands of dollars) | | | | |
|--|---------------------|-------------------|----------------------------------|--|
| Operating Expenses | 2018 | 2017 | % Increase (Decrease) | |
| Instruction | \$ 289,077 | \$ 282,720 | 2.2% | |
| Research | 63,170 | 59,115 | 6.9% | |
| Public Service | 56,755 | 49,278 | 15.2% | |
| Academic Support | 84,313 | 87,565 | (3.7%) | |
| Student Services | 90,460 | 87,264 | 3.7% | |
| Institutional Support | 114,148 | 116,114 | (1.7%) | |
| Operation and Maintenance of Plant | 62,011 | 55,065 | 12.6% | |
| Scholarships and Fellowships | 98,362 | 86,138 | 14.2% | |
| Auxiliary Enterprises | 72,292 | 59,418 | 21.7% | |
| Depreciation and Amortization | 73,218 | 69,095 | 6.0% | |
| Total Operating Expenses | \$ 1,003,806 | \$ 951,772 | 5.5% | |

The pie chart below shows the percentage of total operating expenses pertaining to each type of operating expense based on NACUBO functional (programmatic) classification for the year ended August 31, 2018:



UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

Nonoperating Revenues and Expenses

Certain significant recurring revenues and expenses are considered nonoperating. The System's primary nonoperating revenues come from state appropriations, federal Pell Grant revenue, gifts, investment income and net increase in fair market value of investments. The System's primary nonoperating expenses are interest expense and fiscal charges and other nonoperating expenses. Federal nonoperating revenue increased \$9.8 million, or 17.6%, between 2017 and 2018 due to increase in Pell Grant eligible recipients at UNT and UNTD. Additionally, other nonoperating expenses decreased by \$6.4 million over prior year. While legislative revenue and additional appropriations increased, the State funded tuition revenue bond funding was received through legislative transfer in 2017 and as legislative revenue in 2018.

Other Revenues, Expenses and Transfers

Other revenues, expenses and transfers is comprised of capital and endowment related additions and transfers, which decreased \$13.4 million, or 17.2%, in 2018. HEF comprises the majority of the activity. Annual HEF-related revenue totaled \$56.8 million, no change from 2017, and is reported as capital appropriations rather than operating or nonoperating revenue. In addition to HEF, legislative transfers in decreased by \$20.8 million due to the tuition revenue bond transfer from 2017 being included in legislative revenue for 2018. This \$20.8 million decrease in revenue for this portion of the statement was offset by an increase in contributions to permanent endowments of \$4.6 million, and a decrease in legislative appropriation lapses of \$3.4 million.

Capital Asset and Debt Administration

Investments in capital asset additions were \$250.8 million in 2018. Major capital project activity included:

- Building Improvements (UNT) – College of Visual Arts and Design Building and Science Research Building
- Building Improvements (HSC) – Interdisciplinary Research and Education Building
- Building Improvements (UNTD) – Dallas Student Learning and Success Center and Wisdom Residence Hall
- Building Improvements (System Administration) – Dallas Municipal Building

The System has committed \$446.8 million to capital asset additions and improvements that are currently in various stages of completion. These additions and improvements primarily consist of new buildings or renovations to existing buildings, including the Interdisciplinary Research Building at HSC, the College of Visual Arts and Design at UNT, residence and dining halls at UNT, the Dallas Municipal Building for the future use by UNT Dallas College of Law, and the Student Learning and Success Center at UNT Dallas. More detailed information regarding the System's capital additions and commitments is provided in Note 2, *Capital Assets*, and Note 12, *Contingencies and Commitments*, in the Notes to the Comprehensive Financial Statements.

Revenue bonds payable represents the largest portion of the System's liabilities. Current and non-current revenue bonds payable decreased \$47.4 million to \$731.5 million in 2018. All bonds related to financing of current and prior years' construction needs reflect "Aa2" and "AA" credit ratings from two major bond rating agencies, Moody's and Fitch, respectively. More detailed information regarding the System's bonded indebtedness is provided in Note 5, *Long-Term Liabilities*, and Note 6, *Bonded Indebtedness*, in the accompanying Notes to the Comprehensive Financial Statements.

Economic Outlook

The System's primary sources of revenue are tuition and fees and legislative appropriations. Enrollment growth, program expansion, and positive accreditation proceedings contributed to a positive outlook for the System.

For 2019, net tuition and fees revenues are budgeted at an increase of \$35.7 million, or 9.6%, over 2018. This revenue increase is the result of full-time student equivalent enrollment growth, nominal tuition rate increases, and the implementation of differential tuition plans. Between fall 2015 and fall 2018, enrollment increased 4.3% system-wide.

Facing a significant budget shortfall due to the downturn in oil and gas industry, the 85th Texas Legislature passed a budget that included \$14.1 billion in funding for higher education, a \$220 million (1.6%) increase over the 2016-2017

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2018

biennium. This increase was primarily the result of increases passed in the prior Legislative session, such as increases to the allocations in HEF that some institutions receive, increases in student enrollment, and increased funding for Health Related Institutions. Formula funding for General Academic Institutions was reduced by \$47.7 million from prior biennium levels. Special Items, now known as "Non-formula Support," were a major topic of discussion and were reduced statewide by \$261.1 million. The session culminated in a two-year appropriations decrease to the System institutions of \$16.7 million from 2016-2017 levels. Actual revenue receipts for the State biennium have come in higher than originally anticipated, which will have a positive impact on the upcoming 86th Legislative session.

Fiscal year 2019 budgeted legislative appropriation revenues for the System are \$1.1 million higher than 2018. Budgeted amounts include continued funding for specialized initiatives and unique programs recognized as deserving state support. These areas of excellence include the University of North Texas Health Science Center's (HSC) Institute for Patient Safety and Preventable Harm, HSC's Texas Missing Persons and Human Identification Program, University of North Texas's (UNT) Texas Academy of Mathematics and Science, and the University of North Texas Dallas College of Law ("College of Law").

Construction projects at System institutions supported by the 84th Legislature are in the final stages of construction and will open in 2019 and 2020. These include the Interdisciplinary Research Building at the HSC, Student Success and Learning Center at UNTD, College of Visual Arts and Design facility at UNT, and the renovation of the historic Dallas Municipal Building in downtown Dallas for the College of Law. These projects have all been supported with State funds to continue growth, educational excellence, and research capacity at System institutions. The System continues to maintain a 'stable' outlook from Fitch and Moody's for debt financing which has enabled these construction projects to progress on schedule.

UNT established four Research Institutes of Excellence that are a pipeline for bringing UNT's research to industry and the marketplace. It is one of the nation's 115 top-tier research universities by the Carnegie Classification. Strategic initiatives for growth and revenue include expanding off-site educational opportunities for working professionals—delivering UNT degrees in new locations and modalities. UNT's New College at Frisco is preparing to build a \$100 million facility near the heart of Frisco, one of the fastest growing cities in the country. This new campus will house 5,000 students able to receive full or partial degrees in a number of different disciplines without the need to commute to the main campus. Frisco and the surrounding area is home to many corporations including Toyota, the Dallas Cowboys, Texas Instruments, and many more, offering opportunities for collaboration and employment for UNT students.

UNTD had record enrollment in Fall 2018 and is on track to achieve its goal of 5,000 students by Fall 2020. The institution's first residence hall, Wisdom Hall, completed construction and opened to students for the Fall 2018 semester. Construction on the new Student Learning and Success Center ("SLSC") is well underway and is expected to open its doors in January of 2019. Planned use of this space includes a one-stop-shop for student support services, large event space, a modern library, and a student operated radio station. The UNTD College of Law received provisional accreditation from the American Bar Association (ABA) in June of 2017 and is scheduled for site visits in the spring of 2019 in its bid for full accreditation. The historic Dallas Municipal Building is currently undergoing an estimated \$72 million renovation and is expected to house the College of Law beginning in 2019.

The HSC continues to expand some of its most recent initiatives including graduating the inaugural cohort of their College of Pharmacy students; furthering the Fort Worth M.D. School's accreditation, a partnership with Texas Christian University ("TCU") whose first class of 60 students will begin in Fall 2019; and advancing the Institute for Patient Safety and Preventable Harm's mission by creating patient safety projects, providing community education programs and offering grant funding opportunities. The Interdisciplinary Research and Education Building has completed construction and is now home to the UNT System College of Pharmacy, the North Texas Eye Research Institute, and the TCU and UNTHSC School of Medicine. New positions are being funded in the 2019 budget to support the operations of this new facility. Additionally, UNTHSC plans to create even more residency positions through partnerships with regional health care systems and launch a groundbreaking research study that could make it possible to diagnose Alzheimer's disease with a simple blood test.

**COMPREHENSIVE
FINANCIAL STATEMENTS**

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2018

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Net Position
As of August 31, 2018

| | August 31, |
|--|----------------------------|
| | 2018 |
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents: | |
| Cash on Hand | \$ 111,057.44 |
| Cash in Bank | 20,154,127.36 |
| Cash in Transit/Reimburse from Treasury | 176,310.47 |
| Cash in State Treasury | 17,980,532.23 |
| Cash Equivalents | 166,157,860.84 |
| Short Term Investments | 9,140,415.00 |
| Restricted Cash and Cash Equivalents: | |
| Cash on Hand | 2,882.52 |
| Cash in Bank | 3,310,461.27 |
| Cash Equivalents | 94,004,790.57 |
| Restricted Short Term Investments | 8,200,837.54 |
| Legislative Appropriations | 130,461,624.68 |
| Receivables From: | |
| Accounts Receivable, net | 89,097,217.78 |
| Federal, net | 18,033,344.10 |
| Other Intergovernmental | 1,641,039.81 |
| Clinical Practice, net | 7,112,514.26 |
| Gifts, Pledges and Donations, net | 2,542,020.83 |
| Interest and Dividends | 2,751,511.91 |
| Other Receivables, net | 6,183,037.75 |
| Due From Other Agencies | 8,930,702.48 |
| Consumable Inventories | 564,322.12 |
| Merchandise Inventories | 2,552,186.27 |
| Prepaid Items | 48,873,673.86 |
| Loans and Contracts | 5,154,919.40 |
| Other Current Assets | 76,025.00 |
| Total Current Assets | \$ 643,213,415.49 |
| Non-Current Assets | |
| Restricted: | |
| Restricted Investments | \$ 79,213,079.57 |
| Loans and Contracts | 4,689,566.42 |
| Investments | 254,582,353.99 |
| Gifts, Pledges and Donations | 3,268,591.69 |
| Capital Assets: | |
| Non-Depreciable or Non-Amortizable | 399,505,681.39 |
| Depreciable or Amortizable, Net | 845,524,132.66 |
| Total Non-Current Assets | \$ 1,586,783,405.72 |
| Total Assets | \$ 2,229,996,821.21 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows of Resources | \$ 46,493,666.18 |
| Total Deferred Outflows of Resources | \$ 46,493,666.18 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 2,276,490,487.39 |

Continued on Next Page

See Accompanying Notes to the Comprehensive Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Net Position
As of August 31, 2018

| | August 31, |
|--|----------------------------|
| | 2018 |
| LIABILITIES | |
| Current Liabilities | |
| Payables From: | |
| Accounts Payable | \$ 61,823,206.02 |
| Payroll Payable | 42,147,678.04 |
| Other Payables | 4,161,445.80 |
| Interest | 10,619,498.43 |
| Due To Other Agencies | 197,256.73 |
| Unearned Revenue | 248,308,680.93 |
| Notes and Loans Payable | 3,044,535.00 |
| Revenue Bonds Payable | 48,692,074.80 |
| Claims and Judgments | 608,602.00 |
| Employees' Compensable Leave | 5,069,176.93 |
| Capital Lease Obligations | 2,066,773.20 |
| Net OPEB Liability | 438,362.00 |
| Funds Held for Others | 2,321,493.78 |
| Total Current Liabilities | \$ 429,498,783.66 |
| Non-Current Liabilities | |
| Notes and Loans Payable | \$ 80,555,465.00 |
| Revenue Bonds Payable | 682,832,409.78 |
| Claims and Judgments | 856,375.00 |
| Employees' Compensable Leave | 20,697,887.31 |
| Capital Lease Obligations | 1,393,949.84 |
| Net Pension Liability | 107,143,850.00 |
| Net OPEB Liability | 85,953,667.00 |
| Total Non-Current Liabilities | \$ 979,433,603.93 |
| Total Liabilities | \$ 1,408,932,387.59 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows of Resources | \$ 62,894,211.41 |
| Total Deferred Inflows of Resources | \$ 62,894,211.41 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | \$ 1,471,826,599.00 |
| NET POSITION | |
| Net Investment in Capital Assets | \$ 438,057,577.96 |
| Restricted For: | |
| Funds Held as Permanent Investments | |
| Non-Expendable | 53,248,455.14 |
| Expendable | 32,609,993.30 |
| Other Restricted | 47,592,677.12 |
| Unrestricted | 233,155,184.87 |
| Total Net Position | \$ 804,663,888.39 |

See Accompanying Notes to the Comprehensive Financial Statements

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Financial Position
As of August 31, 2018

| | August 31, |
|--|-----------------------|
| | 2018 |
| ASSETS | |
| Cash and Cash Equivalents | \$ 13,206,667 |
| Investments | 355,984,317 |
| Contributions and Other Receivables | 6,718,043 |
| Real Property | 33,164 |
| Other Assets | 7,500 |
| Cash Value - Life Insurance Policies | 551,315 |
| Assets Held Under Trust and Annuity Agreements | 5,589,186 |
| Total Assets | \$ 382,090,192 |
| LIABILITIES | |
| Accounts Payable and Accrued Expenses | \$ 2,001,924 |
| Agency Funds | 460,317 |
| Trust and Annuity Obligations | 2,477,704 |
| Assets Held for Others | 217,024,679 |
| Total Liabilities | \$ 221,964,624 |
| NET ASSETS | |
| Unrestricted: | |
| Board Designated Endowments | \$ 390,000 |
| Board Designated for Reserves | 1,869,728 |
| Fair Value of Endowments Below Historical Cost | (180,265) |
| Undesignated | 942,704 |
| Total Unrestricted | 3,022,167 |
| Temporarily Restricted | 35,557,815 |
| Permanently Restricted | 121,545,586 |
| Total Net Assets | \$ 160,125,568 |
| TOTAL LIABILITIES & NET ASSETS | \$ 382,090,192 |

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2018

| | August 31, 2018 |
|---|----------------------------|
| OPERATING REVENUES | |
| Tuition and Fees | \$ 475,899,756.37 |
| Discounts and Allowances | (110,226,273.09) |
| Professional Fees | 33,718,715.80 |
| Discounts and Allowances | (18,339,992.58) |
| Auxiliary Enterprises | 77,186,487.81 |
| Sales of Goods and Services | 84,176,162.87 |
| Federal Grant Revenue | 63,465,134.46 |
| Federal Pass-Through Revenue | 1,014,117.99 |
| State Grant Revenue | 2,118,145.39 |
| State Grant Pass-Through Revenue | 30,958,819.28 |
| Other Contracts and Grants | 11,992,504.90 |
| Other Operating Revenues | 2,399,295.73 |
| Total Operating Revenues | \$ 654,362,874.93 |
| OPERATING EXPENSES ⁽¹⁾ | |
| Instruction | \$ 289,077,077.46 |
| Research | 63,169,582.64 |
| Public Service | 56,755,167.12 |
| Academic Support | 84,312,507.44 |
| Student Services | 90,460,043.45 |
| Institutional Support | 114,148,132.07 |
| Operation and Maintenance of Plant | 62,010,942.58 |
| Scholarships and Fellowships | 98,362,064.35 |
| Auxiliary Enterprises | 72,292,439.16 |
| Depreciation and Amortization | 73,217,801.13 |
| Total Operating Expenses | \$ 1,003,805,757.40 |
| Operating Loss | \$ (349,442,882.47) |
| NONOPERATING REVENUES (EXPENSES) | |
| Legislative Appropriations (GR) | \$ 222,412,817.00 |
| Additional Appropriations (GR) | 48,027,897.02 |
| Federal Revenue | 65,205,855.38 |
| Gifts | 19,330,524.80 |
| Investment Income | 22,948,108.07 |
| Interest Expense and Fiscal Charges | (18,371,242.60) |
| Loss on Sale of Capital Assets | (116,253.74) |
| Net Increase in Fair Value of Investments | 4,600,430.71 |
| Other Nonoperating Revenues | 648,132.97 |
| Other Nonoperating Expenses | (239,657.77) |
| Total Nonoperating Revenues (Expenses) | \$ 364,446,611.84 |
| Income Before Other Revenues, Expenses and Transfers | \$ 15,003,729.37 |
| OTHER REVENUES, EXPENSES AND TRANSFERS | |
| Capital Contributions | \$ 1,423,440.12 |
| Capital Appropriations (HEF) | 56,766,916.00 |
| Contributions To Permanent and Term Endowments | 4,919,358.75 |
| Transfers From Other State Agencies | 639,114.00 |
| Transfers To Other State Agencies | (39,889.80) |
| Legislative Transfers In | 1,108,827.00 |
| Legislative Transfers Out | (141,823.00) |
| Total Other Revenues, Expenses and Transfers | \$ 64,675,943.07 |
| CHANGE IN NET POSITION | \$ 79,679,672.44 |
| Beginning Net Position | \$ 825,804,640.96 |
| Restatement | (100,820,425.01) |
| Beginning Net Position, as Restated | \$ 724,984,215.95 |
| ENDING NET POSITION | \$ 804,663,888.39 |

(1) See Matrix of Operating Expenses Reported by Function.

UNIVERSITY OF NORTH TEXAS SYSTEM
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2018

| Operating Expenses | Instruction | Research | Public Service | Academic Support | Student Services | Institutional Support | Operation and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total Expenditures |
|---------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|------------------------------------|------------------------------|-------------------------|-------------------------------|----------------------------|
| Cost of Goods Sold | \$ 41,300.56 | \$ - | \$ 169,131.77 | \$ 34,599.07 | \$ 33,714.42 | \$ 492,683.47 | \$ - | \$ - | \$ 8,248,223.59 | \$ - | \$ 9,019,652.88 |
| Salaries and Wages | 207,969,188.12 | 31,414,705.96 | 19,215,361.62 | 47,289,598.85 | 49,215,668.11 | 66,673,152.04 | 17,662,409.49 | 191,012.02 | 21,789,878.19 | - | 461,420,974.40 |
| Payroll Related Costs | 51,570,352.26 | 6,673,147.30 | 4,551,270.31 | 11,606,781.83 | 12,697,030.97 | 17,457,047.62 | 6,439,900.21 | 2,546.90 | 7,205,753.32 | - | 118,203,830.72 |
| Professional Fees and Services | 5,004,996.66 | 8,889,939.93 | 27,088,732.23 | 3,420,086.87 | 5,144,576.01 | 9,488,110.25 | 2,830,519.47 | 152.44 | 4,437,805.78 | - | 66,304,919.64 |
| Federal Pass-Through Expenses | 27,615.57 | 1,219,921.96 | 11,710.34 | - | - | - | - | - | - | - | 1,259,247.87 |
| State Pass-Through Expenses | - | 106,709.97 | - | - | - | - | - | - | - | - | 106,709.97 |
| Travel | 2,908,449.57 | 1,909,161.36 | 492,808.65 | 2,680,517.55 | 4,947,500.90 | 861,524.70 | 54,688.12 | 1,502.72 | 149,707.46 | - | 14,005,861.03 |
| Materials and Supplies | 7,909,307.81 | 7,399,487.65 | 2,157,525.89 | 9,516,476.33 | 5,589,868.38 | 4,311,221.71 | 5,366,949.17 | 2,881.02 | 5,163,096.39 | - | 47,416,814.35 |
| Communications and Utilities | 787,166.85 | 126,327.46 | 150,869.38 | 436,858.47 | 1,503,974.09 | 1,660,286.21 | 10,422,665.86 | 0.17 | 5,243,933.87 | - | 20,332,082.36 |
| Repairs and Maintenance | 660,869.90 | 841,761.17 | 584,289.68 | 3,543,399.55 | 1,033,949.71 | 4,420,408.93 | 15,005,230.59 | 65.00 | 13,425,468.56 | - | 39,515,443.09 |
| Rentals and Leases | 986,664.99 | 1,103,722.86 | 875,656.43 | 1,461,736.69 | 2,486,643.32 | 2,328,118.66 | 3,735,935.85 | - | 1,748,503.30 | - | 14,726,982.10 |
| Printing and Reproduction | 608,314.62 | 195,712.12 | 286,788.69 | 854,307.05 | 1,667,865.13 | 1,780,292.11 | 89,080.48 | - | 449,211.36 | - | 5,931,571.56 |
| Depreciation and Amortization | - | - | - | - | - | - | - | - | - | 73,217,801.13 | 73,217,801.13 |
| Scholarships | 1,341,808.03 | 1,048,270.49 | 328,966.17 | 16,190.00 | 60,985.33 | 14,883.71 | - | 98,151,547.28 | 19,650.00 | - | 100,982,301.01 |
| Claims and Losses | (205,070.88) | - | - | - | 47,500.00 | 8,274.72 | 2,150.25 | - | 1,734.85 | - | (145,411.06) |
| Other Operating Expenses | 9,466,113.40 | 2,240,714.41 | 842,055.96 | 3,451,955.18 | 6,030,767.08 | 4,652,127.94 | 401,413.09 | 12,356.80 | 4,409,472.49 | - | 31,506,976.35 |
| Total Operating Expenses | \$ 289,077,077.46 | \$ 63,169,582.64 | \$ 56,755,167.12 | \$ 84,312,507.44 | \$ 90,460,043.45 | \$ 114,148,132.07 | \$ 62,010,942.58 | \$ 98,362,064.35 | \$ 72,292,439.16 | \$ 73,217,801.13 | \$ 1,003,805,757.40 |

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2018

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Year Ended August 31, 2018 Total |
|---|---------------------|------------------------|------------------------|----------------------------------|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions | \$ 42,200 | \$ 6,584,302 | \$ 13,081,095 | \$ 19,707,597 |
| Investment Income | 2,045 | 2,213,364 | - | 2,215,409 |
| Grant Revenue | - | 605,000 | - | 605,000 |
| Management Fee Income | 2,166,936 | - | - | 2,166,936 |
| Other Income | - | 160,804 | 5,999 | 166,803 |
| Realized and Unrealized Gain (Loss) on Market Value of Investments | 44,490 | 9,316,457 | 6,012 | 9,366,959 |
| Actuarial Gain (Loss) on Annuity Obligations | - | - | 151,232 | 151,232 |
| Increase in Cash Value - Life Insurance | - | - | 100,406 | 100,406 |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | \$ 2,255,671 | \$ 18,879,927 | \$ 13,344,744 | \$ 34,480,342 |
| NET ASSETS RELEASED FROM RESTRICTIONS/TRANSFERS: | | | | |
| Net Assets Released from Restrictions | \$ 7,739,224 | \$ (7,699,217) | \$ (40,007) | \$ - |
| Transfers/Changes in Donor Restrictions | (176,197) | (4,978,017) | 5,154,214 | - |
| TOTAL NET ASSETS RELEASED FROM RESTRICTIONS/TRANSFERS | \$ 7,563,027 | \$ (12,677,234) | \$ 5,114,207 | \$ - |
| PROGRAM SERVICES: | | | | |
| Internal Management Fee | \$ 1,457,578 | \$ - | \$ - | \$ 1,457,578 |
| Scholarships and Awards | 2,245,036 | - | - | 2,245,036 |
| Grant Support to UNT | 605,000 | - | - | 605,000 |
| Expense Reimbursements | 23,623 | - | - | 23,623 |
| Services for Programs | 255,204 | - | - | 255,204 |
| Distributions to UNT | 3,133,414 | - | - | 3,133,414 |
| Grant to University President | 133,000 | - | - | 133,000 |
| Distributions to Other Institutions | 16,500 | - | - | 16,500 |
| Life Insurance Premiums | 10,816 | - | - | 10,816 |
| Total Program Services | \$ 7,880,171 | \$ - | \$ - | \$ 7,880,171 |
| MANAGEMENT AND GENERAL EXPENSES: | | | | |
| Salaries and Benefits | \$ 1,093,342 | \$ - | \$ - | \$ 1,093,342 |
| Consulting Fees | 56,469 | - | - | 56,469 |
| Professional Services | 41,569 | - | - | 41,569 |
| Travel | 23,055 | - | - | 23,055 |
| Administrative and Other | 20,643 | - | - | 20,643 |
| Bank and Credit Card Charges | 156 | - | - | 156 |
| Office and Computer Equipment | 14,683 | - | - | 14,683 |
| Insurance | 20,670 | - | - | 20,670 |
| Professional Development and Memberships | 23,249 | - | - | 23,249 |
| Strategic Planning | 14,490 | - | - | 14,490 |
| Total Management and General Expenses | \$ 1,308,326 | \$ - | \$ - | \$ 1,308,326 |
| TOTAL PROGRAM SERVICES AND EXPENSES | \$ 9,188,497 | \$ - | \$ - | \$ 9,188,497 |
| CHANGE IN NET ASSETS | \$ 630,201 | \$ 6,202,693 | \$ 18,458,951 | \$ 25,291,845 |
| Net Assets, Beginning of Year | \$ 2,391,966 | \$ 29,355,122 | \$ 103,086,635 | \$ 134,833,723 |
| NET ASSETS END OF PERIOD | \$ 3,022,167 | \$ 35,557,815 | \$ 121,545,586 | \$ 160,125,568 |

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2018

| | August 31, 2018 |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Proceeds from Customers | \$ 94,881,877.23 |
| Proceeds from Tuition and Fees | 372,821,955.27 |
| Proceeds from Research Grants and Contracts | 125,183,176.49 |
| Proceeds from Auxiliaries | 77,186,487.81 |
| Proceeds from a Defined Benefit Pension Plan | 3,486,762.00 |
| Proceeds from a Defined Benefit OPEB Plan | 1,640,656.00 |
| Proceeds from Other Revenues | 2,981,533.91 |
| Payments to Suppliers for Goods and Services | (250,852,533.51) |
| Payments to Employees | (541,570,432.02) |
| Payments for Loans Provided | (1,912,229.84) |
| Payments for Pension Benefits to Plan Members | (3,486,762.00) |
| Payments for OPEB Benefits to Plan Members | (1,640,656.00) |
| Payments for Other Expenses | (124,668,317.08) |
| Net Cash Used by Operating Activities | \$ (245,948,481.74) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Proceeds from State Appropriations | \$ 216,612,348.27 |
| Proceeds from Gifts | 19,562,607.83 |
| Proceeds from Endowments | 4,919,358.75 |
| Proceeds from Transfers from Other Agencies | 639,114.00 |
| Proceeds from Legislative Transfers | 1,108,827.00 |
| Proceeds from Grant Receipts | 65,205,855.38 |
| Proceeds from Other Revenues | 648,132.97 |
| Payments for Legislative Transfers | (141,823.00) |
| Payments for Transfers to Other Agencies | (39,889.80) |
| Payments for Other Uses | (2,243,459.62) |
| Net Cash Provided by Noncapital Financing Activities | \$ 306,271,071.78 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from Sale of Capital Assets | \$ 741,486.02 |
| Proceeds from State Appropriations | 56,766,916.00 |
| Proceeds from Debt Issuance | 161,591,805.73 |
| Proceeds from Capital Contributions | 714,749.79 |
| Payments for Additions to Capital Assets | (231,144,150.64) |
| Payments for Capital Leases | (4,615,260.33) |
| Payments of Principal on Debt Issuance | (146,687,465.70) |
| Payments of Other Costs of Debt Issuance | (3,604,854.39) |
| Payments of Interest on Debt Issuance | (31,552,163.41) |
| Net Cash Used by Capital and Related Financing Activities | \$ (197,788,936.93) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Sale of Investments | \$ 624,852,275.75 |
| Proceeds from Interest and Investment Income | 22,615,122.53 |
| Payments to Acquire Investments | (518,512,137.05) |
| Net Cash Provided by Investing Activities | \$ 128,955,261.23 |
| Net Decrease in Cash and Cash Equivalents | \$ (8,511,085.66) |
| Cash and Cash Equivalents, September 1, 2017 | \$ 310,409,108.36 |
| Cash and Cash Equivalents, August 31, 2018 | \$ 301,898,022.70 |
| Cash and Cash Equivalents | \$ 204,579,888.34 |
| Restricted Cash and Cash Equivalents | 97,318,134.36 |
| Cash and Cash Equivalents, August 31, 2018 | \$ 301,898,022.70 |

See Accompanying Notes to the Comprehensive Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2018

| | <u>August 31,</u> <u>2018</u> |
|--|----------------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED | |
| BY OPERATING ACTIVITIES | |
| Operating Loss | \$ (349,442,882.47) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation and Amortization | \$ 73,217,801.13 |
| Pension Expense | 8,436,602.00 |
| OPEB Expense | 4,623,363.00 |
| Employee Benefits Paid by State | 31,950,955.63 |
| Changes in Assets and Liabilities: | |
| Decrease in Receivables | 5,507,309.57 |
| Decrease in Inventories | 179,011.84 |
| Increase in Prepaid Expenses | (3,224,696.98) |
| Increase in Loans and Contracts | (1,912,229.84) |
| Increase in Other Assets | (76,025.00) |
| Increase in Deferred Outflows of Resources - Pensions | (180,229.00) |
| Increase in Deferred Outflows of Resources - OPEB | (3,008,885.00) |
| Decrease in Payables | (14,501,195.65) |
| Increase in Unearned Revenue | 13,184,846.21 |
| Decrease in Benefits Payable | (13,059,965.00) |
| Decrease in Liabilities to Employees for Defined Benefit Pensions | (12,565,794.00) |
| Decrease in Liabilities to Employees for Defined Benefit OPEB | (14,452,751.00) |
| Increase in Other Liabilities | 1,015,329.82 |
| Increase in Deferred Inflows of Resources - Pensions | 9,259,261.00 |
| Increase in Deferred Inflows of Resources - OPEB | 19,101,692.00 |
| Total Adjustments | <u>\$ 103,494,400.73</u> |
| Net Cash Used by Operating Activities | <u>\$ (245,948,481.74)</u> |
| NON-CASH TRANSACTIONS | |
| Net Change in Fair Value of Investments | \$ 4,600,430.71 |
| Donation of Capital Assets | 1,353,440.12 |
| Loss on Sale of Capital Assets | (116,253.74) |
| Amortization of Bond Premiums | 5,498,695.47 |
| Amortization of Deferred Inflows/Outflows from Refunding Bonds | (736,152.50) |
| Capital Assets Acquired with Payables | 23,225,440.68 |

See Accompanying Notes to the Comprehensive Financial Statements

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**NOTES TO THE
COMPREHENSIVE FINANCIAL STATEMENTS
of the
UNIVERSITY OF NORTH TEXAS SYSTEM
DALLAS, TEXAS
For the Year Ended August 31, 2018**

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 1: Summary of Significant Accounting Policies

Introduction

The University of North Texas System (the "System") is an agency of the State of Texas (the "State") and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities and with Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

The comprehensive financial statements include the University of North Texas System Administration ("System Administration") and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by the System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of the System Administration and three academic institutions as follows: the University of North Texas ("UNT"), the University of North Texas Health Science Center at Fort Worth ("HSC"), and the University of North Texas at Dallas ("UNT-D"). 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 nonvoting student Regent for a one-year term. The System has one discrete component unit. Information on the component unit can be found in Note 15, *Financial Reporting Entity*.

Basis of Accounting

The comprehensive financial statements of the System have been prepared using the economic resources measurement focus and the full accrual basis of accounting. The System reports as a business-type activity, as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Under the full accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. The Statement of Revenues, Expenses and Changes in Net Position is segregated into operating and nonoperating sections. Operating activities consist of transactions that are the direct result of providing goods and services to customers or directly related to the System's principal ongoing operations.

The System follows the requirements and guidelines provided in GASB pronouncements. Standards newly effective for fiscal year 2018 are listed below:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, specifically replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for Other Postemployment Benefits ("OPEB"). The scope of this Statement addresses accounting and financial reporting for OPEB provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Note disclosure and required supplementary information requirements are also addressed. This statement has a significant impact to the comprehensive financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for governments which are a beneficiary of such agreements. This statement has minimal impact to the financial statements, as no System institution currently has irrevocable split-interest agreements. The System's discretely

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

presented component unit, UNT Foundation Inc. (the “Foundation”), does have such agreements. However, the Foundation is a nonprofit entity that reports in accordance with FASB.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement has minimal to no impact to the comprehensive financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for transactions in which cash and other monetary assets acquired with existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement has minimal impact to the comprehensive financial statements.

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position

Assets

Cash and Cash Equivalents

Short-term highly liquid investments that are both readily convertible to known amounts of cash and having an original maturity of three months or less are considered cash equivalents.

It is the System’s policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Foundation-managed long-term investment pool are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from cash and cash equivalents, as the intent is to invest these funds for more than one year. Cash held in the State Treasury is considered cash and cash equivalents. Restricted cash and cash equivalents include restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investment accounts to be disbursed to its institutions to support capital projects.

Legislative Appropriations

The appropriation of revenues by the Texas Legislature (the “Legislature”) is in the form of general revenue. When the Legislature meets during the odd-numbered years, they approve a two-year budget (biennial) for all State agencies. The general revenue appropriation to the System supports the instruction, research and operation of the System. Appropriations also include payments made by the State on behalf of the System for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its state appropriations to the System in future years; however, the System expects that the Legislature will continue to do so. Higher Education Funds (“HEF”) are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects. As of August 31, 2018, the unexpended amount was approximately \$112.7 million.

Accounts and Other Receivables

Accounts receivable mainly consists of tuition and fee charges to students. Accounts receivable is shown net of an allowance for doubtful accounts, which is approximately \$35.9 million of the outstanding accounts receivable balance at August 31, 2018. The System has adopted a policy of reserving for account receivables based on collections history over the previous five years. Any amount outstanding after five years is reserved at 100% per state requirements.

Federal receivables include federal grants and education scholarships.

Intergovernmental receivables include amounts due from state government or private sources in connection with reimbursement of allowable expenditures made pursuant to the System’s grants and contracts.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Clinical Practice receivables are presented net of allowances for contractual discounts and bad debts. The bad debt allowance on clinical receivables was approximately \$900 thousand as of August 31, 2018. Clinical accounts receivable are subject to concentrations of patient accounts receivable credit risk. The mix of receivables (gross) from patients and third parties as of August 31, 2018 was as follows:

| | Net | Gross |
|-----------------|-------------|-------------|
| County Hospital | 0% | 0% |
| Medicaid | 19% | 26% |
| Medicare | 43% | 32% |
| Commercial | 25% | 23% |
| Self-pay | 4% | 11% |
| Other | 9% | 8% |
| Total | 100% | 100% |

Gift receivables include amounts pledged to the System by donors, net of allowances. The allowance for gift pledges is approximately \$1.8 million at August 31, 2018. 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.

Prepaid Items

Prepaid items include prepaid scholarship expenses that pertain to the fall term of the following fiscal year and other various prepaid expenses.

Loans and Contracts

Current and noncurrent loans and contracts receivables, related to student loans, are shown net of allowances. The net allowance on loans and contracts at August 31, 2018 is approximately \$4.5 million.

Investments

The System accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. Changes in realized gain (loss) on the carrying value of investments are reported as a component of investment income. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

Capital and Intangible Assets

The System follows the State's capitalization policy, which requires capitalization of assets with an initial individual cost of more than \$5,000 for equipment items, \$100,000 for buildings, building improvements and improvements other than buildings, and \$500,000 for infrastructure items, and an estimated useful life of greater than one year. These assets are capitalized at cost or, if not purchased, at fair value as of the date of acquisition.

Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized in accordance with the requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as amended.

Depreciation is reported on all exhaustible assets. Inexhaustible assets such as land, works of art and historical treasures are not depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally, 10 to 30 years for buildings and improvements, 10 to 45 years for infrastructure, 4 to 15 years for equipment, and 15 years for library books.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended, requires all intangible assets not specifically excluded by scope provisions to be classified as capital assets. The System has computer

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

software that meets the criteria. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets is applied to computer software, as applicable.

Deferred Outflows of Resources

Deferred outflows of resources relate to unamortized losses on the refunding of debt, and certain amounts related to pensions and OPEB.

Deferred Outflows of Resources Related to Debt Refunding

For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Deferred Outflows of Resources Related to Pensions

Certain changes in the collective net pension liability of the Teacher Retirement System of Texas ("TRS") Plan (the "TRS Plan") are reported as deferred outflows or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred outflows of resources related to pensions and their respective accounting treatments are discussed below.

- System contributions subsequent to the measurement date of the collective net pension liability are recognized as a reduction in the net pension liability in the following year.
- The effect on the System's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the total pension liability of differences between expected and actual experience that increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Increases in the System's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are greater than its proportionate share of total contributions is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the collective net pension liability of less actual earnings on pension plan investments than projected is amortized as a component of pension expense using the straight-line method over a period of five years.

Deferred Outflows of Resources Related to OPEB

Certain changes in the net OPEB liability of the Employees Retirement System of Texas ("ERS") Plan (the "ERS Plan") are reported as deferred outflows or as deferred inflows of resources related to OPEB, depending on the type of change. The types of deferred outflows of resources related to OPEB and their respective accounting treatments are discussed below.

- System contributions for retirees subsequent to the measurement date of the net OPEB liability are recognized as a reduction in the OPEB liability in the following year.
- The effect on the System's proportionate share of the net OPEB liability of less actual earnings on OPEB plan investments than projected is amortized as a component of OPEB expense using the straight-line method over a period of five years.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Liabilities

Accounts and Other Payables

Accounts and other payables represent the liability for the value of assets or services received at the Statement of Net Position date for which payment is pending.

Unearned Revenue

Unearned revenue represents assets received in advance of an exchange taking place in an exchange transaction or assets received prior to eligibility requirements (other than time requirements) being met in a nonexchange transaction. Unearned revenue includes \$237.2 million of tuition revenue related to the semesters that have not been completed as of August 31, 2018. Tuition revenue is recognized based on the number of class days as a percentage of total class days that fall within the fiscal year.

Revenue Bonds Payable

Revenue bonds payable are reported at par value. Bond discounts and premiums are amortized over the life of the bonds using the effective interest method. Revenue bonds payable is reported separately as either current or non-current in the Statement of Net Position.

Claims and Judgments

Claims and judgments 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 Note 12, *Contingencies and Commitments*, and Note 14, *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

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

Net Pension Liability

The fiduciary net position of the TRS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the TRS Plan, and additions to/deductions from the TRS Plan's fiduciary net position have been determined on the same basis as they are reported by TRS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach.

Net OPEB Liability

The fiduciary net position of the ERS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of the Other Employee Benefit

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Trust Fund are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings.

Deferred Inflows of Resources

Deferred inflows of resources relate to unamortized gains on refunding of debt and certain amounts related to pensions and OPEB.

Deferred Inflows of Resources Related to Debt Refunding

For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Deferred Inflows of Resources Related to Pensions

Certain changes in the collective net pension liability of the TRS Plan are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred inflows of resources related to pensions and their respective accounting treatments are discussed below.

- The effect on the System's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the total pension liability of differences between expected and actual experience that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Decreases in the System's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are less than its proportionate share of total of contributions are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the collective net pension liability of more actual earnings on pension plan investments than projected is amortized as a component of pension expense using the straight-line method over a period of five years.

Deferred Inflows of Resources Related to OPEB

Certain changes in the net OPEB liability of the ERS Plan are reported as deferred outflows of resources related to OPEB or as deferred inflows of resources related to OPEB, depending on the type of change. The types of deferred inflows of resources related to OPEB and their respective accounting treatments are discussed below.

- The effect on the System's proportionate share of the total OPEB liability of changes of economic and demographic assumptions or of other inputs that decrease the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the total OPEB liability of differences between expected and actual experience that decrease the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Net Position

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation, 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 primarily consists of permanent investments subject to restrictions 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.

Unrestricted Net Position

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified. Because the System is an agency of the State, constraints on the use of resources imposed by the State are not considered external restrictions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Revenues and Expenses

Operating Revenues and Expenses

Operating revenues include activities such as net student tuition and fees; net professional fees for hospital clinical services; net sales and services by auxiliary enterprises; and most federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, professional fees and services, materials and supplies, depreciation and amortization, and scholarships and fellowships. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating expenses.

Professional Fees Revenue

HSC has agreements with third parties that provide for reimbursement to HSC at amounts different from its established rates. Contractual adjustments under third party reimbursement programs represent the difference between HSC's established rates for services and the amounts reimbursed by third parties. HSC's more significant third parties are the Medicare and Medicaid programs. Medicare outpatient services are reimbursed on a prospective basis through ambulatory payment classifications, which are based on clinical resources used in performing the procedure. Medicaid outpatient services are paid based on a fee schedule or blended rates.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account and reported as revenue as if the student made the payment). All other aid is reflected in the financial statements either as operating expense or as scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. The allowance is computed on

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

an institution-wide basis by allocating cash payments to students, excluding payments for services, using the ratio of total aid to the aid not considered to be third party aid.

Nonoperating Revenues and Expenses

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, state appropriations, investment income and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies; however, the System does not recognize these potential refunds, gifts, and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings and other expenses that are defined as nonoperating expenses by GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the comprehensive financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, determines the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This statement will be implemented in fiscal year 2019. The System anticipates minimal impact to the comprehensive financial statements.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. This statement will be implemented in fiscal year 2020. The System is in process of evaluating the impact this will have to the comprehensive financial statements.

GASB Statement No. 87, *Leases*, creates a single model for lease accounting. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will be implemented in fiscal year 2021. The System is in process of analyzing current operating leases to assess impact of this statement. The System anticipates moderate impact to the comprehensive financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires additional note disclosures relating to debt and clarifies which liabilities governments should include when disclosing information related to debt. Additional disclosures include unused lines of credit, assets pledged as collateral, and terms specified in debt agreements for significant events of default, termination, or subjective acceleration clauses with finance-related consequences. This statement will be implemented in fiscal year 2019. The System anticipates minimal impact to the comprehensive financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement will be implemented in fiscal year 2021, or earlier if the State chooses to implement the standard early. The System anticipates minimal impact to the comprehensive financial statements.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2018 is presented below:

| | Balance September 1, 2017 | Adjustments | Reclassification of Completed Construction In Progress | Increase Interagency Transfers | Additions | Deletions | Balance August 31, 2018 |
|---|------------------------------|------------------------|---|--------------------------------------|---------------------------|--------------------------|----------------------------|
| Non-Depreciable or Non-Amortizable Assets: | | | | | | | |
| Land and Land Improvements | \$ 80,675,840.27 | \$ - | \$ - | \$ - | \$ 745,962.24 | \$ (292,500.00) | \$ 81,129,302.51 |
| Construction in Progress | 86,532,124.25 | 339,461.90 | (19,710,987.15) | - | 228,383,191.63 | (2,392,357.56) | 293,151,433.07 |
| Other Tangible Capital Assets | 25,220,386.61 | - | - | - | 4,559.20 | - | 25,224,945.81 |
| Total Non-Depreciable or Non-Amortizable Assets: | \$ 192,428,351.13 | \$ 339,461.90 | \$ (19,710,987.15) | \$ - | \$ 229,133,713.07 | \$ (2,684,857.56) | \$ 399,505,681.39 |
| Depreciable Assets: | | | | | | | |
| Buildings and Building Improvements | \$ 1,141,436,115.03 | \$ 17,232.58 | \$ 15,810,308.23 | \$ - | \$ 292,853.54 | \$ - | \$ 1,157,556,509.38 |
| Infrastructure | 66,741,087.23 | (305,933.20) | 1,309,664.71 | - | - | - | 67,744,818.74 |
| Facilities and Other Improvements | 127,426,383.84 | - | 585,883.21 | - | 24,725.00 | - | 128,036,992.05 |
| Furniture and Equipment | 162,130,321.83 | (376,644.01) | - | 25,122.30 | 13,883,419.13 | (6,277,889.86) | 169,384,329.39 |
| Vehicles, Boats and Aircraft | 13,761,124.39 | - | - | - | 341,786.56 | (384,472.72) | 13,718,438.23 |
| Other Capital Assets | 103,151,841.88 | 323,203.88 | - | - | 6,437,358.34 | (166,685.00) | 109,745,719.10 |
| Total Depreciable Assets: | \$ 1,614,646,874.20 | \$ (342,140.75) | \$ 17,705,856.15 | \$ 25,122.30 | \$ 20,980,142.57 | \$ (6,829,047.58) | \$ 1,646,186,806.89 |
| Less Accumulated Depreciation for: | | | | | | | |
| Buildings and Building Improvements | \$ (507,656,129.84) | \$ 10,783.36 | \$ - | \$ - | \$ (44,724,440.73) | \$ - | \$ (552,369,787.21) |
| Infrastructure | (20,750,733.77) | 68,834.97 | - | - | (2,408,916.42) | - | (23,090,815.22) |
| Facilities and Other Improvements | (30,765,064.26) | (0.99) | - | - | (3,905,611.41) | - | (34,670,676.66) |
| Furniture and Equipment | (116,213,987.23) | (68,522.12) | - | (25,122.30) | (13,047,108.67) | 5,498,507.94 | (123,856,232.38) |
| Vehicles, Boats and Aircraft | (8,796,462.00) | (1,364.72) | - | - | (1,244,379.38) | 371,297.70 | (9,670,908.40) |
| Other Capital Assets | (63,042,897.94) | 17,303.62 | - | - | (4,901,365.14) | 142,680.10 | (67,784,279.36) |
| Total Accumulated Depreciation | \$ (747,225,275.04) | \$ 27,034.12 | \$ - | \$ (25,122.30) | \$ (70,231,821.75) | \$ 6,012,485.74 | \$ (811,442,699.23) |
| Total Depreciable Assets, Net | \$ 867,421,599.16 | \$ (315,106.63) | \$ 17,705,856.15 | \$ - | \$ (49,251,679.18) | \$ (816,561.84) | \$ 834,744,107.66 |
| Amortizable Assets - Intangibles: | | | | | | | |
| Computer Software | \$ 31,214,634.86 | \$ - | \$ 2,005,131.00 | \$ - | \$ 720,416.95 | \$ (434,368.99) | \$ 33,505,813.82 |
| Total Amortizable Assets - Intangibles | \$ 31,214,634.86 | \$ - | \$ 2,005,131.00 | \$ - | \$ 720,416.95 | \$ (434,368.99) | \$ 33,505,813.82 |
| Less Accumulated Amortization for: | | | | | | | |
| Computer Software | \$ (20,174,178.15) | \$ (0.28) | \$ - | \$ - | \$ (2,985,979.38) | \$ 434,368.99 | \$ (22,725,788.82) |
| Total Accumulated Amortization | \$ (20,174,178.15) | \$ (0.28) | \$ - | \$ - | \$ (2,985,979.38) | \$ 434,368.99 | \$ (22,725,788.82) |
| Amortizable Assets - Intangibles, Net | \$ 11,040,456.71 | \$ (0.28) | \$ 2,005,131.00 | \$ - | \$ (2,265,562.43) | \$ - | \$ 10,780,025.00 |
| Total Capital Assets, Net | \$ 1,070,890,407.00 | \$ 24,354.99 | \$ - | \$ - | \$ 177,616,471.46 | \$ (3,501,419.40) | \$ 1,245,029,814.05 |

A summary of interest costs related to Capital Assets for the year ended August 31, 2018 is presented below:

| | Interest Charged to Expense | Interest Capitalized | Total Interest Cost Incurred |
|---|--------------------------------|-------------------------|---------------------------------|
| Non-Depreciable or Non-Amortizable Assets: | | | |
| Construction in Progress | \$ 6,492,766.36 | \$ 3,866,042.77 | \$ 10,358,809.13 |
| Total Non-Depreciable or Non-Amortizable Assets: | \$ 6,492,766.36 | \$ 3,866,042.77 | \$ 10,358,809.13 |
| Depreciable Assets: | | | |
| Buildings and Building Improvements | \$ 8,904,783.00 | \$ 2,178,401.94 | \$ 11,083,184.94 |
| Infrastructure | 16,187.50 | - | 16,187.50 |
| Facilities and Other Improvements | 7,650,311.41 | - | 7,650,311.41 |
| Furniture and Equipment | 31,062.68 | - | 31,062.68 |
| Vehicles, Boats and Aircraft | 38,674.62 | - | 38,674.62 |
| Total Depreciable Assets: | \$ 16,641,019.21 | \$ 2,178,401.94 | \$ 18,819,421.15 |
| Total Capital Assets, Net: | \$ 23,133,785.57 | \$ 6,044,444.71 | \$ 29,178,230.28 |

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 3: Cash, Cash Equivalents and Investments

Deposits of Cash in Bank

As of August 31, 2018, the carrying amount of deposits was \$23,464,588.63 as presented below:

| | | |
|--|-----------|-----------------------------|
| Cash In Bank Carrying Value | \$ | 23,464,588.63 |
| Cash in Bank per Statement of Net Position | \$ | <u>23,464,588.63</u> |
| | | |
| Proprietary Funds Current Assets Cash in Bank | \$ | 20,154,127.36 |
| Proprietary Funds Current Assets Restricted Cash in Bank | | 3,310,461.27 |
| Cash in Bank per Statement of Net Position | \$ | <u>23,464,588.63</u> |

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 \$260,162,651.41 that is invested in cash equivalents. The remainder of the cash and cash equivalents balance of \$18,270,782.66 is comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury.

As of August 31, 2018, the total bank balance was \$3,913,988.32.

The carrying amount of deposits for the System’s discretely presented component unit, UNT Foundation, reported on the UNT Foundation Statement of Net Position as of August 31, 2018 was \$13,206,667.00. As of August 31, 2018, the total bank balance was \$3,068,874.31.

Custodial Credit Risk - Deposits

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 (the “FDIC”), shall at all times be collateralized with government securities.

As of August 31, 2018, the System had no bank balances that were exposed to custodial credit risk.

Investments

Each institution of the System adopts an endowment investment policy that must be reviewed and approved by the System Board of Regents annually. The policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, corporate asset-backed and mortgage-backed securities, equity, international obligations, international equity, certificates of deposit, banker’s acceptances, money market mutual funds, mutual funds, repurchase agreements, private equity, hedge funds, Real Estate Investment Trusts (“REITs”), derivatives, energy and real estate.

The System’s cash management objective is to retain appropriate liquidity to meet daily operating demands while seeking higher yield on cash reserves through an appropriately diversified long-term investment portfolio. The System obtained permission from the Attorney General’s office for the Board of Regents of the System to invest funds under its control that are held and managed by the System’s institutions under section 51.0031(c) of the Texas Education Code. Section 51.0031 of the Texas Education Code authorizes the System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent person standard described in Article VII, Section 11b, of the Texas Constitution. This standard provides that the System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
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circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. All System funds subject to Board of Regents control, System endowment funds, and HSC medical professional liability self-insurance plan funds shall be invested pursuant to a prudent person standard. All other System funds shall be deposited in an approved depository bank, invested pursuant to the Public Funds Investment Act in authorized investments such as FDIC insured money market funds and approved local government investment pools, or deposited in the State Treasury.

As of August 31, 2018, the System's investments are presented below. Included in this amount is \$260,162,651.41 classified as cash equivalents.

| Investments and Cash Equivalents | As of August 31, 2018 |
|---|------------------------------|
| U.S. Government Agency Obligations | \$ 14,037,887.40 |
| Equity | 547,291.00 |
| Repurchase Agreement | 5,347,598.18 |
| Fixed Income Money Market and Bond Mutual Funds | 207,031,689.76 |
| Other Commingled Funds | 116,893,527.60 |
| Other Commingled Funds (TexPool) | 4,614,885.36 |
| Externally Managed Investments – Domestic ⁽¹⁾ | 262,797,168.73 |
| Miscellaneous (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD) | 29,289.48 |
| Total Investments and Cash Equivalents | \$ 611,299,337.51 |

- (1) Fair values of investments that are not managed by the University of North Texas Foundation are primarily based on market valuations provided by external managers.

Credit Risk – Investments

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The System utilizes ratings assigned by Standard & Poor's for this purpose. The System's investment policy does not provide specific requirements and limitations regarding investment ratings. According to the authoritative literature from the GASB, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As of August 31, 2018, the System's credit quality distribution for securities with credit risk exposure was as follows:

| Fund Type | GAAP Fund | Investment Type | Standard and Poor's | | | |
|-----------|-----------|--|--------------------------|-------------------------|--------------------------|--------------------------|
| | | | AAA | AA | Unrated | Total |
| 05 | 0001 | U.S. Government Agency Obligations | \$ - | \$ 14,037,887.40 | \$ - | \$ 14,037,887.40 |
| 05 | 0001 | Equity | - | - | 547,291.00 | 547,291.00 |
| 05 | 0001 | Repurchase Agreement | - | - | 5,347,598.18 | 5,347,598.18 |
| 05 | 0001 | Fixed Income Money Market and Bond Mutual Fund | 58,332,338.11 | - | 148,699,351.65 | 207,031,689.76 |
| 05 | 0001 | Other Commingled Funds | 116,893,527.60 | - | - | 116,893,527.60 |
| 05 | 0001 | Commingled Funds (TEXPOOL) | 4,614,885.36 | - | - | 4,614,885.36 |
| 05 | 0001 | Externally Managed Investments | - | - | 262,797,168.73 | 262,797,168.73 |
| 05 | 0001 | Miscellaneous | - | - | 29,289.48 | 29,289.48 |
| 05 | 0001 | Total | \$ 179,840,751.07 | \$ 14,037,887.40 | \$ 417,420,699.04 | \$ 611,299,337.51 |

Concentration of Credit Risk

As of August 31, 2018, the System did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the System's fixed income investments. The System's investment regulation does not provide specific requirements and limitations regarding concentration of credit.

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Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Custodial Credit Risk - Investments

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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. As of August 31, 2018, the System did not have investments that are exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of August 31, 2018, the System investments subject to interest rate risk – commingled funds, certificates of deposit, repurchase agreements and fixed income money market – have an average maturity of less than one year. The System's investments in U.S. Government Agency Obligations have an average maturity of approximately three years and the investments in bond mutual funds have an average maturity of less than three years.

Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. As of August 31, 2018, the System's investments were all denominated in U.S. dollars. The System's investment policy does not provide specific requirements and limitations regarding investments in foreign currency.

Internal Investment Pool

Certain investments of the System are managed by the Foundation in its internal long-term investment pool (the "Pool"). The Pool is invested with external investment managers who invest in equity, fixed income and alternative investment funds, both domestic and international. The Foundation's investment policy allows for the asset allocation to be maintained within the following tactical ranges: 50-70% growth assets (U.S. and international equities), 20-40% risk reduction assets (U.S. and global fixed income funds and cash), and 5-15% inflation protection assets (real assets). The Foundation's investment committee is responsible for monitoring and rebalancing to the strategic target allocation ranges, and within the tactical ranges, has discretionary authority for setting, monitoring, and making reallocations to the portfolio's specific underlying assets. Complete audited financial statements of the Foundation can be obtained from <https://endow.unt.edu/>.

As of August 31, 2018, total investments in the Pool, including the System portion, consisted of the following investment types:

| Investment | Fair Value |
|---|--------------------------|
| Equity | \$ 19,944,507.58 |
| Domestic Mutual Funds | 111,865,440.91 |
| International Other Commingled Funds | 38,530,017.90 |
| International Mutual Funds | 67,792,697.40 |
| Fixed Income Money Market & Bond Mutual Funds | 64,157,227.79 |
| Externally Managed Investments (Hedge Funds) | 53,161,957.64 |
| Real Estate Funds (REITs) | 1,617.27 |
| Miscellaneous | 530,850.04 |
| Total investments | \$ 355,984,316.53 |

The System's portion of the Pool's investments as of August 31, 2018 is \$215,641,803.66.

The Pool's investments are not rated by Standard & Poor's. As of August 31, 2018, the Pool did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the Pool's investments. The Pool did not have investments exposed to custodial credit risk. The Pool's investments

UNIVERSITY OF NORTH TEXAS SYSTEM
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subject to interest rate risk – fixed income money market and bond mutual funds – have a weighted average maturity of less than one year and approximately eight years, respectively.

As of August 31, 2018, the System's investments in the Pool consisted of the following investment types:

Equity

Equity consists of direct ownership of equity securities in publicly-held corporations. Equity securities are typically managed by an external investment advisor.

Domestic Mutual Funds

Domestic mutual funds are mutual funds that, by policy, invest primarily in U.S. equity securities of publicly-held corporations.

International Other Commingled Funds

International other commingled funds include ownership of unit interests in commingled pools which invest primarily in international equity securities of publicly held corporations.

International Mutual Funds

International mutual funds are mutual funds that, by policy, invest primarily in international equity securities of publicly-held corporations.

Other Commingled Funds

Other commingled funds include ownership of unit interests in commingled pools which invest primarily in publicly-traded fixed income securities of U.S. government, agency and private corporations.

Fixed Income Money Market & Bond Mutual Funds

Money market mutual funds are open-end mutual funds registered with the SEC that must comply with the SEC's "Rule 2a-7," which imposes certain restrictions, such as a requirement that the fund's board must attempt to maintain a stable net asset value per share or stable price per share, limits on the maximum maturity of any individual security in the fund's portfolio, and limits on the maximum weighted-average portfolio maturity and life. Money market funds typically attempt to maintain a net asset value or price of \$1.00 per share. Bond mutual funds are publicly-traded open-end mutual funds that primarily invest in fixed income securities of the U.S. government and agencies, U.S. corporations, and international fixed income securities.

Alternative Investments

Alternative investments consist of hedge funds, real estate, and other pooled funds that employ various investment strategies that are typically less correlated to the publicly traded investment markets. Investments may be held through a combination of unit interests in limited partnerships, publicly-traded open-end mutual fund vehicles, or unit ownership in other commingled pooled funds.

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Fair Value Measurements

The System's investments are recorded at fair value as of August 31, 2018, and have been categorized based upon a fair value hierarchy in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The System categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure fair value of the assets. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value on a recurring basis:

- Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information)
- Level 3 Unobservable inputs for an asset or liability

The System has the following recurring fair value measurements as of August 31, 2018:

| | 8/31/2018 | Fair Value Measurements Using | | |
|--|--------------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| U.S. Government Agency Obligations | \$ 14,037,887.40 | \$ - | \$ 14,037,887.40 | \$ - |
| Equity | 547,291.00 | 547,291.00 | - | - |
| Bond Mutual Funds | 65,436,031.68 | 65,436,031.68 | - | - |
| Externally Managed Investments - Other | 47,155,365.07 | 46,884,012.39 | - | 271,352.68 |
| Total Investments at Fair Value | <u>\$ 127,176,575.15</u> | <u>\$ 112,867,335.07</u> | <u>\$ 14,037,887.40</u> | <u>\$ 271,352.68</u> |
| Investments and Cash Equivalents Measured at NAV | | | | |
| Other Commingled Funds (TexStar) | \$ 15,215,655.13 | | | |
| Externally Managed Investments - Foundation Managed Pool | 215,641,803.66 | | | |
| Total Investments at NAV | <u>\$ 230,857,458.79</u> | | | |
| Total Investments at Fair Value | <u>\$ 358,034,033.94</u> | | | |
| Investments and Cash Equivalents not Measured at Fair Value | | | | |
| Repurchase Agreements | \$ 5,347,598.18 | | | |
| Fixed Income Money Market and Bond Mutual Funds | 141,595,658.08 | | | |
| Other Commingled Funds (TexTERM) | 101,677,872.47 | | | |
| Other Commingled Funds (TexPool) | 4,614,885.36 | | | |
| Miscellaneous | 29,289.48 | | | |
| Total Investments not Measured at Fair Value | <u>\$ 253,265,303.57</u> | | | |
| Total Investments | <u>\$ 611,299,337.51</u> | | | |

Investments classified in Level 1 of the fair value hierarchy, totaling \$112,867,335.07 for the year ended August 31, 2018, are valued using quoted prices in active markets.

U.S. government agency obligations totaling \$14,037,887.40 classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by pricing vendors. Matrix pricing is used to value securities based on benchmark quoted prices of assets with similar attributes. These prices are obtained from pricing sources by the System's custodial bank.

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\$215,641,803.66 of the System's externally managed investments are managed by the Foundation in the long term pool. The Foundation pool has the following recurring fair value measurements as of August 31, 2018:

| | 8/31/2018 | Fair Value Measurements Using | | |
|--|--------------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| Equity | \$ 19,944,507.58 | \$ 19,388,651.53 | \$ 555,856.05 | \$ - |
| Domestic Mutual Funds | 111,865,440.91 | 111,865,440.91 | - | - |
| International Commingled Funds | 38,530,017.90 | - | 38,530,017.90 | - |
| International Mutual Funds | 67,792,697.40 | 67,792,697.40 | - | - |
| Fixed Income Money Market and Bond Mutual Fund | 64,157,227.79 | - | 64,157,227.79 | - |
| Externally Managed Investments (Hedge Funds) | 53,161,957.64 | - | 21,820,665.87 | 31,341,291.77 |
| Real Estate Funds (REITs) | 1,617.27 | - | - | 1,617.27 |
| Miscellaneous | 530,850.04 | - | 530,850.04 | - |
| Total Investments at Fair Value | \$ 355,984,316.53 | \$ 199,046,789.84 | \$ 125,594,617.65 | \$ 31,342,909.04 |

Within the pool, financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Fair values for mutual funds valued using Level 2 inputs are based on published daily valuations. Fair values for the Externally Managed Investments (Hedge Funds) and Real Estate Funds (REITs) are determined by third-party valuations of the investments. See Foundation Note 13 for further information regarding the fair value of pool investments.

Other Commingled Funds consists of funds invested with TexPool, TexStar, and TexTERM. These commingled funds were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. They are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are also adjusted on a daily basis and the funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. The System reports its investment with TexStar of \$15,215,655.13 at fair value and reports its investment with TexPool and TexTERM of \$106,292,757.83 at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please refer to *the Investments Reported at NAV* section below for further information regarding commingled funds reported at fair value. For commingled funds reported at amortized cost, there are no limitations or restrictions on withdrawals and maximum transaction amounts.

Investments Reported at NAV

Other Commingled funds

The System invests excess working capital in TexStar to maintain sufficient liquidity and increase yields. There are no unfunded commitments. No limitations or restrictions on redemptions exist. Redemptions can occur at any time.

Externally Managed Investments – Foundation managed long term investment pool

The System records its unitized portion of the Foundation's long term pool investments using NAV. As of August 31, 2018, \$215,641,803.66 of the System's externally managed investments are managed by the Foundation in the long term pool.

| Fair Value | Fair Value | Frequency Range - Low | Frequency Range - High | Notice Range - Low | Notice Range - High | Unfunded Commitment |
|--------------|--------------------------|-----------------------|------------------------|--------------------|---------------------|---------------------|
| Hedge Funds | \$ 32,851,537.04 | Quarterly | Quarterly | 45 Days | 180 Days | \$0 |
| Mutual Funds | 182,789,784.98 | Daily | Monthly | 1 Day | 60 Days | \$0 |
| Real Estate | 481.64 | N/A | N/A | N/A | N/A | \$0 |
| Total | \$ 215,641,803.66 | | | | | |

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 4: Short-Term Debt

Commercial Paper

At the May 19, 2018 meeting, the University of North Texas System Board of Regents approved a resolution limiting the principal amount of Series A Commercial Paper Notes that may be outstanding at any one time to \$50,000,000.00. The Twenty-Fourth Resolution established the UNT System Revenue Financing System Commercial Paper Program Series B (Extendible Commercial Paper). The issuance of Series B Commercial Paper Notes may not exceed, in aggregate, the principal amount of \$75,000,000.00 at any one time. Outstanding commercial paper proceeds may be used for the purpose of financing project costs of eligible projects and to refinance, renew or refund commercial paper notes, prior encumbered obligations, and parity obligations, including interest. Commercial paper notes may not be issued to refinance or refund prior encumbered obligations or parity bonds without the approval of the Board of Regents. Commercial paper activity for the System for the year ended August 31, 2018 is as follows:

| | September 1, 2017 | Additions | Reductions | Other Adjustments ⁽¹⁾ | August 31, 2018 |
|-------------------------------|-------------------------|-------------------------|-------------|----------------------------------|------------------------|
| Series A Commercial Paper | \$ 12,300,000.00 | \$ 22,900,000.00 | \$ - | \$ (33,120,000.00) | \$ 2,080,000.00 |
| Series B Commercial Paper | 12,975,000.00 | 35,425,000.00 | - | (48,400,000.00) | - |
| Total Commercial Paper | \$ 25,275,000.00 | \$ 58,325,000.00 | \$ - | \$ (81,520,000.00) | \$ 2,080,000.00 |

⁽¹⁾ Amount reclassified to long-term liabilities.

The outstanding balance of commercial paper at August 31, 2018 was \$83,600,000.00 at an average interest rate of 1.32%. In September 2018, the System refunded \$81,520,000.00 of commercial paper into long-term bonds. See Note 13, *Subsequent Events*, for more information on the refunding. As a result of the refunding, the System considers \$80,555,465.00 of commercial paper balance to be long-term debt, and \$964,535.00 to be the current portion of the debt. The remaining balance of \$2,080,000.00 is reported as short-term debt as of August 31, 2018. Average commercial paper maturity during the year ended August 31, 2018 was approximately 31 days. The System will provide liquidity support for \$50,000,000.00 in Series A Commercial Paper Notes by utilizing available funds of the System in lieu of or in addition to bank liquidity support. The maximum maturity for commercial paper is 270 days. In practice, the System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper will continue to be used as interim funding until long-term bonds are approved and issued or gifts or institutional funds are received to retire the commercial paper debt.

The System adheres to the requirements of the Federal Securities Act of 1933, which precludes proceeds from commercial paper issues to be used for financing fixed assets, such as plant and equipment, on a permanent basis. The System, working with bond counsel and its financial advisor, routinely determines alternative long-term funding to ensure that commercial paper is used as interim financing only and will be paid off after completion of construction or equipment acquisition.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended August 31, 2018:

| | September 1, 2017 | Additions | Reductions | Other Adjustments ⁽¹⁾ | August 31, 2018 | Amounts Due Within One Year | Amounts Due Thereafter |
|------------------------------------|--------------------------|--------------------------|-------------------------|-------------------------------------|----------------------------|--------------------------------|---------------------------|
| Bonds Payable: | | | | | | | |
| Revenue Bonds Payable | \$ 725,950,000.00 | \$ 22,845,000.00 | \$ 64,765,000.00 | \$ - | \$ 684,030,000.00 | \$ 43,495,000.00 | \$ 640,535,000.00 |
| Unamortized Net Premiums | 52,993,180.05 | - | 5,498,695.47 | - | 47,494,484.58 | 5,197,074.80 | 42,297,409.78 |
| Total Bonds Payable | \$ 778,943,180.05 | \$ 22,845,000.00 | \$ 70,263,695.47 | \$ - | \$ 731,524,484.58 | \$ 48,692,074.80 | \$ 682,832,409.78 |
| Notes and Loans Payable | | | | | | | |
| Notes and Loans Payable | \$ - | \$ - | \$ - | \$ 81,520,000.00 | \$ 81,520,000.00 | \$ 964,535.00 | \$ 80,555,465.00 |
| Claims and Judgments | 1,729,924.00 | - | 264,947.00 | - | 1,464,977.00 | 608,602.00 | 856,375.00 |
| Compensable Leave | 25,075,919.40 | 3,579,971.09 | 2,888,826.25 | - | 25,767,064.24 | 5,069,176.93 | 20,697,887.31 |
| Capital Lease Obligations | 5,506,269.66 | - | 2,045,546.62 | - | 3,460,723.04 | 2,066,773.20 | 1,393,949.84 |
| Net Pension Liability | 119,709,644.00 | 21,197.00 | 12,586,991.00 | - | 107,143,850.00 | - | 107,143,850.00 |
| Net OPEB Liability | - | 86,392,029.00 | - | - | 86,392,029.00 | 438,362.00 | 85,953,667.00 |
| Total Long-Term Liabilities | \$ 930,964,937.11 | \$ 112,838,197.09 | \$ 88,050,006.34 | \$ 81,520,000.00 | \$ 1,037,273,127.86 | \$ 57,839,523.93 | \$ 979,433,603.93 |

⁽¹⁾ Amount reclassified from short-term liabilities.

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2018 are as follows:

| Year | Principal | Interest | Total |
|--------------|--------------------------|--------------------------|--------------------------|
| 2019 | \$ 43,495,000.00 | \$ 28,084,095.49 | \$ 71,579,095.49 |
| 2020 | 42,305,000.00 | 26,630,069.41 | 68,935,069.41 |
| 2021 | 43,715,000.00 | 25,218,711.04 | 68,933,711.04 |
| 2022 | 45,290,000.00 | 23,627,893.33 | 68,917,893.33 |
| 2023 | 39,570,000.00 | 21,925,137.01 | 61,495,137.01 |
| 2024-2028 | 193,615,000.00 | 89,923,900.41 | 283,538,900.41 |
| 2029-2033 | 168,685,000.00 | 50,172,850.34 | 218,857,850.34 |
| 2034-2038 | 56,385,000.00 | 20,497,428.20 | 76,883,428.20 |
| 2039-2043 | 39,665,000.00 | 7,659,599.40 | 47,324,599.40 |
| 2044-2046 | 11,305,000.00 | 832,195.10 | 12,137,195.10 |
| Total | \$ 684,030,000.00 | \$ 294,571,879.73 | \$ 978,601,879.73 |

Interest paid during 2018, net of capitalized interest, amounted to \$23,557,408.83. Total interest and fiscal charges incurred for the year ended August 31, 2018 was \$29,178,230.28. Of this total, the System capitalized \$6,044,444.71 associated with financing capital projects during the construction phase. In addition, the System recorded \$5,498,695.47 and (\$736,152.50) relating to the amortization of premiums and deferred outflows of resources from bond refundings, respectively. The remaining amount of \$18,371,242.60 was reported as interest expense and fiscal charges for the year ended August 31, 2018.

Notes and Loans Payable

In September 2018, the System refunded \$81,520,000.00 of commercial paper into long-term bonds. See Note 4, *Short-Term Debt*, and Note 13, *Subsequent Events*, for more information on the refunding. As a result of the refunding, the System considers \$80,555,465.00 of commercial paper balance to be long-term debt, and \$964,535.00 to be the current portion of the debt. The remaining balance of \$2,080,000.00 is reported as short-term debt as of August 31, 2018.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Claims and Judgments

As of August 31, 2018, the Claims and Judgments liability accrual is comprised of incurred but not reported (“IBNR”) activity associated with HSC. 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 12, *Contingencies and Commitments*, and Note 14, *Risk Management*, 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 with no break in state service to a position which accrues vacation leave. Substantially all full-time System employees earn between eight and twenty-one hours of annual leave per month depending upon the respective employee’s years of state employment. State law permits employees to carry accrued leave forward from one fiscal year to another, up to a maximum of 532 hours for those employees with 35 or more years of state service. Eligible part-time employees’ annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated annual leave. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee’s estate is one-half of the employee’s accumulated sick leave or 336 hours, whichever is less. Eligible part-time employees’ sick leave accrual rate is proportional to the number of hours they are appointed to work. This obligation is generally paid from the same funding source as the employee’s salary or wage compensation is paid. An expense and a liability are recorded as the benefits accrue to employees, and the liability is reduced as the accrued leave is taken. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Capital Lease Obligations

See Note 7, *Leases*, for more information on capital lease obligations.

Net Pension Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 8, *Defined Benefit Pension Plan and Defined Contribution Plan*, for more information on the Net Pension Liability.

Net OPEB Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 9, *Postemployment Benefits Other Than Pensions*, for more information on the Net Pension Liability.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 6: Bonded Indebtedness

At August 31, 2018, the System had principal outstanding related to revenue bonds of \$684,030,000.00. Revenue Financing System ("RFS") debt is secured by and payable from pledged revenues as defined in the Master Resolution establishing the RFS. Pledged revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution as set forth by the State.

General information related to revenue bonds outstanding as of August 31, 2018, is summarized in the following table:

| Bond | Purpose | Issue Date | Interest Rates | Amount Issued | Total Principal Outstanding as of 8/31/18 |
|---|--|------------|-------------------|--------------------------|---|
| RFS Bonds, Series 2009A | To provide funds for the purposes of constructing and equipping buildings, and for paying certain costs of issuing the bonds | 12/2/2009 | 3.0000% - 5.0000% | \$ 159,310,000.00 | \$ 5,055,000.00 |
| 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 issuing the bonds | 12/2/2009 | 3.0000% - 4.7500% | 15,800,000.00 | 2,350,000.00 |
| 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, Revenue Financing System Bonds Series 2002A, and paying certain costs of issuing the bonds | 7/23/2010 | 3.0000% - 5.0000% | 57,625,000.00 | 31,090,000.00 |
| RFS Refunding and Improvement Bonds, Series 2012A | To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003; a portion of the Board's outstanding commercial paper notes; for purchasing, constructing, improving, renovating, enlarging, and equipping property and infrastructure; and paying certain costs of issuing the bonds | 6/1/2012 | 2.0000% - 5.0000% | 75,890,000.00 | 49,465,000.00 |
| RFS Refunding Bonds, Taxable Series 2012B | To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003B and paying certain costs of issuing the bonds | 6/1/2012 | 0.5500% - 4.0500% | 4,820,000.00 | 3,870,000.00 |
| RFS Refunding Bonds, Series 2015 | To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003A and 2005 Bonds and paying certain costs of issuing the bonds | 4/30/2015 | 1.9500% - 1.9500% | 38,265,000.00 | 19,700,000.00 |
| RFS Refunding Bonds, Series 2015A | To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the Board's commercial paper notes and provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds | 10/21/2015 | 2.0000%-5.0000% | 105,130,000.00 | 103,070,000.00 |
| RFS Refunding Bonds, Series 2015B | To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the Board's commercial paper notes, provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds | 10/21/2015 | 0.3000%-4.8380% | 73,035,000.00 | 61,470,000.00 |
| RFS Refunding Bonds, Series 2015C | To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2007 Bonds and and paying certain costs of issuing the bonds | 3/1/2016 | 2.4460%-10.0000% | 45,865,000.00 | 41,525,000.00 |
| RFS Refunding Bonds, Series 2017A | To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the Board's outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds | 1/31/2017 | 1.0000%-5.0000% | 196,165,000.00 | 187,785,000.00 |
| RFS Refunding Bonds, Series 2017B | To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the Board's outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds | 1/31/2017 | 0.9000%-4.1220% | 164,305,000.00 | 156,330,000.00 |
| RFS Forward Refunding Bonds, Series 2018 | To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009; and paying certain costs of issuing the bonds | 3/14/2018 | 2.4000% - 2.4000% | 22,845,000.00 | 22,320,000.00 |
| Total | | | | <u>\$ 959,055,000.00</u> | <u>\$ 684,030,000.00</u> |

UNIVERSITY OF NORTH TEXAS SYSTEM
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For the Year Ended August 31, 2018

Early Extinguishments in 2018

The System refunded \$22,175,000.00 of the RFS Series 2009 bonds with the RFS Forward Refunding Bonds, Series 2018:

- RFS Forward Refunding Bonds, Series 2018, were issued on March 14, 2018 to refund \$22,175,000.00 of the RFS Series 2009 Bonds, and pay certain costs of issuing the bonds.
- Series 2018 Bonds were issued at par with a par value of \$22,845,000.00.
- Net proceeds of \$22,747,262.00, after payment of \$97,737.50 in issuance costs and \$0.50 of cash, were used to purchase U.S. Government Securities. The proceeds and cash were deposited in an irrevocable trust with an escrow agent to provide for future debt payments on the 2009 bonds.
- Refunding the Series 2009 bonds with the Series 2018 bonds reduced the System's debt service payments over the next 20 years by approximately \$3,893,432.00.
- Economic gain of \$3,076,309.97 is the difference between the net present value of the old and new debt service payments. In addition, the deferred amount of \$572,262.50 was recorded as deferred outflows from the Series 2018 portion of the refunding.

Defeased Bonds Outstanding

A portion of RFS Refunding Bonds, Series 2012A, were defeased during 2016. Funds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As of August 31, 2018, the par value outstanding of in-substance defeased bonds was \$4,405,000.00.

A portion of RFS Bonds, Series 2009A, were advance refunded during 2017. Funds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded bonds. As of August 31, 2018, the par value outstanding of defeased bonds was \$115,595,000.00.

Funds Available for Debt Service

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, as amended, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing) on the other.

Total pledged revenues consist of available pledged revenues, which include the gross revenues of the RFS, the Student Union Fee, pledged general tuition (which includes general use fees), investment income, and funds held for payment of debt service. In addition to current year pledged revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year debt service. System HEF reserves cannot be included in total pledged revenues. The following table provides the pledged revenue information for the System's revenue bonds:

| | |
|--|-------------------|
| Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds | \$ 978,601,879.73 |
| Term of Commitment Year Ending 8/31 | 2045 |
| Percentage of Pledged Revenue | 100% |
| Current Year Pledged Revenue | \$ 948,195,233.73 |
| Current Year Principal and Interest Paid | \$ 72,191,853.54 |

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 7: Leases

Operating Leases

The System has entered into various operating leases for buildings, equipment, vehicles and land. Rental expenses for operating leases were \$6,556,105.00 in 2018. The lease terms typically range from 12 to 60 months, where some lease terms contain optional renewals. Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2018, were as follows:

| <u>Fiscal Year</u> | <u>Lease Payments</u> |
|--|-------------------------|
| 2019 | \$ 5,489,477.59 |
| 2020 | 3,416,689.90 |
| 2021 | 1,777,336.45 |
| 2022 | 79,374.90 |
| 2023 | 62,499.96 |
| 2024 – 2028 | 312,499.80 |
| 2029 – 2033 | 312,499.80 |
| 2034 – 2038 | 312,499.80 |
| 2039 – 2043 | 312,499.80 |
| 2044 – 2048 | 312,499.80 |
| Total Future Minimum Operating Lease Payments | \$ 12,387,877.80 |

The System has also leased buildings 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, 2018, were as follows:

| <u>Assets Leased</u> | <u>2018</u> |
|--------------------------------|--------------------------------|
| Buildings: | |
| Cost | \$ 12,499,219.05 |
| Less: Accumulated Depreciation | (5,253,132.60) |
| Carrying Value | <u>\$ 7,246,086.45</u> |
| Parking Garage: | |
| Cost | \$ 10,655,156.80 |
| Less: Accumulated Depreciation | (6,402,417.40) |
| Carrying Value | <u>\$ 4,252,739.40</u> |
| Total Carrying Value | <u>\$ 11,498,825.85</u> |

There were no contingent rentals for the period ended August 31, 2018. Rental income for operating leases was \$3,987,115.39 in 2018. Future minimum lease income under non-cancelable operating leases as of August 31, 2018, was as follows:

| <u>Year</u> | <u>Lease Income</u> |
|-----------------------------------|--------------------------------|
| 2019 | \$ 4,073,495.10 |
| 2020 | 1,660,839.78 |
| 2021 | 1,416,364.43 |
| 2022 | 1,196,404.08 |
| 2023 | 1,076,564.22 |
| 2024 and beyond | 2,745,575.63 |
| Total Minimum Lease Income | <u>\$ 12,169,243.24</u> |

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Capital Leases

Leases that are purchases in substance are reported as capital lease obligations. The System has entered into long-term leases for financing the purchase of certain capital assets where lease terms contain bargain purchase options. Such leases are classified as capital leases for accounting purposes, and the asset and liability are recorded at the present value of the future minimum lease payments at the inception of the lease. Amortization of the leased assets is included in depreciation expense. A summary of original capitalized costs and accumulated depreciation of all assets under capital lease as of August 31, 2018, is presented below:

| Assets Under Capital Lease | August 31, 2018 |
|-----------------------------------|------------------------|
| Equipment: | |
| Cost | \$ 9,139,859.82 |
| Less: Accumulated Depreciation | (4,619,328.61) |
| Carrying Value | \$ 4,520,531.21 |
| Vehicles: | |
| Cost | \$ 450,594.26 |
| Less: Accumulated Depreciation | (175,093.61) |
| Carrying Value | \$ 275,500.65 |
| Total Carrying Value | \$ 4,796,031.86 |

Capital lease obligations are due in monthly, quarterly or annual installments. Future minimum lease payments for assets under capital lease at August 31, 2018, were as follows:

| Year | Principal | Interest |
|--|------------------------|----------------------|
| 2019 | \$ 2,066,773.20 | \$ 91,733.10 |
| 2020 | 554,546.35 | 20,094.82 |
| 2021 | 278,394.50 | 14,237.50 |
| 2022 | 252,348.08 | 8,741.42 |
| 2023 | 216,969.45 | 4,191.51 |
| 2024 – 2028 | 91,691.46 | 458.97 |
| Total Future Minimum Lease Payments | \$ 3,460,723.04 | \$ 139,457.32 |

Note 8: Defined Benefit Pension Plan and Defined Contribution Plan

Teacher Retirement System

Plan Description

The State has joint contributory retirement plans for the majority of its employees. One of the primary plans in which the System participates is the TRS Plan. The TRS Plan is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by TRS. The TRS Plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The TRS Plan is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Legislature has the authority to establish and amend benefits and contribution rates within the guidelines of the Texas Constitution. The TRS Plan's Board of Trustees does not have the authority to establish or amend benefit terms.

The employers in the TRS Plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, and community and junior colleges. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan.

Detailed information about the TRS Plan's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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Benefits Provided

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic post-employment benefit changes, including automatic cost of living adjustments ("COLAs"). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Legislature.

All System personnel working on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS 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 participation in the TRS Plan on or after September 1, 2007 must be age 60 to retire and members who were not vested in the TRS Plan 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. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

Contributions

Contribution requirements are established or amended pursuant to Article XVI, Section 67 of the Texas Constitution, which requires the Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the System during the year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

During the measurement period of 2017 for fiscal 2018 reporting, the amount of the System's contributions recognized by the plan was \$10,961,110.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. Contributions by employees were 7.7% of gross earnings during the measurement period of 2017. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 6.8% of annual compensation for during the measurement period of 2017.

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2017 Comprehensive Annual Financial Report.

At August 31, 2018, the System reported a liability of \$107,143,850.00 for its proportionate share of the collective net pension liability of the TRS Plan. The collective net pension liability was measured as of August 31, 2017 (the "measurement date"), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the collective net pension liability at the measurement date was 0.3350903754%, which was an increase of 0.0183019279% from the 0.3167884475%

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measured at the prior measurement date. The System's proportionate share was based on its contributions to the pension plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entities to the TRS Plan for the period September 1, 2016 through August 31, 2017 (the "measurement period"). During the measurement period, the amount of the System's contributions recognized by the TRS Plan, including State on-behalf contributions, was \$14,662,766.34. The State recognized \$36,183,350.73 for its proportionate share of the net pension liability related to its contributions to TRS on behalf of the System. The State's proportionate share for those contributions was 0.1131627490%.

For the year ended August 31, 2018, the System recognized pension expense of \$8,436,602.00. At August 31, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Contributions subsequent to the measurement date | \$ 11,593,499.00 | \$ - |
| Changes of assumptions | 4,880,572.00 | 2,794,014.00 |
| Difference between expected and actual experience | 1,567,563.00 | 5,778,128.00 |
| Change in proportion and contribution difference | 17,895,137.00 | 26,197,364.00 |
| Net difference between projected and actual investment return | - | 7,808,411.00 |
| Total | <u>\$ 35,936,771.00</u> | <u>\$ 42,577,917.00</u> |

The \$11,593,499.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | <u>Expense</u> |
|--------------|---------------------------|
| 2019 | \$ (5,803,060.00) |
| 2020 | 1,036,209.00 |
| 2021 | (6,328,433.00) |
| 2022 | (7,754,557.00) |
| 2023 | 9,127.00 |
| Thereafter | 606,069.00 |
| Total | <u>\$ (18,234,645.00)</u> |

Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2017 measurement date:

| Actuarial Methods and Assumptions | TRS Plan |
|--|--|
| Actuarial Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Floating |
| Actuarial Assumptions: | |
| Discount Rate | 8.0% |
| Investment Rate of Return | 8.0% |
| Inflation | 2.50% |
| Salary Increase | 3.50% to 9.50% including inflation |
| Mortality | |
| Active | 90% of the RP 2014 Employee Mortality Tables for males and females |
| Post-Retirement | 2015 TRS Healthy Pensioner Mortality Tables |
| Ad Hoc Post-Employment Benefit Changes | None |

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The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the four-year period ended August 31, 2014 and adopted September 2015. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for the active members. The Post-retirement mortality rates were based on 2015 TRS Healthy Pensioner Mortality Tables.

There have been no changes to the benefit provisions of the TRS Plan since the prior measurement date. The discount rate used to measure the total net pension liability was 8.0%. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the TRS Plan assumed that members, employers, and non-employer contributing entities make their contributions at the statutorily required rates. Under this assumption, the TRS Plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current active and inactive plan members. Therefore, the 8.0% long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the TRS Plan's investment portfolio are presented below:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|-------------------------------|-------------------|--|
| Global Equity | | |
| U.S. | 18.0% | 4.6% |
| Non-U.S. Developed | 13.0% | 5.1% |
| Emerging Markets | 9.0% | 5.9% |
| Directional Hedge Funds | 4.0% | 3.2% |
| Private Equity | 13.0% | 7.0% |
| Stable Value | | |
| U.S. Treasury | 11.0% | 0.7% |
| Absolute Return | 0.0% | 1.8% |
| Stable Value Hedge Funds | 4.0% | 3.0% |
| Cash | 1.0% | -0.2% |
| Real Return | | |
| Global Inflation Linked Bonds | 3.0% | 0.9% |
| Real Assets | 16.0% | 5.1% |
| Energy and Natural Resources | 3.0% | 6.6% |
| Commodities | 0.0% | 1.2% |
| Risk Parity | | |
| Risk Parity | 5.0% | 6.7% |
| Total | <u>100%</u> | |

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The following presents the System’s proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

| 1.0% Decrease (7.0%) | Current Discount Rate (8.0%) | 1.0% Increase (9.0%) |
|-------------------------|---------------------------------|-------------------------|
| \$ 180,623,361.00 | \$ 107,143,850.00 | \$ 45,960,231.00 |

As further discussed in Note 13, *Subsequent Events*, the investment return assumption will be lowered from 8.0% to 7.25% for fiscal year 2019 reporting.

Optional Retirement Program

The State has also established the Optional Retirement Program (the “ORP”), a defined contribution plan, for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS Plan and is available to certain eligible employees who hold faculty positions and other professional positions including but not limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds and is administered by a variety of investment firms. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the employer contributions after one year and one day of service.

The employee and employer contribution rates are established by the Legislature each biennium. Depending upon the source of funding for the employee’s compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The State provides an option for a local supplement in addition to the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65% of annual compensation) and the employer (6.60% state base rate for 2018 plus any local supplement for a maximum 8.50% of annual compensation) for the year ended August 31, 2018, is provided in the following table:

| ORP Participation | |
|------------------------|-------------------------|
| Member Contributions | \$ 8,665,294.53 |
| Employer Contributions | 9,251,219.54 |
| Total | \$ 17,916,514.07 |

Note 9: Postemployment Benefits Other Than Pensions

Employees Retirement System

Plan Description

The state of Texas currently participates in two types of defined benefit OPEB plans. The System participates in the ERS Plan. The ERS Plan is a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation administered by ERS.

The Legislature has the authority to establish and amend benefits and contribution rates within the guidelines of the Texas Constitution. The ERS Plan’s Board of Trustees does not have the authority to establish or amend benefit terms. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The employers in the ERS Plan include the state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Employees of state of Texas agencies, colleges, universities and medical schools are members of the ERS Plan.

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Detailed information about the ERS Plan's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to ERS at 200 E. 18th Street, Austin, TX, 78701-1400.

Benefits Provided

The ERS Plan provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. All System employees that work at least 20 hours but less than 30 hours per week are eligible for partial health benefits under ERS. UNTS employees that work 30 or more hours are eligible for full health benefits under ERS. Employees may retire at age 65 with 10 years of service or any combination of age plus 10 years of service that is equal to or greater than 80. The premium provisions are determined by the Texas Legislature and require monthly contributions by the State, UNTS and UNTS employees. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

Contributions

During the measurement period of 2017 for fiscal 2018 reporting, the amount of the System's contributions recognized by the plan for retirees was \$2,375,324.00. Contributions to ERS for the year ended August 31, 2018 for active and retired employees was as follows:

| ERS Participation | |
|-------------------------------|-------------------------|
| Member Contributions | \$ 18,104,120.26 |
| State On-Behalf Contributions | 25,173,028.55 |
| Employer Contributions | 38,308,274.43 |
| Total | \$ 81,585,423.24 |

The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

| Employer Contribution Rates | |
|--|-------------|
| Retiree Health and Basic Life Premium | |
| Retiree Only | \$ 617.30 |
| Retiree & Spouse | \$ 970.98 |
| Retiree & Children | \$ 854.10 |
| Retiree & Family | \$ 1,207.78 |

OPEB Liabilities, OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2017 Comprehensive Annual Financial Report.

At August 31, 2018, the System reported a restatement to decrease fiscal year 2018 beginning net position of \$100,844,780.00 related to OPEB, comprised of \$103,220,104.00 to reflect the beginning Net OPEB Liability, offset by \$2,375,324.00 to record beginning deferred outflows of resources related to prior contributions. Restatement of all prior periods was not practical for purposes of GASB 75 implementation for the ERS Plan, and as such, restatement to beginning balance was reported. The System is dependent upon information provided from the ERS Plan for recognizing OPEB liability, deferred inflows, deferred outflows, and expense information. The ERS Plan information

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provided to the System used retiree data for OPEB reporting in fiscal year 2018. We believe that the contributions made for active employees do not represent a post-employment benefit but rather a current period expense. Accordingly, contributions made subsequent to the measurement date by the System for active employees have been recorded as an expense as of August 31, 2018 and contributions made subsequent to the measurement date by the System for retirees have been recorded as a deferred outflow as of August 31, 2018.

At August 31, 2018, the System reported a liability of \$86,392,029.00 for its proportionate share of the collective net OPEB liability of the ERS Plan. The non-current portion of the liability was \$85,953,667.00 and the current portion was \$438,362.00. The collective net OPEB liability was measured as of August 31, 2017 (the "measurement date"), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System's proportion of the collective net OPEB liability at the measurement date was 0.25354973%. The System's proportionate share was based on its contributions to the OPEB plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entities to the ERS Plan for the period September 1, 2016 through August 31, 2017 (the "measurement period").

For the year ended August 31, 2018, the System recognized OPEB expense of \$4,623,363.00. At August 31, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Contributions subsequent to the measurement date | \$ 2,983,307.00 | \$ - |
| Changes of assumptions | - | 18,063,537.00 |
| Difference between expected and actual experience | - | 1,038,155.00 |
| Net difference between projected and actual investment return | 25,578.00 | - |
| Total | <u>\$ 3,008,885.00</u> | <u>\$ 19,101,692.00</u> |

The \$2,983,307.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year</u> | <u>Expense</u> |
|--------------|---------------------------|
| 2019 | \$ (4,295,788.00) |
| 2020 | (4,295,788.00) |
| 2021 | (4,295,788.00) |
| 2022 | (4,295,788.00) |
| 2023 | (1,892,962.00) |
| Thereafter | - |
| Total | <u>\$ (19,076,114.00)</u> |

Actuarial Assumptions

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2017 measurement date:

| Actuarial Methods and Assumptions | <u>ERS Plan</u> |
|--|--------------------------------|
| Actuarial Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Actuarial Assumptions: | |
| Discount Rate | 3.51% |
| Inflation | 2.50% |

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| | |
|--|--|
| Salary Increase | 2.50% to 9.50% including inflation |
| Healthcare Cost and Trend Rate | 8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY 2027 and later years |
| Aggregate Payroll Growth | 3.00% |
| Retirement Age | Experience-based tables of rates that are specific to the class of employee |
| Mortality | |
| State Agency Members | |
| Service Retirees, Survivors and Other Inactive Members | 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017 |
| Disabled Retirees | RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014 |
| Active Members | RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014 |
| Higher Education Members | |
| Service Retirees, Survivors and Other Inactive Members | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 |
| Disabled Retirees | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members |
| Active Members | Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB |
| Ad Hoc Post-Employment Benefit Changes | None |

The actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2011 to August 31, 2016 for state agency members and for the period September 1, 2010 to August 31, 2014 for higher education members. The mortality rates were based on the tables identified in the above table titled *Actuarial Methods and Assumptions*.

The following benefit revisions have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary:

- a. Increase in the out-of-pocket cost applicable to services obtained at a free standing emergency facility,
- b. Elimination of the copayment for virtual visits,
- c. Copay reduction for Airrosti and for out of state participants, and
- d. Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

The discount rate used to measure the total net OPEB liability was the municipal bond rate of 3.51% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.84%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.84%.

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Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the System's net OPEB liability. The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 3.51%, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current rate:

| 1.0% Decrease (2.51%) | Current Discount Rate (3.51%) | 1.0% Increase (4.51%) |
|----------------------------------|--|----------------------------------|
| \$ 103,126,837.00 | \$ 86,392,029.00 | \$ 73,429,427.00 |

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the System's net OPEB liability. The following presents the System's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates 1 percentage point lower or 1 percentage point higher than the current rates:

| 1.0% Decrease (7.50% decreasing to 3.50%) | Current Healthcare Cost Trend Rates (8.50% decreasing to 4.50%) | 1.0% Increase (9.50% decreasing to 5.50%) |
|--|--|--|
| \$ 72,627,180.00 | \$ 86,392,029.00 | \$ 104,252,707.00 |

Note 10: Interagency Activity and Transactions

The System experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statements. There were no balances in interfund receivables and payables at August 31, 2018.

Note 11: Adjustments to Net Position

During fiscal year 2018, certain accounting changes and adjustments were made that required a restatement to net position. The restatement of beginning net position for fiscal year 2018 is as follows:

| | |
|---|--------------------------|
| | Total |
| Net Position at August 31, 2017 as Previously Reported | \$ 825,804,640.96 |
| Capital Assets Adjustments | 24,354.99 |
| GASB 75 implementation, OPEB | (100,844,780.00) |
| Total Restatement | (100,820,425.01) |
| Net Position at August 31, 2017 as Restated | \$ 724,984,215.95 |

Note 12: Contingencies and Commitments

The System is involved in several pending and threatened legal actions. Unless otherwise disclosed in this note, the range of potential loss from all such claims and actions, as estimated by the System's legal counsel and management, should not materially affect the System's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the U.S. 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.

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Contingencies

Healthcare Litigation

Jessica Jimenez, et al. v. UNTHSC, et al. Case No. 352-275721-14, 352nd Judicial District Court, Tarrant County, Texas. Health care liability claim alleging patient died as a result of a perforated esophagus that occurred during surgery. HSC appealed the denial of its motion to dismiss to the court of appeals, which reversed the district court’s decision and rendered judgment in HSC’s favor. The case is pending review before the Texas Supreme Court. Plaintiff seeks damages over \$1,000,000. The likelihood of an unfavorable outcome is reasonably possible and the range of loss is estimated to be \$0 to \$250,000.

Commitments

The System continues to implement capital improvements to upgrade facilities. Approximately \$447 million in capital commitments have been entered into for the construction and renovation of various facilities across all of its campuses. These projects are in various stages of completion. The estimated breakdown of funding sources available for this commitment is as follows: 20% Tuition Revenue Bonds, 56% Revenue Financing System Bonds, 12% HEF, 5% auxiliary revenues, 5% from Gift/Donations, and 2% from designated funds. Approximately \$282 million of the commitment, or roughly 63%, is expected to be spent in 2019.

Note 13: Subsequent Events

Bonds Issuance

The System issued \$172.1 million in new bonds subsequent to August 31, 2018. This routine activity finances the acquisition, construction and equipping of property.

| Description | Amount | Issuance Date | Purpose |
|--|-------------------|------------------|---|
| Revenue Financing System Bonds, Series 2018A | \$ 149,425,000.00 | 9/11/2018 | To provide funds for acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure through the University System; refunding a portion of the Board’s outstanding Series A and Series B Commercial Paper Notes; and paying certain costs of issuing the Series 2018A Bonds. |
| Revenue Financing System Bonds, Taxable Series 2018B | 22,685,000.00 | 9/11/2018 | To provide funds for acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure through the University System; refunding a portion of the Board’s outstanding Series A and Series B Commercial Paper Notes; and paying certain costs of issuing the Series 2018B Bonds. |

Investment Manager Change

On September 4, 2018, the System changed the manager of the Long Term Pool and Intermediate Investment Pool to DiMeo Schneider & Associates. As of August 31, 2018, the market value of the Long Term Pool and Intermediate Investment Pool were \$158.5 million and \$79.5 million, respectively.

Mediation Settlement

On October 30, 2018, the System settled mediation related to the construction of a residence hall on UNTD’s campus. The total settlement was for \$1.2 million and was related to construction performed prior to August 31, 2018. The impact will be capitalized with the residence hall asset. The settlement was paid in November 2018.

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Property Acquisition

On September 28, 2018, the System closed on the purchase of a land and building acquisition in Frisco, TX for future campus expansion. The purchase price was \$8.5 million and was funded through debt proceeds.

Defined Benefit Plan Investment Return Assumption

At its July 2018 board meeting, the TRS Board of Trustees voted to lower the investment return assumption from 8.0% to 7.25% for the TRS Plan, per recommendation from an actuarial experience study. As a result of the decreased rate, the System anticipates a material increase in net pension liability for fiscal year 2019 reporting.

Other Postemployment Benefits – GASB 75 Implementation

The System is dependent upon information provided from the ERS Plan for recognizing OPEB liability, deferred inflows, deferred outflows, and expense information. The ERS Plan information provided to the System used retiree data for OPEB reporting in fiscal year 2018. We believe that the contributions made for active employees do not represent a post-employment benefit but rather a current period expense. Accordingly, contributions made subsequent to the measurement date by the System for active employees have been recorded as an expense as of August 31, 2018 and contributions made subsequent to the measurement date by the System for retirees have been recorded as a deferred outflow as of August 31, 2018.

Gift for UNT's G. Brint Ryan College of Business

On February 4, 2019, UNT announced the largest gift in the university's history. Alumnus G. Brint Ryan and his wife Amanda pledged \$30 million to create the G. Brint Ryan College of Business. The gift will provide ongoing support for business research through academic endowments, as well as funds to support strategic program initiatives to ensure the college is one of the nation's top providers of business higher education.

Note 14: Risk Management

The System is exposed to a variety of civil claims resulting from the performance of its duties. It is System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The System assumes substantially all risks associated with torts, theft, damage or destruction of assets, business interruption, errors or omissions, and job-related illness or injuries to employees arising out of the performance of the System's mission. Financial risks are transferred through contracts, or financed through commercial insurance or self-insurance plans. Financial exposure from lawsuits for damages and injunctive relief arising from torts and contracts is mitigated by the function of sovereign, Eleventh Amendment and individual immunities and statutory limits on the amount of recovery. In addition, state law limits financial exposure for state law claims made against individual employees and officials. Currently the System does not carry System-wide commercial general liability insurance for any of the institutions; commercial general liability policies are purchased on an as needed basis to address unique exposures. The System is not involved in any risk pools with other government entities.

Liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The System has various insurance and self-insurance arrangements to manage risks of loss that are within the scope of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended. There are no claims pending or significant non-accrued liabilities, except as stated in Note 12, *Contingencies and Commitments*. The System did not have any losses or settlements that exceeded insurance policy limits within the last three years.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Self-Insurance Arrangements

Medical Professional Liability Self-Insurance Plan

HSC manages a medical malpractice self-insurance plan for its physicians. As of August 31, 2018, HSC had sufficient self-insurance reserves for known claims against its health care professionals. The policy limits for this plan are \$500,000/\$1,500,000. Medical professional liability coverage is purchased for allied health care professionals and medical students with entity coverage, which provides a maximum per incident of \$1,000,000 and an aggregate limit of \$3,000,000 with no deductible.

The following contingencies and Incurred But Not Reported (“IBNR”) activity was determined for the year ended August 31, 2018 and August 31, 2017, respectively:

| | August 31, 2017 | Additions | Reductions | August 31, 2018 |
|--|------------------------|------------------|-------------------|------------------------|
| Incurred But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾ | \$ 1,729,924.00 | \$ - | \$ 264,947.00 | \$ 1,464,977.00 |
| Contingent Liabilities | \$ - | \$ 119,535.94 | \$ 119,535.94 | \$ - |
| | August 31, 2016 | Additions | Reductions | August 31, 2017 |
| Incurred But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾ | \$ 1,770,924.00 | \$ 61,194.00 | \$ 102,194.00 | \$ 1,729,924.00 |
| Contingent Liabilities | \$ 80,000.00 | \$ 17,131.02 | \$ 97,131.02 | \$ - |

(1) The estimated claims payable for medical malpractice IBNR includes estimates of allocated loss adjustment expenses.

Student-Athlete Accident Medical Self-Insurance Plan

The National Collegiate Athletic Association (the “NCAA”) requires its member institutions to certify coverage for medical expenses resulting from injuries sustained by student-athletes and certain prospective student-athletes while participating in qualifying NCAA-sanctioned activities. UNT finances this plan to an actuarially determined attachment point and purchases commercial insurance for claims in excess of the attachment point. The attachment point for 2018 was \$350,000. For the year ended August 31, 2018, claims paid out were not material.

Incurred But Not Reported Self-Insurance Claims

The System self-insures some physical injury and property damage claims that are not financed through commercial insurance, or are below the retention amounts for claims covered by commercial insurance. The System, as an agency of the State, is protected from risk of loss arising from these tort claims by sovereign immunity, except as such claims are permitted under the Texas Tort Claims Act. In addition to limiting the type of personal injury and damage claims that can be brought against the System, the Texas Tort Claims Act limits the loss that can result from claims that can be made to \$250,000 for each person, \$500,000 for each single occurrence of bodily injury or death, and \$100,000 for each single occurrence of damage or destruction of property.

For the year ended August 31, 2018, claims against the System were below the liability limits established by the Texas Tort Claims Act, and thus immaterial.

Commercial Insurance Arrangements

Directors and Officers/Employment Practices Liability

Directors and Officers (“D&O”)/Employment Practices Liability (“EPL”) coverage insures all institutions in the System as well as all officers, employees and volunteers. The policy provides for a maximum limit of \$10,000,000 with a zero deductible per insured individual and \$50,000 deductible per insured entity for D&O; and \$100,000 deductible per insured individual, \$50,000 deductible for the entity, and a \$25,000 deductible for volunteers for EPL.

Automobile

The Texas Motor Vehicle Safety Responsibility Act requires that vehicles operated on a state highway be insured for minimum limits of liability in the amount of \$250,000/\$500,000 for bodily injury and \$100,000 for property damage. The System carries liability insurance on its licensed vehicles in the amount of \$1,000,000 combined single limit for bodily injury and property damage.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Medical Professional Liability

UNT has medical professional liability insurance coverage for professionals at the Student Health and Wellness Center, Athletic Training and Rehabilitation Center, and the Kristin Farmer Autism Center. Under the coverage, professionals are defined as physicians, nurses, nurse practitioners, physician assistants, pharmacists, and athletic trainers. This coverage also extends to Allied Health Care professionals and medical students at HSC. There is a maximum per incident limit of \$1,000,000 and an aggregate of \$3,000,000 with a \$5,000 deductible.

Property

The System carries property insurance to finance losses arising from damage to or destruction of capital assets. The insurance also covers business interruption, which protects against losses resulting from disruption to revenue streams. At the close of the fiscal year, all premium payments had been made and an insurance policy was in effect that carried a \$570,000,000 shared limit through the State's state-wide property insurance program.

Workers' Compensation

The System is required by state law to participate in the State's workers' compensation insurance program administered through the State Office of Risk Management. This program covers risks of loss resulting from job-related illness or injuries to employees while in the course and scope of their work responsibilities. Following a work-related illness or injury, employees enter into a return-to-work program, if necessary, thus reducing indemnity payments for loss compensation.

Separate workers' compensation policies are purchased to cover out-of-state employees as required by the laws of the state in which an employee works. As of August 31, 2018, the System maintains one policy for out-of-state employees who reside in Alabama, Arizona, California, Kentucky, New Mexico, New York, Pennsylvania, South Carolina, Virginia and Washington.

Unemployment Compensation

The State provides coverage for unemployment benefits from appropriations made to other state agencies for System employees. The current General Appropriations Act provides that the System must reimburse the General Revenue Fund – Consolidated one-half of the unemployment benefits for former and current employees from System appropriations. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The System has only one appropriated fund type. The System must reimburse the General Revenue Fund 100% of the cost for unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State Treasury.

Unemployment compensation is on a pay-as-you-go basis through the State, with the exception of locally funded enterprises that have fund expenses and set-aside amounts based on a percentage of payroll amounts. No material outstanding claims were pending at August 31, 2018.

The System maintains reserves for unemployment compensation payments made for all claims and settlements not eligible for state funding. There were no material outstanding claims pending as of August 31, 2018. Health benefits are provided through the various state contracts administered by the Employee Retirement System.

Miscellaneous

Other lines of insurance purchased include: contractual bonuses, camp accident/medical, commercial crime, fine arts, inland marine, foreign liability, global medical, kidnap and extortion, specialized general liability and property insurance for the Elm Fork Education Center, errors and omissions, and student professional liability.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

Note 15: Financial Reporting Entity

The System is composed of the University of North Texas System Administration and three academic institutions as follows: the University of North Texas, the University of North Texas Health Science Center at Fort Worth, and the University of North Texas at Dallas. 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 nonvoting student Regent for a one-year term.

Assets Held By Affiliated Organizations

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government, the System.

This guidance states that a legally separate tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 3% of its net position. As of August 31, 2018, only the University of North Texas Foundation met the criteria for inclusion in the System's financial statements.

Discretely Presented Component Unit

University of North Texas Foundation

The University of North Texas Foundation, Inc. is reported as a discrete component unit. The Foundation's fiscal year end is August 31, consistent with the System. The Foundation is a separate nonprofit organization that is organized for various purposes, including transferring or using all or any part of the corpus or income from endowments for the benefit of UNT. Such uses are made in accordance with the general or specific purposes stipulated by the donors, grantors or testators, or in the absence of such stipulations, for such uses as may be determined by the Board of Directors of the Foundation; furthermore, the Foundation promptly distributes all net income in excess of operating requirements to promote the educational advancement of UNT. The governing board is self-perpetuating, comprised of elected members separate from the System's Board of Regents. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the Board of Directors of the Foundation. The System has no liability with regard to the Foundation, its operations or liabilities. The majority of endowments supporting university scholarships and other System programs are owned by the Foundation; therefore, including the Foundation's financial reports is important to obtain a full understanding of the System's financial position and resources.

The Foundation is an essential component of UNT's program for university advancement and for the development of private sources of funding for capital acquisitions, operations, endowments, and other purposes relating to the mission of UNT.

In August 2003, UNT entered into an agreement with the Foundation 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 development leadership for UNT would be provided by the Foundation's Chief Executive Officer.

An amended agreement was approved by the Foundation's Board of Directors in their June 2009 meeting, and subsequently approved by the System Board of Regents in August 2009. Under the amended agreement, UNT's Vice

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

President for Advancement will serve as the Foundation’s Director of Development and will oversee, coordinate and exercise decision-making authority over the fundraising activities of both UNT and the Foundation. In this dual position, the Vice President for Advancement/Foundation’s Director of Development (the “VPA/FDD”) shall have no decision-making authority in regard to governance of the Foundation or expenditure of funds by the Foundation. The VPA/FDD is an employee of UNT, and compensation for the position is the sole obligation of UNT. In consideration of this amended agreement, UNT has consistently reported the Foundation as a discrete component unit in the System’s financial statements.

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, 2018 related to pass-through grants were \$30,958,819.28 and \$106,709.97 respectively.

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

Note 16: 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 target distribution until the endowment has been established for one complete quarter.

The target distribution of spendable income to each unit of the endowment fund will be between 3% and 6% of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the Finance Committee of the Board of Regents, the target annual distribution rate shall be 3.75% of the average unit market value. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the real value of the endowment principal will be protected. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the System.

| Endowment Type | Amount of Cumulative Net Appreciation ⁽¹⁾ | Reported in Net Position |
|-----------------------|---|-------------------------------------|
| True Endowments | \$ 8,414,954.09 | Restricted Expendable |

(1) There was a positive fair value adjustment totaling \$500,971.53 for fiscal year 2018 related to true endowments. As of August 31, 2018, the System did not have any term endowments to report.

The Foundation’s spending policy for unitized endowments reflects an objective to distribute as much total return as is consistent with overall investment objectives and intergenerational equity, while protecting the real value of the endowment principal. An endowment is excluded from target distribution until the endowment has been established for one quarter.

The target distribution of spendable income to each unit of the endowment fund will be between 3% and 5% of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the Foundation's Board of Directors, the target annual distribution rate shall be 4% of the average unit market value: for fiscal year 2018 the distribution rate was 3.75%. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2018

value of the endowment is below the corpus of the endowment, the distributions shall be determined on a sliding scale basis. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the Foundation, a discrete component unit of the University of North Texas System.

| Endowment Type | Amount of Cumulative Net Appreciation ⁽¹⁾ | Reported in Net Position |
|-----------------------|---|-------------------------------------|
| True Endowments | \$ 15,603,728.68 | Restricted Expendable |

(1) There was a positive fair value adjustment totaling \$5,414,645.18 for fiscal year 2018 related to true endowments. As of August 31, 2018, the Foundation did not have any term endowments to report.

Note 17: Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the System's deferred outflows of resources and deferred inflows of resources as of August 31, 2018 is presented below:

| | Total |
|--|-------------------------|
| Deferred Outflows of Resources | |
| Unamortized Losses on Refunding of Debt | \$ 7,548,010.18 |
| Deferred Outflows of Resources Related to Pensions | 35,936,771.00 |
| Deferred Outflows of Resources Related to OPEB | 3,008,885.00 |
| Total Deferred Outflows of Resources | \$ 46,493,666.18 |
| Deferred Inflows of Resources | |
| Unamortized Gains on Refunding of Debt | \$ 1,214,602.41 |
| Deferred Inflows of Resources Related to Pensions | 42,577,917.00 |
| Deferred Inflows of Resources Related to OPEB | 19,101,692.00 |
| Total Deferred Inflows of Resources | \$ 62,894,211.41 |

See Note 1, *Summary of Significant Accounting Policies*, Note 8, *Defined Benefit Pension Plan and Defined Contribution Plan*, and Note 9, *Postemployment Benefits Other Than Pensions*, for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding, pensions, and OPEB.

**UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2018**

Required Supplementary Information (RSI)

Schedule of the System's Proportionate Share of the Net Pension Liability

RSI - Pension Proportionate Share

| | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|
| System's proportion of the net pension liability | 0.3350903754% | 0.3167884475% | 0.3348771000% | 0.3870437000% |
| System's proportionate share of the net pension liability | \$ 107,143,850.00 | \$ 119,709,644.00 | \$ 118,374,598.00 | \$ 103,405,818.19 |
| System's covered payroll ⁽¹⁾ | \$ 252,852,119.73 | \$ 248,934,340.22 | \$ 235,537,989.10 | \$ 222,501,101.49 |
| System's proportionate share of the net pension liability as a percentage of its covered payroll | 42.37% | 48.09% | 50.26% | 46.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.17% | 78.00% | 78.43% | 83.25% |

⁽¹⁾ Covered payroll is for the year prior, because the System's net pension liability as of August 31 current year is based on a measurement date of August 31 of the previous year.

Schedule of the System's Pension Contributions

RSI - Pension Contributions

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statutorily required contributions | \$ 11,593,499.00 | \$ 10,961,110.00 | \$ 10,085,190.00 | \$ 9,916,773.00 | \$ 9,870,977.18 |
| Contributions in relation to the statutorily required contributions | 11,593,499.00 | 10,961,110.00 | 10,085,190.00 | 9,916,773.00 | 9,870,977.18 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| System's covered payroll | \$ 266,991,392.49 | \$ 252,852,119.73 | \$ 248,934,340.22 | \$ 235,537,989.10 | \$ 222,501,101.49 |
| Contributions as a percentage of covered payroll | 4.34% | 4.33% | 4.05% | 4.21% | 4.44% |

**UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2018**

Schedule of the System's Proportionate Share of the Net OPEB Liability

RSI - OPEB Proportionate Share

| | 2018 |
|--|------------------|
| System's proportion of the net OPEB liability | 0.25354973% |
| System's proportionate share of the net OPEB liability | \$ 86,392,029.00 |
| System's covered-employee payroll ⁽¹⁾ | \$ 29,780,201.94 |
| | |
| System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 290.10% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.04% |

⁽¹⁾ Covered-employee payroll is for the year prior, because the System's net pension liability as of August 31 current year is based on a measurement date of August 31 of the previous year.

Schedule of the System's OPEB Contributions

RSI - OPEB Contributions

| | 2018 |
|---|------------------|
| Statutorily required contributions | \$ 2,983,307.00 |
| Contributions in relation to the statutorily required contributions | 2,983,307.00 |
| | |
| Contribution deficiency (excess) | \$ - |
| System's covered-employee payroll | \$ 31,419,339.86 |
| | |
| Contributions as a percentage of covered-employee payroll | 9.50% |

**NOTES TO THE
FINANCIAL STATEMENTS**

of the

**UNIVERSITY OF NORTH TEXAS
FOUNDATION, INC.**

DENTON, TEXAS

For the Years Ended August 31, 2017 and 2018

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2018

Note 1: Purpose and Summary of Significant Accounting Policies

Purpose

The University of North Texas Foundation, Inc. (Foundation) is a nonprofit organization with the purpose of providing financial support to the University of North Texas. This purpose is accomplished by the Foundation receiving and managing donations (cash and non-cash) from individuals and organizations.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

Contributions

Contributions are generally temporarily or permanently restricted by the donor to support specific programs within the University of North Texas. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their estimated net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their estimated net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises to give has been provided based on management's evaluation of contributions receivable at year end.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

Endowment contributions and investments are permanently restricted by the donor. Investment income available for distribution is recorded in temporarily restricted net assets because of program restrictions. The portion of the fair value of endowment funds which is below the endowment fund's historical cost is recorded as a reduction in unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity at the time of purchase of three months or less. At August 31, 2018 and 2017, there was \$1,918,559 and \$3,748,277, respectively, of cash equivalents in the Foundation's investment accounts awaiting investment.

Investments

The Foundation carries investments in marketable securities, other common stocks, and mutual funds with readily determinable fair values at their fair values based on quoted prices in active markets (Level 1 measurements) in the Statement of Financial Position. Investments in fixed income securities, fixed income mutual funds, and comingled funds are carried at their fair value based on published valuations (Level 2 measurements). Investments in non-publicly traded Real Estate Investment Trust and Hedge Funds of Funds are carried at their fair value as determined using significant

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2018

unobservable inputs (Level 3 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Real Property

Real property consists of property that has been donated to the Foundation. The property is stated at the estimated fair value at the time of the donation.

Other Assets

Other assets consists of paintings donated to the Foundation and held for sale. The paintings are recorded at their fair value as of the date of the donation.

Agency Funds

Agency funds consist of resources held by the Foundation as an agent for resource providers and will be transferred to third-party recipients specified by the resource provider.

Date of Management's Review

Subsequent events were evaluated through November 28, 2018, which is the date the financial statements were available to be issued.

Note 2: Investments

Investment securities consisted of the following at August 31, 2018 and 2017:

| | August 31, 2018 | | August 31, 2017 | |
|---|------------------------|-----------------------|------------------------|-----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| U.S. and International Stocks and Equity Mutual Funds/Comingled Funds | \$ 183,528,161 | \$ 215,002,474 | \$ 146,522,187 | \$ 185,130,687 |
| U.S. and International Fixed Income Securities and Mutual Funds/Comingled Funds | 65,543,402 | 65,119,348 | 62,861,418 | 63,015,734 |
| U.S. Balanced Comingled Fund | 16,300,000 | 21,065,941 | 16,300,000 | 18,046,024 |
| Real Estate Investment Trust and Mutual Funds | 10,785,912 | 11,352,006 | 9,319,665 | 9,936,938 |
| Natural Resource Mutual Fund/Global Hard Assets Mutual Fund | 12,768,882 | 12,103,256 | 15,756,960 | 12,726,765 |
| Hedge Funds of Funds/Mutual Fund | 21,906,833 | 31,341,292 | 21,906,833 | 26,711,230 |
| | \$ 310,833,190 | \$ 355,984,317 | \$ 272,667,063 | \$ 315,567,378 |

Investment income consists of interest and dividends on investment securities and is shown net of investment fees and expenses of \$136,976 and \$69,532 for the years ended August 31, 2018 and 2017, respectively.

Note 3: Fair Value of Financial Instruments

Generally accepted accounting principles requires disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments other than investments are cash and cash equivalents, contributions and other receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2018

Note 4: Fair Value Measurements

Fair values of assets measured on a recurring basis at August 31, 2018 and 2017 are as follows:

| | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|---|-----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| August 31, 2018: | | | | |
| Securities/Mutual Funds/Comingled Funds | \$ 324,641,408 | \$ 199,171,377 | \$ 125,470,031 | \$ - |
| Real Estate Investment Trust | 1,617 | - | - | 1,617 |
| Hedge Funds of Funds | 31,341,292 | - | - | 31,341,292 |
| Total | \$ 355,984,317 | \$ 199,171,377 | \$ 125,470,031 | \$ 31,342,909 |
| August 31, 2017: | | | | |
| Securities/Mutual Funds/Comingled Funds | \$ 288,849,551 | \$ 193,605,834 | \$ 95,243,717 | \$ - |
| Real Estate Investment Trust | 6,597 | - | - | 6,597 |
| Hedge Funds of Funds | 26,711,230 | - | - | 26,711,230 |
| Total | \$ 315,567,378 | \$ 193,605,834 | \$ 95,243,717 | \$ 26,717,827 |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| | Real Estate Investment Trust | Hedge Funds Mutual Funds | Total |
|--|------------------------------------|-----------------------------|---------------|
| August 31, 2016 | \$ 72,632 | \$ 24,459,430 | \$ 24,532,062 |
| Total gains (losses) (realized/unrealized) | (66,035) | 2,251,800 | 2,185,765 |
| Purchases, issuance, and settlements | - | - | - |
| August 31, 2017 | \$ 6,597 | \$ 26,711,230 | \$ 26,717,827 |
| Total gains (losses) (realized/unrealized) | (4,980) | 4,630,062 | 4,625,082 |
| Purchases, issuance, and settlements | - | - | - |
| August 31, 2018 | \$ 1,617 | \$ 31,341,292 | \$ 31,342,909 |

The gains and losses for each year are included in the statements of activities under realized and unrealized gain (loss) on market value of investments.

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Fair values for mutual funds and comingled funds valued using level 2 inputs are based on published daily valuations. Fair values for the Real Estate Investment Trust, Hedge Funds of Funds, and Loan Fund are determined by third-party valuations of the investments. There were no changes in valuation methods during fiscal years 2018 or 2017.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2018

Note 5: Contributions and Other Receivables

Contributions and other receivables as of August 31, 2018 and August 31, 2017 are as follows:

| | <u>August 31, 2018</u> | <u>August 31, 2017</u> |
|--|------------------------|------------------------|
| Contributions Receivable in less than one year | \$ 2,340,805 | \$ 2,435,754 |
| Contributions Receivable in one to five years | 4,657,733 | 1,476,347 |
| Contributions Receivable in six to ten years | 2,051,426 | 25,000 |
| Contributions Receivable in over ten years | - | - |
| Total Contributions Receivable | \$ 9,049,964 | \$ 3,937,101 |
| Less allowance for uncollectible amounts | \$ (746,449) | \$ (375,301) |
| Less discounts to net present value | (1,585,472) | (184,088) |
| Net Contributions Receivable | \$ 6,718,043 | \$ 3,377,712 |
| Other amounts receivable | \$ - | \$ 12,845 |
| Total Contributions and Other Receivables | \$ 6,718,043 | \$ 3,390,557 |

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent.

Note 6: Unrestricted Net Assets

During the year ended August 31, 2018, the Foundation's Board of Directors designated \$390,000 of unrestricted net assets to fund 13 board-designated endowment funds. The funds will be used for scholarships in the thirteen colleges within the University of North Texas.

Unrestricted net assets at August 31, 2018 and 2017 include \$1,869,728 and \$1,746,303, respectively, which has been designated by the Foundation's Board of Directors as a reserve for future operations.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions from donors to specified programs or scholarships within the University of North Texas. Temporarily restricted net assets also includes income from endowment funds that are available for distribution upon satisfaction of the specific program restriction stated in the endowment agreement.

Note 8: Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at August 31, 2018 and 2017:

| | <u>August 31, 2018</u> | <u>August 31, 2017</u> |
|---|------------------------|------------------------|
| Endowments to support various programs, scholarships, and other activities of the University of North Texas | \$ 120,994,271 | \$ 102,563,259 |
| Cash value of life insurance policies that will provide proceeds upon death of insured for endowments | 551,315 | 523,376 |
| Total | \$ 121,545,586 | \$ 103,086,635 |

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2018

Note 9: 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, 2018 and 2017, there were a total of 24 and 25 such policies, respectively, with death benefits totaling \$1,889,703 and \$1,982,636 respectively, and cash values totaling \$551,315 and \$523,376 respectively.

Note 10: 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.

Note 11: Retirement Plan

The Foundation sponsors a defined contribution retirement plan covering all full time employees of the Foundation. Prior to January 1, 2017, the Foundation contributed 8.5% of eligible employees' compensation to the plan, and employees were required to contribute a minimum of 6.65% of compensation to the plan. Effective January 1, 2017, a new 403(b) plan was adopted. Under the terms of the new plan, the Foundation contributes a full matching contribution of up to 6.0% of compensation for employees who make an elective contribution. An additional discretionary non-elective contribution may be allocated on the basis of compensation, as budgeted and approved by the Board in advance of the fiscal year. Employees may make voluntary contributions up to the limits prescribed by the Internal Revenue Code. The Foundation contributions to the existing and prior plans were \$68,553 and \$67,712 for the year ended August 31, 2018 and 2017 respectively.

Note 12: 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 assets held under these agreements are included in the Statement of Financial Position at fair value.

Note 13: Assets Held For Others

The Foundation holds and invests certain funds in trust on behalf of the University of North Texas System (UNTS). Pursuant to an investment agreement dated March 15, 2012 and amended and restated on November 1, 2014, certain UNTS long-term assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool. The UNTS investment funds are subject to the same investment management policy as the Foundation's investments, but receive monthly distributions. The initial term of the agreement effective on November 1, 2014 ended August 31, 2017. It contains a provision to automatically renew annually thereafter, as well as a provision for early termination as agreed by the parties. UNTS elected to not renew the agreement August 21, 2018.

The Foundation also holds and invests certain funds in trust on behalf of the University of North Texas (UNT). Pursuant to an investment management agreement dated August 24, 2012, certain UNT endowment assets have been placed with the Foundation and invested in the Foundation's Consolidated Investment Pool or the Foundation's DFA Short-Term Government fund. The UNT endowment funds invested in the Foundation's Consolidated Investment Pool are subject to the same investment management and distribution policies as the Foundation's investments. The initial term of the

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2018

agreement ended August 31, 2013, with a provision to automatically renew annually thereafter. On April 28, 2017 the agreement was re-written with an effective date of June 1, 2017, with the initial term ending on August 31, 2022 and a provision to automatically renew and extend for additional five-year terms.

UNTS and UNT are independent of the Foundation in all respects. UNTS and UNT are not subsidiaries or affiliates of the Foundation and are not directly or indirectly controlled by the Foundation. The Board of Regents of UNTS makes all decisions regarding the business and affairs of UNTS and UNT, and their long-term assets and endowment assets managed by the Foundation are the exclusive property of UNTS and UNT respectively. Since the Foundation does not have ownership of any of the UNTS or UNT assets, neither the principal nor income generated by these assets, except for management fees paid from these assets, are included in the amount of net assets of the Foundation.

Also, a trust for which the Foundation serves as Trustee currently names the Foundation as the remainder beneficiary, however, the donor has retained the right to change the remainder beneficiary to other charitable organizations. As a result, the Foundation has recorded the assets held under this trust as assets held for others.

Assets held under these arrangements are included in the Statement of Financial Position at fair value, and the Foundation realized net management fee income of \$709,358 and \$523,376 respectively during the year ended August 31, 2018 and 2017, respectively for its services.

A summary of the assets held for others is as follows:

| | <u>August 31, 2018</u> | <u>August 31, 2017</u> |
|--|------------------------------|------------------------------|
| Trust for which beneficiary can be changed | \$ 1,382,875 | \$ 1,351,176 |
| UNTS assets managed by Foundation | 158,548,191 | 144,653,451 |
| UNT endowment assets managed by Foundation | 57,093,613 | 51,547,180 |
| Total Assets Held for Others | <u>\$ 217,024,679</u> | <u>\$ 197,551,807</u> |

Note 14: Concentrations of Credit Risk

The Foundation maintains cash balances at times in excess of \$250,000 in its depository bank, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. The total amount of checking account deposits with Wells Fargo Bank N.A. as of August 31, 2018 and 2017 was \$3,198,051 and \$3,070,413, respectively. In addition to the checking account balances, the Foundation had cash balances of \$7,593,747 and \$5,386,401 at August 31, 2018 and 2017, respectively, invested with Wells Fargo Securities in a money market mutual fund.

The Foundation also maintains short-term cash investments in other money-market mutual funds, which are not insured. The amount held in money market mutual funds was \$2,544,046 and \$3,752,718 at August 31, 2018 and 2017, respectively.

February 14, 2019

Grant Thornton LLP
1717 Main Street, Suite 1800
Dallas, Texas 75201

Dear Sir or Madam:

We are providing this letter in connection with your audit of the comprehensive financial statements of the business-type activities and discretely presented component unit of the University of North Texas System (“System”), which collectively comprise the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows as of August 31, 2018, and for the year then ended, and the related notes to the comprehensive financial statements. We understand that your audit was made for the purpose of expressing an opinion as to whether the comprehensive financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

We have fulfilled our responsibility, as set out in the terms of the Engagement Letter, for the preparation and fair presentation in the comprehensive financial statements of the respective financial position of System, its discretely presented component unit, and the respective changes in financial position and cash flows in accordance with US GAAP. We acknowledge our responsibility for understanding and complying with the laws, regulations, and provisions of contracts and grant agreements and other matters applicable to the System. We further acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud, including programs and controls to prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of the surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of February 14, 2019, the following representations made to you during your audit.

1. The comprehensive financial statements referred to above, including the related notes, have been prepared and are fairly presented in conformity with US GAAP.
2. The comprehensive financial statements include all component units as well as joint ventures with an equity interest and properly disclose all other joint ventures and other related organizations.
3. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the comprehensive financial statements, including all financial records, documentation of internal control over financial reporting, and related information
 - b. Additional information you have requested for audit purposes

- c. Unrestricted access to persons from whom you determined it was necessary to obtain audit evidence
 - d. Minutes of the meetings of Board of Regents and committees of Regents or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. There have been no communications, written or oral, from regulatory agencies or others concerning noncompliance with, or deficiencies in, financial reporting practices.
5. All transactions have been recorded in the accounting records and are reflected in the comprehensive financial statements. The adjusting journal entries for the year ended August 31, 2018, which have been proposed by you, are approved by us and will also be recorded in the System's accounting records.
6. We believe that the effects of the uncorrected financial statement misstatements in the accompanying schedule are immaterial, both individually and in the aggregate, to the comprehensive financial statements taken as a whole. Refer to attachment A at the end of this letter.
7. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.
8. We have disclosed to you all significant deficiencies in the design or operation of internal control over financial reporting of which we are aware.
9. We have disclosed to you the results of our assessment of the risk that the comprehensive financial statements may be materially misstated as a result of fraud. Except as disclosed to you, we have no knowledge of fraud or suspected fraud affecting the System involving:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the System's financial statements received in communications from employees, former employees, analysts, regulators, or others.
11. We have identified and disclosed all instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statements.
12. Except as disclosed to you, there are no known violations or possible violations of, or no known instances of noncompliance or suspected noncompliance with, provisions of laws, regulations, contracts, or grant agreements, or other matters whose effects should be considered by management when preparing the comprehensive financial statements (for example, debt limits and debt covenants), as a basis for recording a loss contingency, for disclosure or for auditor reporting on noncompliance. We have complied with all provisions of laws, regulations, contracts, and grant agreements, and other matters, including all laws and regulations in adopting, approving, and amending budgets.
13. We have identified and disclosed to you all instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements and other matters that have a direct and material effect on the determination of financial statement amounts.
14. We have established and maintained a process to address and track the status of audit findings, conclusions, and recommendations. We have provided to you our views on such matters, as well as planned corrective actions to be included in the report. We have also identified and informed you of findings and recommendations from previous audits, attestation engagements, or other studies that could have a material effect on the comprehensive financial statements and whether any related recommendations were implemented or corrective actions taken.

15. The System has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
16. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

Events or changes in circumstances may include a significant decrease in the market price, change in the use of an asset, adverse changes in the business or legal climate, loss of customers, operating or cash flow losses, an expectation to sell assets before the end of the previously estimated life, and costs in excess of amounts to acquire or build an asset.

17. We have disclosed to you the identity of the System's related parties and all related party relationships and transactions of which we are aware. Related party relationships and transactions and related amounts receivable from or payable to related parties (including sales, purchases, loans, transfers, leasing arrangements, and guarantees) have been properly accounted for and disclosed in the financial statements in accordance with US GAAP.

We understand that "related parties" include (1) affiliates of the System; (2) entities for which investments in their equity securities would be required to be accounted for by the equity method by the investing entity; (3) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (4) the Board of Regents and members of their immediate families; and (5) management of the System and members of their immediate families.

Related parties also include (1) other parties with which the System may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (2) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

18. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (*GASB-62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*), are properly disclosed in the financial statements.

Significant estimates are estimates at the date of the statement of financial position that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

19. The methods and significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable, consistently applied, and result in a measurement appropriate for financial statement and disclosure purposes. Disclosures related to these estimates and fair value measurements are adequate, complete, and accurate. No events have occurred subsequent to the date of the comprehensive financial statements through the date of this letter that would require adjustment to these estimates and fair value measurements, or the related disclosures included in the financial statements.
20. In accordance with GASB Statement No. 72, *Fair Value Measurements and Application*, the System has categorized its financial instruments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs that are used to measure the securities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

21. There are no financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.
22. There are no guarantees, whether written or oral, under which the System is contingently liable.
23. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
24. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
25. Provisions for uncollectible receivables have been properly identified and recorded.
26. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
27. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
28. Interfund, internal, and intra-system activity and balances have been appropriately classified and reported.
29. Amounts due to and due from related components are valid payables/receivables and will be paid to/by respective System components.
30. Risk disclosures associated with deposit and investment securities are presented in accordance with GASB requirements.
31. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
32. The accounting practice regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and that net position is properly recognized under the practice.
33. The System's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.
34. There are no known actual or possible litigation, claims, or assessments that our legal counsel has advised us are probable of assertion whose effects should be considered by management when preparing the comprehensive financial statements and that should be accounted for and disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification (ASC) 450, Contingencies), except as disclosed in the financial statements.
35. There are no other liabilities or gain or loss contingencies that are required to be accounted for or disclosed in accordance with GASB-62.
36. The System has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements.
37. We acknowledge our responsibility for the Management Discussion and Analysis, the Schedule of the System's Proportionate Share of the Net Pension Liability, the Schedule of the System's Pension Contributions, the Schedule of the System's Proportionate Share of the Net OPEB Liability, and the Schedule of the System's OPEB Contributions, which the Governmental Accounting Standards

Board considers to be an essential part of financial reporting for placing the comprehensive financial statements in an appropriate operational, economic, or historical context. Such 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, except as follows – the Schedule of the System’s Proportionate Share of the Net OPEB Liability and the Schedule of the System’s OPEB Contributions are measured and presented in accordance with GASB Statement No. 75 (GASB-75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.

38. Except as disclosed to you, we believe any grant expenditures that could potentially be disallowed, and not reimbursed by the grantor, would be immaterial
39. There were no material outstanding unemployment or workers’ compensation claims pending at August 31, 2018.
40. There are no other receivables or payables that are greater than or equal to 5% of total receivables or payables and must be disclosed separately.
41. We believe that all information obtained from the Teachers’ Retirement System (TRS) to include the audited comprehensive financial statements, actuary reports, and disclosures related to pension and post-retirement liabilities and costs are appropriate in the circumstances, in accordance with GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The System has complied with all accounting and disclosure requirements of GASB 68.
42. We believe that all information obtained from the Employees’ Retirement System (ERS) to include the audited comprehensive financial statements, actuary reports, and disclosures related to other postemployment benefit liabilities and costs are appropriate in the circumstances, in accordance with GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The System has complied with all accounting and disclosure requirements of GASB 75.
43. The System invests in certain external investment pools that meet the requirements outlined in GASB Statement No. 79, *Certain External Pools and Pool Participants*, to measure their investments at amortized cost for financial reporting purposes. According to this Statement, if an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. As a result, we believe these investment pool are appropriately excluded from the tiering requirements of GASB Statement 72.
44. Bonuses in the amount of \$1,092,730 accrued at August 31, 2018 represents amounts earned in the period ending August 31, 2018. \$1,092,730 was paid subsequent to year end.
45. There are no known split-interest agreements or trusts held by third parties.
46. We believe that the contributions made for active employees do not represent a post-employment benefit but rather a current period expense. Accordingly, contributions made subsequent to the measurement date by the System for active employees have been recorded as an expense for the year ended August 31, 2018 and contributions made subsequent to the measurement date by the System for retirees have been recorded as a deferred outflow of resources as of August 31, 2018.
47. We agree with the findings of specialists in evaluating the System’s net pension liability, postemployment benefit obligations, self-insurance liability, investment valuations and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the comprehensive financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or

amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

48. We believe that the actuarial assumptions and methods used to measure net pension liabilities, postemployment benefits obligations, self-insurance liability and costs for financial accounting purposes are appropriate in the circumstances.
49. We have not invested in unallowable securities as outlined by the Public Funds Investment Act.
50. All events subsequent to the date of the financial statements through the date of this letter and for which US GAAP requires recognition or disclosure have been recognized or disclosed.

Very truly yours,

UNIVERSITY OF NORTH TEXAS SYSTEM

Lesia Roe, UNT System Chancellor

Gary Rahlfs, Vice Chancellor for Finance

Attachment A

Schedule of Uncorrected Misstatements as of and for the year ended August 31, 2018

(1) PAJE 1 – Construction and retainage accruals were under-recognized for FY18.

| <u>Account Description</u> | <u>Amount DR (CR)</u> |
|--|-----------------------|
| Construction In Progress Non-Depreciable | 3,592,998.00 |
| Accounts Payable – Retainage | (192,576.00) |
| Accounts Payable – Manual | (3,400,422.00) |

Schedule of Subsequent Events as of and for the year ended August 31, 2018

(1) PAJE 2 – Subsequent Event to 8/31/2018. Mediation settlement related to UNT Dallas residence hall.

| <u>Account Description</u> | <u>Amount DR (CR)</u> |
|--|-----------------------|
| Building/Building Improvements -Depreciable | 1,192,261.00 |
| Accounts Payable - Manual | (1,192,261.00) |
| Depreciation Expense - Building | 5,251.46 |
| Accumulated Depreciation -Building/Building Improvements | (5,251.46) |

Quarterly Report of Audit Activities

Presented by Tracy Grunig
February 14-15, 2019

Activities reflected within are as of December 31, 2018



First Quarter Accomplishments

- Completed Compliance Audits on First Quarter FY19 Annual Audit Plan Using Co-Sourced and Internal Resources
- HR Finance Initiative – Participated in Identifying Control Points and Weaknesses
- UNT Student Financial Aid & Scholarships – Extensive review of Internal Control Processes and Provided Investigative Support
- FY18 External Audit Fieldwork Assistance
- Telecom – Identified Control Weaknesses, Determined Financial Reimbursement and Facilitated collaboration of New Statement of Work between UNTHSC and ITSS



Audit Spotlights

- New recommendations for Internal Audit's follow-up process
 - Contacting responsible parties 60, 30 and 10 days before due date
 - Coordinating with Institutional CFOs to facilitate timely implementation
 - Working with Compliance Officers for System and Universities to gain their assistance in tracking open items

- New sources for compiling and reporting audit recommendations from other agencies
 - UNT Risk Management Services
 - UNT Office of Grants and Contract Administration
 - Office of Finance and Administration at System and Universities
 - UNTHSC Environmental Health and Safety
 - UNT Dallas Facilities
 - UNT Dallas Office of Sponsored Projects

Audit and Management Advisory Services Reports Issued

UNT:

- UNT President's Expenditure Review
- UNT Financial Aid Processes
- Home Instruction For Parents of Preschool Youngsters (HIPPIY) Management Advisory

UNT Dallas:

- UNT Dallas President's Expenditure Review
- Security Camera Access

*Outsourced

UNTHSC:

- UNTHSC President's Expenditure Review
- UNTHSC Faculty Development Center Grant Compliance*
- UNTHSC Family Medicine Residency Program Grant Compliance *
- UNTHSC Family Medicine Residency – NMM Program Grant Compliance *

UNT System:

- Investments
- Chancellor's Expenditure Review
- EIS Role Based Access

Audit and Management Advisory Services Reports Issued

Matrix of Objectives and Issues Identified

| Audit Name | Component Institutions | | | | Original Objectives | Issues Identified |
|--|------------------------|-----|---------|------------|--|--|
| | UNTS | UNT | UNT HSC | UNT Dallas | | |
| UNT President's Expenditure Review | | X | | | Determine the expenditures' business purpose and reasonableness; and whether the expenditures were in compliance with UNT System regulations and University policies, employment agreement provisions, and state/federal laws. | <ul style="list-style-type: none"> • None |
| UNT Financial Aid Processes | | X | | | Assess processes and procedures related to financial aid practices, training, and compliance with federal regulations, University policies and best practices. | <ul style="list-style-type: none"> • No documentation for over \$180,000 in Cost of Attendance (COA) Adjustments. • Balances for institutional grants in prior financial aid years were not closed out, which allowed inappropriate disbursements in excess of \$80,000. • Due to inappropriately awarded financial aid, refunds in excess of \$80,000 were processed. • No internal review threshold for review of Graduate PLUS loans. • Multiple conflicts of interest. Employees were not required to declare potential conflicts of interest. • Satisfactory Academic Progress (SAP) appeal requests approved without proper support documentation. Segregation of duties was inadequate for review of SAP appeal requests. |
| Home Instruction For Parents of Preschool Youngsters (HIPPY) Management Advisory | | X | | | Assist management with ongoing support for the program. | <ul style="list-style-type: none"> • None |

Audit and Management Advisory Services Reports Issued

Matrix of Objectives and Issues Identified

| Audit Name | Component Institutions | | | | Original Objectives | Issues Identified |
|---|------------------------|-----|---------|------------|--|--|
| | UNTS | UNT | UNT HSC | UNT Dallas | | |
| UNT Dallas President's Expenditure Review | | | | X | Determine the expenditures' business purpose and reasonableness; and whether the expenditures were in compliance with UNT System regulations and University policies, employment agreement provisions, and state/federal laws. | <ul style="list-style-type: none"> • None |
| UNT Dallas Security Camera Access | | | | X | Determine the security and effectiveness of the controls protecting the surveillance camera system, as well as evaluate the adequacy and functionality of the equipment that make up the system. | <ul style="list-style-type: none"> • View of segments of the parking lots are not captured by current cameras. • Camera in key area not operating properly • Surveillance camera monitoring capabilities not configured to allow contiguous viewing of campus wide activity. • There was no Security Camera Policy in place. • Surveillance videos are not consistently monitored during hours campus is open for classes. • A terminated employee was still on the user access list. • There was no documented Business Continuity or Disaster Recovery Plan in place for UNT Dallas Security Camera system. |
| UNTHSC President's Expenditure Review | | | X | | Determine the expenditures' business purpose and reasonableness; and whether the expenditures were in compliance with UNT System regulations and University policies, employment agreement provisions, and state/federal laws. | <ul style="list-style-type: none"> • None |

Audit and Management Advisory Services Reports Issued

Matrix of Objectives and Issues Identified

| Audit Name | Component Institutions | | | | Original Objectives | Issues Identified |
|---|------------------------|-----|---------|------------|---|--|
| | UNTS | UNT | UNT HSC | UNT Dallas | | |
| UNTHSC Faculty Development Center Grant Compliance | | | X | | <ul style="list-style-type: none"> Verify that grant annual financial report agrees to amounts recorded in UNTHSC's accounting system and revenues and expenditures are in compliance with grant guidelines. Verify that the appropriate internal controls over the monitoring of grant funds have been established and are operating effectively. | <ul style="list-style-type: none"> None |
| UNTHSC Family Medicine Residency Program Grant Compliance | | | X | | <ul style="list-style-type: none"> Verify that program annual financial report agree to amounts recorded in UNTHSC's accounting system and revenues and expenditures are in compliance with grant guidelines. Verify that the appropriate internal controls over the monitoring of grant funds have been established and are operating effectively. | <ul style="list-style-type: none"> Incidental audit recommendations |
| UNTHSC Family Medicine Residency – NMM Program Grant Compliance | | | X | | <ul style="list-style-type: none"> Assess UNTHSC's compliance with the requirements of the FMRP/NMM grant agreement. Evaluate UNTHSC's compliance with the terms and conditions of the grant agreement and with University System policies and procedures for grant management and accounting. | <ul style="list-style-type: none"> Incidental audit recommendations |
| Investments | X | X | X | X | Provide assurance that controls surrounding the investing activities are effective and efficient, and to provide assurance of adherence with: <ul style="list-style-type: none"> System Regulation 08.2000 UNT System Board of Regents Rule 10.100 Public Finance Investment Act (PFIA), including State Auditor's Office (SAO) Article III, Rider 5 reporting | <ul style="list-style-type: none"> None |

Audit and Management Advisory Services Reports Issued

Matrix of Objectives and Issues Identified

| Audit Name | Component Institutions | | | | Original Objectives | Issues Identified |
|---------------------------------|------------------------|-----|---------|------------|--|---|
| | UNTS | UNT | UNT HSC | UNT Dallas | | |
| Chancellor's Expenditure Review | X | | | | Determine the expenditures' business purpose and reasonableness; and whether the expenditures were in compliance with UNT System regulations and University policies, employment agreement provisions, and state/federal laws. | <ul style="list-style-type: none"> • A manual process breakdown in identifying off-cycle payroll payments for 'Additional Pay' resulted in an overpayment to the Chancellor for temporary automobile and housing allowances. • Employment agreement and IRS Guidelines were not followed. Specifically, a temporary travel allowance was not accounted for as a personal taxable benefit, resulting in an incorrect imputed income on the Chancellor's W-2 Form. |
| EIS Role Based Access | X | | | | Determine if access to EIS assigned via Roles appropriately enforces Segregation of Duties, and to determine if access is approved, granted, modified, removed, and reviewed according to state regulations and UNT policies. | <ul style="list-style-type: none"> • Segregation of Duties (SOD) is not documented. SOD interrelationships are not reviewed. • Owners of information are not approving access. • Owners are not reviewing access to their information. The roles granting this access are not reviewed. • Roles granting access are not reviewed. • Terminated people have access to EIS information. Persons who transfer positions retain their access from previous roles. • Account Control Executives (ACEs) do not use a ticketing system or form to track access requests. • There are no written procedures for granting access. |

FY19 Internal Audit Plan Activity to Date

| | Title of Audit | Description and Audit Objectives | Status | Component Institution | | | | Identified Risk |
|--|---|---|--------------------------------|-----------------------|-----|--------|------------|--|
| | | | | UNT System | UNT | UNTHSC | UNT Dallas | |
| FY18 Audits Requiring FY19 Audit Hours: | | | | | | | | |
| | Grants and Contracts Compliance | Review grants and contracts for compliance with grant conditions, System/University policies, and state and federal laws. | Issued Nov 2018 | | X | | | Compliance; Reputational; Financial; Operational; Regulatory |
| | Effort Reporting Process | Review effort reporting process for grants for compliance with grant conditions, System/University policies, and state and federal laws. | Issued Nov 2018 | | X | | | Compliance; Reputational; Financial; Operational; Regulatory |
| | Home Instruction for Parents of Preschool Youngsters (HIPPPY) | Assess compliance with the sponsor's terms and conditions in the carrying out of the Texas HIPPPY Corp project. | Issued Nov 2018 | | X | | | Compliance; Reputational; Financial; Operational; Regulatory |
| | Kristin Farmer Autism Center | Review and determine if controls for revenue collection, purchasing, travel, and operational expenditures comply with University/System policies and regulations. | Issued Nov 2018 | | X | | | Compliance; Reputational; Financial; Operational; Regulatory |
| | Grants and Contracts Compliance | Review grants and contracts for compliance with grant conditions, System/University policies, and state and federal laws. | Issued Nov 2018 | | | X | | Compliance; Reputational; Financial; Operational; Regulatory |
| | Effort Reporting Process | Review effort reporting process for grants for compliance with grant conditions, System/University policies, and state and federal laws. | Issued Nov 2018 | | | X | | Compliance; Reputational; Financial; Operational; Regulatory |
| U | UNT Financial Aid Processes | Assess processes and procedures related to financial aid practices, training, and compliance with federal regulations, University policies and best practices. | Final Draft Report Feb 2019 AC | | X | | | Compliance; Reputational; Financial; Operational; Regulatory |
| U | Home Instruction For Parents of Preschool Youngsters (HIPPPY) Management Advisory | Assist management with ongoing support for the program. | Final Draft Report Feb 2019 AC | | X | | | Compliance; Reputational; Financial; Operational; Regulatory |
| U | Security Camera | Review effectiveness of security camera coverage; security of physical and logical access to the cameras and systems that support the cameras. | Final Draft Report Feb 2019 AC | | | | X | Information Technology; Reputational; Operational |

FY19 Internal Audit Plan Activity to Date

| | Title of Audit | Description and Audit Objectives | Status | Component Institution | | | | Identified Risk |
|--|--|--|-----------------------------------|-----------------------|-----|--------|------------|---|
| | | | | UNT System | UNT | UNTHSC | UNT Dallas | |
| FY19 Audits Requiring FY19 Audit Hours: | | | | | | | | |
| | Investments | Evaluate whether controls surrounding the investing activities are effective; as well as adherence with System Regulation 08.2000, UNT System Board of Regents Rule 10.100, and Public Funds Investment Act (PFIA) including State Auditor's Office (SAO) Article III, Rider 5 reporting requirements. | Issued Dec 2018 | X | X | X | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | Chancellor's/President's Expenditure Reviews | Evaluate whether travel, entertainment, and business expenses are in compliance with System/University policies, employment agreement provisions, state, and federal laws as required by employment agreements. | Final Draft Report Feb 2019 AC | X | X | X | X | Compliance; Reputational; Financial; Operational |
| | EIS Role Based Access | Determine if role based access exists within EIS and if segregation of duties conflicts exist within and between assigned roles. | Final Draft Report Feb 2019 AC | X | | | | Information Technology; Financial; Operational |
| | External Audit Fieldwork Assistance - Grant Thornton | Internal Audit assistance with the annual audit of UNTS financial statements for FY18. | In-Process | X | X | X | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | Federal Reporting | Ensure required federal reports are submitted timely, accurately and completely. | In-Process | | | X | | Compliance; Reputational; Financial; Operational; Regulatory |
| | Enterprise Risk Management | Assess framework used by organizations to manage risks and opportunities related to the achievement of institutional and department objectives. Review processes for effectiveness. | In-Process | X | X | X | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | Employee Benefits Reconciliation Ad-Hoc Committee | Committee headed by Brandi Renton to explore issues discovered concerning TRS deductions not taken properly from employee paychecks, particularly those hired after 1/17/18. IA to explore processes and controls concerning ERS benefits, identifying weaknesses. | In-Process | X | X | X | X | Compliance; Reputational; Financial; Operational; Regulatory |

FY19 Internal Audit Plan Activity to Date

| | Title of Audit | Description and Audit Objectives | Status | Component Institution | | | | Identified Risk |
|--|---|--|------------|-----------------------|-----|--------|------------|--|
| | | | | UNT System | UNT | UNTHSC | UNT Dallas | |
| FY19 Audits Requiring FY19 Audit Hours: (continued) | | | | | | | | |
| | Control Assessment - TBD | Assess the adequacy of internal controls; identifying potential areas of weakness, non-compliance, and/or unsound practices; and determining whether revenues are identified, managed, and reported in accordance with University policy and state law. | In-Process | X | X | X | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | THECB Facilities Certification | Determine whether the projects and acquisitions of real property that were submitted to THECB received the required approvals, re-approvals or review, and were completed in accordance with rules established by the Texas Administrative Code and within the parameters specified in the project applications. | In-process | | | | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | Security Camera | Review effectiveness of security camera coverage, security of physical and logical access to the cameras, and systems that support the cameras. | In-process | | | X | | Information Technology; Reputational; Operational |
| | College of Health and Public Service Dean Transition | Review and determine whether processes, procedures and controls for cashing handling, purchasing, travel expenses, and asset inventory are in compliance with University/System policies and regulations. | In-process | | X | | | Compliance; Reputational; Financial; Operational |
| | College of Merchandising, Hospitality & Tourism Dean Transition | Review and determine whether processes, procedures and controls for cashing handling, purchasing, travel expenses, and asset inventory are in compliance with University/System policies and regulations. | In-Process | | X | | | Compliance; Reputational; Financial; Operational |
| | Libraries Dean Transition | Review and determine whether processes, procedures and controls for cashing handling, purchasing, travel expenses, and asset inventory are in compliance with University/System policies and regulations. | In-Process | | X | | | Compliance; Reputational; Financial; Operational |
| | Physician Compensation Model | Ensure physician compensations based on the model are recorded accurately, completely and paid timely. | In-Process | | | X | | Financial; Operational |

FY19 Internal Audit Plan Activity to Date

| | Title of Audit | Description and Audit Objectives | Status | Component Institution | | | | Identified Risk |
|--|---|--|------------|-----------------------|-----|--------|------------|---|
| | | | | UNT System | UNT | UNTHSC | UNT Dallas | |
| FY19 Audits Requiring FY19 Audit Hours: (continued) | | | | | | | | |
| U | UNT Dallas Financial Aid Processes Audit | Assess processes and procedures related to financial aid practices, training, and compliance with federal regulations, University policies and best practices. | In-Process | | | | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | Facilitation of Co-Sourcing IT & Internal IT Projects | Respond to requests for IT audit support and consultation in all matters. Represents audit hours designated for institutional use but individual audit projects have not been determined. Audit projects will be identified over the course of FY19. | Continuous | X | X | X | X | Information Technology; Compliance; Reputational; Operational |
| | Investigations | Examine allegations or complaints of fraud, waste, abuse or employee misconduct. | Continuous | X | X | X | X | Compliance; Reputational; Financial; Operational; Regulatory |
| | Follow-Up of Prior Audits | The IIA Professional Standards for internal auditing require auditors to follow-up on implementation of recommendations included in prior audit reports. | Continuous | X | X | X | X | Due Diligence |

Summary of Follow-up Activity

| | Beginning Balance Open Recommendations (Past Due and Not Yet Due) | New Recommendations During this Quarter | Total Closed Recommendations During this Quarter | Total Current Open Recommendations | Open Recommendations (Not Yet Due) | Open Recommendations (Past Due) |
|---------------|--|--|---|---|---|--|
| UNTS | 5 | 3 | 0 | 8 | 4 | 4 |
| UNT | 14 | 71 | (69) | 16 | 15 | 1 |
| UNTHSC | 31 | 2 | (27) | 6 | 5 | 1 |
| UNTD | 47 | 0 | (36) | 11 | 6 | 5 |
| Total | 97 | 76 | (132) | 41 | 30 | 11 |

Questions?

UNT System-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|--|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: Retirement Contributions</p> <p>Report Number: 17-407 SYS</p> <p>Component Institution: SYS</p> <p>Department: Retirement</p> <p>Brief Description of Audit: Internal Audit completed a review of Retirement Contributions for the Optional Retirement Program (ORP). This audit was performed at the request UNT System Senior Management and the Assistant Vice Chancellor of Total Rewards as part of assessment of the existing ORP contribution plan.</p> | <p>The validation process to reconcile data and funds received is not consistent between VRSCO (lead record-keeper) and the ORP financial service companies. This creates unnecessary delays in the depositing of ORP contributions to the participants' accounts and non-compliance with the 3 business day rule required by the Texas Government Code and Texas Administrative Code as referenced in issue number 3.</p> <p>Recommendations for the Vice Chancellor of Finance in consultation with the Office of General Counsel:</p> <p>4.1.a. Work with the third party ORP administrator and the financial service companies to identify all required information and/or documentation needed by both parties to consider the ORP contributions in good order for depositing.</p> | <p>1a. In partnership with our Retirement Consultant, cross-campus and cross-functional Retirement Committee, and internal departments, we will update contracts, processes, file feeds, and documentation. Due to the complexity of making vendor, process, and programming changes, anticipated full implementation is within the coming fiscal year.</p> <p>Party responsible for implementation: Vice Chancellor of Finance</p> | <p>5 months Past Due</p> <p>Currently, there is a Letter of Understanding between UNT System and Fidelity that was signed April 23, 2018 to negotiate, in good faith, a recordkeeping and/or trust or custodial account agreement. However, there is not a draft agreement that is being reviewed or negotiated. The transition from current lead record-keeper, VRSCO to Fidelity is set to be in February 1, 2019.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> • August 31, 2018 <p>Revised Implementation Date:</p> <p>1) May 1, 2019</p> |

UNT System-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|--|---|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: Retirement Contributions</p> <p>Report Number: 17-407 SYS</p> <p>Component Institution: SYS</p> <p>Department: Retirement</p> <p>Brief Description of Audit: Internal Audit completed a review of Retirement Contributions for the Optional Retirement Program (ORP). This audit was performed at the request UNT System Senior Management and the Assistant Vice Chancellor of Total Rewards as part of assessment of the existing ORP contribution plan.</p> | <p>The validation process to reconcile data and funds received is not consistent between VRSCO (lead record-keeper) and the ORP financial service companies. This creates unnecessary delays in the depositing of ORP contributions to the participants' accounts and non-compliance with the 3 business day rule required by the Texas Government Code and Texas Administrative Code as referenced in issue number 3.</p> <p>Recommendations for the Vice Chancellor of Finance in consultation with the Office of General Counsel:</p> <p>4.1. b. Request the validation processing requirements followed by the third party administrator is consistent with the financial service companies.</p> | <p>1b. Financial service companies' performance will be addressed through the project.</p> <p>Party responsible for implementation: Vice Chancellor of Finance</p> | <p>5 months Past Due</p> <p>Currently, there is a Letter of Understanding between UNT System and Fidelity that was signed April 23, 2018 to negotiate, in good faith, a recordkeeping and/or trust or custodial account agreement. However, there is not a draft agreement that is being reviewed or negotiated. The transition from current lead record-keeper, VRSCO to Fidelity is set to be in February 1, 2019.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> • August 31, 2018 <p>Revised Implementation Date:</p> <p>1) May 1, 2019</p> |

UNT System-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|--|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: Retirement Contributions</p> <p>Report Number: 17-407 SYS</p> <p>Component Institution: SYS</p> <p>Department: Retirement</p> <p>Brief Description of Audit: Internal Audit completed a review of Retirement Contributions for the Optional Retirement Program (ORP). This audit was performed at the request UNT System Senior Management and the Assistant Vice Chancellor of Total Rewards as part of assessment of the existing ORP contribution plan.</p> | <p>ORP contributions were not always deposited within the 3 business day requirement described in issue number 3 by certain financial service companies for 21 pay periods reviewed from January 2015 - September 2016.</p> <p>Recommendations for the Assistant Vice Chancellor of Total Rewards in consultation with the Office of General Counsel and the Sr. Director of Controller Operations:</p> <p>5.1.b. Work with the Office of General Counsel to update the current agreement(s) to include but not be limited to the following:</p> <ul style="list-style-type: none"> -Timeliness of notification of discrepancies from the ORP financial service companies to UNT System Controller Operations and Human Resources departments. -Post all ORP participant contributions in good order in accordance with state regulation. Only withhold contributions for each individual ORP participant for whom contributions submitted were not in good order until resolved. | <p>1b. Contract and service level agreements will be addressed in item 1a in coordination with the Office of General Counsel.</p> <p>Party responsible for implementation: Assistant Vice Chancellor of Total Rewards and the Sr. Director of Controller Operations in collaboration with the Office of General Counsel</p> | <p>5 months Past Due</p> <p>Currently, there is a Letter of Understanding between UNT System and Fidelity that was signed April 23, 2018 to negotiate, in good faith, a recordkeeping and/or trust or custodial account agreement. However, there is not a draft agreement that is being reviewed or negotiated. The transition from current lead record-keeper, VRSCO to Fidelity is set to be in February 1, 2019.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> • August 31, 2018 <p>Revised Implementation Date:</p> <p>1) May 1, 2019</p> |

UNT System-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|---|--|--|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: Retirement Contributions</p> <p>Report Number: 17-407 SYS</p> <p>Component Institution: SYS</p> <p>Department: Retirement</p> <p>Brief Description of Audit: Internal Audit completed a review of Retirement Contributions for the Optional Retirement Program (ORP). This audit was performed at the request UNT System Senior Management and the Assistant Vice Chancellor of Total Rewards as part of assessment of the existing ORP contribution plan.</p> | <p>A manual process breakdown in updating the year-to-date contribution amount in PeopleSoft caused two employee's ORP accounts to be over contributed by both the Institution and employee. This occurred when employee benefit changes were not entered into PeopleSoft, since the process is manual rather than a system configuration which automatically calculates contribution amounts.</p> <p>Recommendations for the Assistant Vice Chancellor of Total Rewards:</p> <p>6.1.d. Work with Information Technology Shared Services (ITSS) and the Controller Operations team to configure an automatic calculation in PeopleSoft for the year-to-date contribution amount when an employee elects a different financial service company during the year. This will eliminate the need for a manual process.</p> | <p>1c. Partner with OGC to take appropriate action for any excess contributions.</p> <p>Party responsible for implementation: Assistant Vice Chancellor of Total Rewards</p> | <p>5 months Past Due</p> <p>The ITSS automatic configuration of PeopleSoft will be completed after the transition to the new lead record-keeper which is set to be February 1, 2019.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> August 31, 2018 <p>Revised Implementation Date:</p> <p>1) June 1, 2019</p> |

UNT -Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|---|--|---|--|--|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: Moderate</p> <p>Report Name: UNT-I Sponsored Students Process Review</p> <p>Report Number: 17-409 UNT</p> <p>Component Institution: UNT</p> <p>Department: UNT International (UNT-I)</p> <p>Brief Description of Audit: Internal Audit conducted a process review of the UNT International (UNT-I) sponsored students program operated by the UNT-I Sponsored Students and Special Programs Center. The UNT-I Sponsored Students and Special Programs Center provides multiple services to over 500 international sponsored students and over 10 international sponsors each semester.</p> | <p>UNT cash handling policy 10.006 Cash Handling Controls and best practices were not consistently followed in the UNT International (UNT-I) Main Office. Specifically, the following were noted:</p> <ul style="list-style-type: none"> • Student workers were handling cash without receiving appropriate training and without necessary documentation completed; • UNT-I's Main Office Cash Handling Procedure Manual was not up-to-date with current University policies; • Cash was not being logged upon receipt; and • Deposits taken to Student Accounting and University Cashiering Services (SAUCS) by employees were not concealed in transit. <p>Recommendation for Vice Provost for International Affairs and Director of Financial Services, Student Finance:</p> <p>7.1.a. Coordinate to ensure all UNT International cash handling functions are transferred to Student Accounting and University Cashiering Services.</p> | <p>1a. Management agrees. Following notification, UNT-I addressed cash handling training and documentation issues and updated the Main Office Cash Handling Procedure Manual to reflect current university policy. UNT-I implemented a check log (initial check logged on January 3, 2017) and began concealing the locked bank bag inside a generic bag when transporting deposits to SAUCS.</p> <p>UNT-I will coordinate with the Director of Financial Services, Student Finance, to explore the feasibility of transferring cash handling functions to Student Accounting and University Cashiering Services. In order to transfer this function, it will be necessary to address the ability of Sponsored Students to see complete and accurate accounts receivable reports per Observation 2. If this function can be transferred, the Sponsored Students will immediately instruct all new sponsors to direct deposits to Student Accounting and University Cashiering Services. They will work with existing sponsors to follow the same procedure with the expectation that there may be some delay in effectively communicating this. If check payment are still directed to UNT-I, staff will follow university policy on cash handling.</p> <p>Party responsible for implementation: Vice Provost for International Affairs, and Director of Financial Services, Student Finance</p> | <p>7 months Past Due</p> <p>October 30, 2018: Per Director of Sponsored Students Programs, the implementation date was updated to May 31, 2019. Action item is on track for a partial transition by January 31 and full transition by May 31".</p> <p>January 18, 2019: Update per Director of Sponsored Students Programs: Training of payment postings is complete and this transfer will happen as soon as Student Financial Services (SFS) gives UNT-I the green light. On January 29, 2019, SFS and UNT-I will meet to discuss the following:</p> <ul style="list-style-type: none"> – New Remit address, which will be sent to all the sponsors so that payment can be made directly to student accounting. – Bank Wire Transfers. – Reconciling billing statements with payments. – Chain of custody when bringing payments to Student Financial Services (Remit address will not be available until after the Spring Billing Cycle). | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> • June 30, 2018 <p>Revised Implementation Date:</p> <p>1) May 31, 2019</p> |

UNTHSC-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|---|--|--|---|--|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: Provost Transition Audit</p> <p>Report Number: 18-406 UNTHSC</p> <p>Component Institution: HSC</p> <p>Department: Provost</p> <p>Brief Description of Audit: Internal Audit completed a transition of management audit of the UNTHSC's Provost Office. This audit was performed at the request of UNTHSC Senior Management.</p> | <p>Cash handling procedures in the Faculty Affairs Department are not adequate during the billing, collection, receipting, depositing, and reconciliation of room rental fees.</p> <p>Faculty Affairs is responsible for the scheduling of facility room reservations throughout campus utilizing the Event Management System. Rental fees are billed and collected for private events according to established guidelines.</p> <p>Recommendations for UNTHSC Vice President for Finance & Planning and the UNTS Associate Controller at UNTHSC:</p> <p>1.2.c. Develop an annual mandatory cash handling training for all employees handling cash.</p> | <p>2c Training will be developed based on the final Cash Handling Control policies and procedures and mandatory training will be required, at least annually, for all employees handling cash.</p> <p>Party responsible for implementation: Vice President Finance & Planning and UNT System Associate Controller at UNTHSC</p> | <p>1 month past due</p> <p>On December 18, 2018, Vice President Finance & Planning, requested an extension to the original implementation date of December 31, 2018 for the development and roll out of annual mandatory cash handling training. He provided a revised implementation date of May 31, 2019 with the following explanation. "Because of the time needed to develop a policy and corresponding procedures, the training will not be able to be provided to staff before institution closes down for winter break. Once the institution opens in the new calendar year, training documentation will be developed and the corresponding training will be provided to the required employees."</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> December 31, 2018 <p>Revised Implementation Date:</p> <ol style="list-style-type: none"> May 31, 2019 |

UNT Dallas-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|--|--|--|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: UNTD IT Inventory Controls and Data Protection</p> <p>Report Number: 18-017 UNTD</p> <p>Component Institution: UNT Dallas</p> <p>Department: IT Inventory Controls and Data Protection</p> <p>Brief Description of Audit: The UNT Dallas Chief Financial Officer (CFO) requested this project to gain an understanding of the control environment surrounding IT assets and to identify possible process improvements. The audit objective was to assess the inventory process for computing devices at UNT Dallas, from procurement to end-of-life. This includes how computing devices are procured, tracked, encrypted, installed with antivirus, and handled upon disposal or surplus to protect University data and IT assets. All workstations and laptop computers maintained at UNT Dallas, the inventory and security controls governing them, were under review.</p> | <p>The University of North Texas at Dallas lacks a Central Receiving function to count and examine received merchandise to match to the approved purchase order.</p> <p>Goods are received at the UNT Dallas loading bay, referred to as the mailroom. A Facilities Specialist signs for the goods if the number of boxes equals the delivery courier's receipt. The Facilities Specialist does not have access to the central ordering system in EIS to reconcile goods received to the purchase order. Boxes are not opened in the mailroom. If the box indicates it is from Apple or Dell, a call is placed for a resource from the Office of IT (OIT) to pick up the box. If the vendor is not Apple or Dell, the department indicated on the address label is contacted for pickup. When an invoice arrives to the Business Service Center, a Payment Analyst will inquire with the ordering department if the goods were received and with instruction on how to use Desktop Receiving to mark the goods as received in EIS.</p> <p>Recommendation for Chief Financial Officer:</p> <p>1.1.a. Create a dedicated, independent Central Receiving unit or a single Property Management resource to verify goods received match the purchase order at the time of receipt and immediately document receipt of goods in the central system.</p> | <p>1a. UNT Dallas will reorganize the current mailroom into a central receiving unit. One full-time position (Property Manager) will be dedicated to oversee the central receiving area and verify goods received match the purchase order at the time of receipt. This dedicated resource will report to the AVP Finance & Administration as to segregate the duties from Facilities.</p> <p>Party responsible for implementation: Executive VP for Finance and Administration & CFO</p> | <p>5 months Past Due</p> <p>December 7, 2018: Executive VP for Finance and Administration & CFO notified Internal Audit that the opening for the Property Control Manager position had been posted.</p> <p>January 2, 2019: Executive VP for Finance and Administration & CFO informed Internal Audit that over 20 applicants had applied and that he and the Associate Vice President for Finance and Administration, would begin reviewing the potential candidates that week.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> September 1, 2018 <p>Revised Implementation Date:</p> <p>1) May 31, 2019</p> |

UNT Dallas-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|--|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: UNTD IT Inventory Controls and Data Protection</p> <p>Report Number: 18-017 UNTD</p> <p>Component Institution: UNT Dallas</p> <p>Department: IT Inventory Controls and Data Protection</p> <p>Brief Description of Audit: The UNT Dallas Chief Financial Officer (CFO) requested this project to gain an understanding of the control environment surrounding IT assets and to identify possible process improvements. The audit objective was to assess the inventory process for computing devices at UNT Dallas, from procurement to end-of-life. This includes how computing devices are procured, tracked, encrypted, installed with antivirus, and handled upon disposal or surplus to protect University data and IT assets. All workstations and laptop computers maintained at UNT Dallas, the inventory and security controls governing them, were under review.</p> | <p>The record of assets in the centralized EIS Asset Management database was not reliable. As of December 1, 2017, there were 146 assets in EIS without a university-generated asset tag number or a vendor-provided service/serial ID. Without an identifying tag number of any kind in the system, locating the device would not be possible. Additionally, UNT Dallas has a five-year refresh cycle whereby all IT devices are scheduled to be replaced every five years. However, IA found 433 IT assets in the system older than five years, some dating back to a purchase date of 2004. This indicates that many items may no longer be with the institution, but the database has not been updated. Also to note, the custodian listed in EIS was an active employee on only 42 of the 1,134 devices or 4%.</p> <p>Recommendation for Chief Financial Officer:</p> <p>2.1.a. Create a process to require that assets are entered with detail into the centralized system and updated as the device relocates.</p> | <p>1a UNT Dallas will create a process that requires assets are entered with detail into the centralized system and updated as the device relocates.</p> <p>Party responsible for implementation: Executive VP for Finance and Administration & CFO</p> | <p>3 months Past Due</p> <p>December 7, 2018: Executive VP for Finance and Administration & CFO notified Internal Audit that the opening for the Property Control Manager position had been posted.</p> <p>January 2, 2019: Executive VP for Finance and Administration & CFO informed Internal Audit that over 20 applicants had applied and that he and the Associate Vice President for Finance and Administration, would begin reviewing the potential candidates that week.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> November 1, 2018 <p>Revised Implementation Date:</p> <p>1) May 31, 2019</p> |

UNT Dallas-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|--|---|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: UNTD IT Inventory Controls and Data Protection</p> <p>Report Number: 18-017 UNTD</p> <p>Component Institution: UNT Dallas</p> <p>Department: IT Inventory Controls and Data Protection</p> <p>Brief Description of Audit: The UNT Dallas Chief Financial Officer (CFO) requested this project to gain an understanding of the control environment surrounding IT assets and to identify possible process improvements. The audit objective was to assess the inventory process for computing devices at UNT Dallas, from procurement to end-of-life. This includes how computing devices are procured, tracked, encrypted, installed with antivirus, and handled upon disposal or surplus to protect University data and IT assets. All workstations and laptop computers maintained at UNT Dallas, the inventory and security controls governing them, were under review.</p> | <p>The record of assets in the centralized EIS Asset Management database was not reliable. As of December 1, 2017, there were 146 assets in EIS without a university-generated asset tag number or a vendor-provided service/serial ID. Without an identifying tag number of any kind in the system, locating the device would not be possible. Additionally, UNT Dallas has a five-year refresh cycle whereby all IT devices are scheduled to be replaced every five years. However, IA found 433 IT assets in the system older than five years, some dating back to a purchase date of 2004. This indicates that many items may no longer be with the institution, but the database has not been updated. Also to note, the custodian listed in EIS was an active employee on only 42 of the 1,134 devices or 4%.</p> <p>Recommendation for Chief Financial Officer:</p> <p>2.1.b. Establish controls and check points to verify the accuracy of the assets in the EIS database.</p> | <p>1b UNT Dallas will establish controls and check points to verify the accuracy of the assets in the EIS database.</p> <p>Party responsible for implementation: Executive VP for Finance and Administration & CFO</p> | <p>3 months Past Due</p> <p>December 7, 2018: Executive VP for Finance and Administration & CFO notified Internal Audit that the opening for the Property Control Manager position had been posted.</p> <p>January 2, 2019: Executive VP for Finance and Administration & CFO informed Internal Audit that over 20 applicants had applied and that he and the Associate Vice President for Finance and Administration, would begin reviewing the potential candidates that week.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> November 1, 2018 <p>Revised Implementation Date:</p> <p>1) May 31, 2019</p> |

UNT Dallas-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|---|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: UNTD IT Inventory Controls and Data Protection</p> <p>Report Number: 18-017 UNTD</p> <p>Component Institution: UNT Dallas</p> <p>Department: IT Inventory Controls and Data Protection</p> <p>Brief Description of Audit: The UNT Dallas Chief Financial Officer (CFO) requested this project to gain an understanding of the control environment surrounding IT assets and to identify possible process improvements. The audit objective was to assess the inventory process for computing devices at UNT Dallas, from procurement to end-of-life. This includes how computing devices are procured, tracked, encrypted, installed with antivirus, and handled upon disposal or surplus to protect University data and IT assets. All workstations and laptop computers maintained at UNT Dallas, the inventory and security controls governing them, were under review.</p> | <p>The record of assets in the centralized EIS Asset Management database was not reliable. As of December 1, 2017, there were 146 assets in EIS without a university-generated asset tag number or a vendor-provided service/serial ID. Without an identifying tag number of any kind in the system, locating the device would not be possible. Additionally, UNT Dallas has a five-year refresh cycle whereby all IT devices are scheduled to be replaced every five years. However, IA found 433 IT assets in the system older than five years, some dating back to a purchase date of 2004. This indicates that many items may no longer be with the institution, but the database has not been updated. Also to note, the custodian listed in EIS was an active employee on only 42 of the 1,134 devices or 4%.</p> <p>Recommendation for Chief Financial Officer:</p> <p>2.1.c. Assign a resource the responsibility of validating all data in the EIS IT Asset Management Center for UNT Dallas assets.</p> | <p>1c UNT Dallas will dedicate 1 FTE (Property Manager) to validate all data in the EIS IT Asset Management Center for UNT Dallas assets.</p> <p>Party responsible for implementation: Executive VP for Finance and Administration & CFO</p> | <p>1 month Past Due</p> <p>December 7, 2018: Executive VP for Finance and Administration & CFO notified Internal Audit that the opening for the Property Control Manager position had been posted.</p> <p>January 2, 2019: Executive VP for Finance and Administration & CFO informed Internal Audit that over 20 applicants had applied and that he and the Associate Vice President for Finance and Administration would begin reviewing the potential candidates that week.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> December 1, 2018 <p>Revised Implementation Date:</p> <p>1) May 31, 2019</p> |

UNT Dallas-Detail for Follow-up Activity

| Audit Information | Finding and Recommendation(s) | Management Response(s) | Status | Date History |
|--|---|---|--|---|
| <p>Auditor: Internal</p> <p>Reporting Agency: UNT System Internal Audit</p> <p>Risk Category: Government and Regulatory Compliance</p> <p>Risk Level: High</p> <p>Report Name: UNTD IT Inventory Controls and Data Protection</p> <p>Report Number: 18-017 UNTD</p> <p>Component Institution: UNT Dallas</p> <p>Department: IT Inventory Controls and Data Protection</p> <p>Brief Description of Audit: The UNT Dallas Chief Financial Officer (CFO) requested this project to gain an understanding of the control environment surrounding IT assets and to identify possible process improvements. The audit objective was to assess the inventory process for computing devices at UNT Dallas, from procurement to end-of-life. This includes how computing devices are procured, tracked, encrypted, installed with antivirus, and handled upon disposal or surplus to protect University data and IT assets. All workstations and laptop computers maintained at UNT Dallas, the inventory and security controls governing them, were under review.</p> | <p>UNT Dallas Policy 11.005 Physical Asset Management has not been updated since it was written in 2010. IA found that the policy contained outdated information and was beyond the scope of what a policy should contain.</p> <p>For example, it stated that: “The Purchasing Director is the designated Property Manager for the University ”. “This inventory will be conducted by each department assigned personal property. The Property Manager shall provide the most recent listing and inventory instructions to each department ”. “The condition of the property and all discrepancies found in the listing while conducting this inventory will be reported in a fashion detailed in the inventory instructions ”.</p> <p>The detailed procedures and roles were not an accurate reflection of what was in place. Whether the annual physical inventory is conducted by the individual departments or by the Office of IT and/or property management should not be reflected in the policy. It would be more appropriate for the policy to state that an annual physical inventory will be conducted and what level of verification requirements are set by the State. Therefore a change in the procedure and roles in the process would not require a policy revision, rather they would be reflected in the documented procedures.</p> <p>Recommendation for Chief Financial Officer:</p> <p>4.1.b. To support the success of the new policy, develop written departmental procedures for the Property Manager to carry out asset management responsibilities.</p> | <p>1b Departmental procedures will be developed for the Property Manager that align and support UNT Dallas Policy 11.005, Physical Asset Management.</p> <p>Party responsible for implementation: Executive VP for Finance and Administration & CFO</p> | <p>1 month Past Due</p> <p>December 7, 2018: Executive VP for Finance and Administration & CFO notified Internal Audit that the opening for the Property Control Manager position had been posted.</p> <p>January 2, 2019: Executive VP for Finance and Administration & CFO informed Internal Audit that over 20 applicants had applied and that he and the Associate Vice President for Finance and Administration would begin reviewing the potential candidates that week.</p> | <p>Original Expected Implementation Date:</p> <ul style="list-style-type: none"> December 1, 2018 <p>Revised Implementation Date:</p> <p>1) May 31, 2019</p> |

UNTS Enterprise Audit Report Inventory

Presented by Tracy Grunig

February 14-15, 2019



Summary of UNTS Enterprise Audit Inventory

| | Fiscal Year 2019 | | | | Fiscal Year 2018 | | | | Fiscal Year 2017 | | | | Fiscal Year 2016 | | | |
|--------------------------------------|------------------|-----------------|-----------|-----------|------------------|-----------------|-----------|------------|------------------|-----------------|-----------|------------|------------------|-----------------|----------|------------|
| | # of Audits | Recommendations | | | # of Audits | Recommendations | | | # of Audits | Recommendations | | | # of Audits | Recommendations | | |
| | | Total | Open | Closed | | Total | Open | Closed | | Total | Open | Closed | | Total | Open | Closed |
| UNTS | 1 | 3 | 2 | 1 | 5 | 17 | 1 | 16 | 7 | 54 | 5 | 49 | 5 | 31 | 0 | 31 |
| UNT | 3 | 27 | 8 | 19 | 23 | 137 | 7 | 130 | 13 | 144 | 1 | 143 | 9 | 63 | 0 | 63 |
| UNTHSC | 1 | 1 | 1 | 0 | 11 | 64 | 5 | 59 | 7 | 72 | 0 | 72 | 4 | 47 | 0 | 47 |
| UNTD | 0 | 0 | 0 | 0 | 7 | 16 | 5 | 11 | 4 | 50 | 6 | 44 | 2 | 41 | 0 | 41 |
| Total Internal Audit Activity | 5 | 31 | 11 | 20 | 46 | 234 | 18 | 216 | 31 | 320 | 12 | 308 | 20 | 182 | 0 | 182 |

| | Fiscal Year 2019 | | | | Fiscal Year 2018 | | | | Fiscal Year 2017 | | | | Fiscal Year 2016 | | | |
|--|------------------|-----------------|----------------|----------|------------------|-----------------|----------|----------|------------------|-----------------|----------------|------------|------------------|-----------------|----------------|------------|
| | # of Audits | Recommendations | | | # of Audits | Recommendations | | | # of Audits | Recommendations | | | # of Audits | Recommendations | | |
| | | Total | Open | Closed | | Total | Open | Closed | | Total | Open | Closed | | Total | Open | Closed |
| Conducted by UNTS Component Institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 |
| Audits of Sponsored Research Activity | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 3 | 7 | 0 | 7 | 4 | 9 | 0 | 9 |
| State Auditor's Office | 1 | 9 | 1 | 8 | 2 | 6 | 0 | 6 | 1 | 5 | 0 | 5 | 3 | 7 | 0 | 7 |
| Other External Agencies | 4 | 9 | 8 ¹ | 1 | 1 | 1 | 0 | 1 | 19 | 314 | 3 ² | 311 | 20 | 278 | 6 ³ | 272 |
| Total Other Audit Agencies | 5 | 18 | 9 | 9 | 4 | 8 | 0 | 8 | 23 | 326 | 3 | 323 | 28 | 295 | 6 | 289 |

¹Comprised of the following: 8 Weaver and Tidwell, LLP recommendations.

²Comprised of the following: 3 State Fire Marshal's Office recommendations.

³Comprised of the following: 5 State Office of Risk Management recommendations; 1 State Fire Marshal's Office recommendation.

Questions?

Board Briefing



Committee: Academic Affairs & Student Success

Date Filed: January 4, 2019

Title: Approval to Add the UNT Bachelor of Science Degree Program with a Major in General Business

Background:

The University of North Texas (UNT) is requesting to add a Bachelor of Science (BS) degree program with a major in General Business (GB), effective August 26, 2019. This degree program will be housed in the College of Business.

The proposed new BSGB was designed to help students complete a business degree in a timely manner. It is more flexible than a traditional Bachelor of Business Administration (BBA) degree, allowing students to master business foundations quickly. Although open to any undergraduate student, this program may be particularly attractive to students transferring to UNT with a significant number of completed semester credit hours (SCH) or an AA or AS degree in hand. This degree program may also appeal to individuals who elect to change their major to business, as it will allow them to finish the degree more quickly than if they selected a BBA in a specific discipline.

There is an established need for this program. An analysis of data provided by the Texas Workforce Commission via the Texas Labor Analysis specifically for the North Texas region shows there will be great need for bachelor-qualified individuals in business fields over the next several years. In nearly all business-related career clusters reported, there is an expectation of more than a 20% growth from 2014 to 2024.

The proposed BSGB will require 120 SCH. Of the 120 SCH: 48 SCH are required, 9 SCH are prescribed electives, and 3 SCH are for an independent project or internship.

Financial Analysis/History:

The costs and funding of the BSGS meet the Standards for Bachelor's and Master's Degree Programs established by the Coordinating Board Rules, Section 5.45, Criteria for New Baccalaureate and Master's Degree Programs. The department will use existing funds to pay the estimated \$15,500 in costs. No new funds are required to begin the program.

Bob Brown Digitally signed by Bob Brown
DN: cn=Bob Brown, o=Senior VP for Finance &
Administration, ou=University of North Texas,
email=Bob.Brown@unt.edu, c=US
Date: 2019.01.29 12:35:55 -06'00'

Institution Chief Financial Officer

Gary Rahlf's Digitally signed by Gary Rahlf's
Date: 2019.01.30 17:11:37
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer
Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:44:52 -06'00'
Vice Chancellor/General Counsel

Schedule:

Fall 2019

Recommendation:

The president recommends that the Board of Regents approve adding the BSGB to the UNT degree program inventory.

Recommended By:

Jennifer Cowley

Provost and VPAA

Neal Smatresk
Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk,
o=University of North Texas,
ou=President,
email=neal.smatresk@unt.edu,
c=US
Date: 2019.01.29 13:16:11 -06'00'
President

Rosemary R. Haggett, Ph.D.
Digitally signed by Rosemary R. Haggett, Ph.D.
DN: cn=Rosemary R. Haggett, Ph.D., o=UNT
System, ou,
email=rosemary.haggett@untsystem.edu, c=US
Date: 2019.01.30 17:02:35 -06'00'
Vice Chancellor

Lesa B. Roe
Digitally signed by Lesa B.
Roe
Date: 2019.02.01 13:05:07
-06'00'
Chancellor

Attachments Filed Electronically:

- THECB Certification Form for New Degree Programs



Board Order

Title: Approval to Add the UNT Bachelor of Science Degree Program with a Major in General Business

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, UNT desires to add a Bachelor of Science (BS) degree program with a major in General Business (GB), and

Whereas, UNT will be able to produce graduates with the necessary business skills to meet job market needs, and

Whereas, costs and funding needed for the BSGB degree program meets the Standards for Bachelor's and Master's Degree Programs established by the Coordinating Board Rules, Section 5.45, Criteria for New Baccalaureate and Master's Degree Programs,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The addition of the UNT BS degree program with a major in General Business.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents



**Texas Higher Education Coordinating Board
Texas Public General Academic and Health-Related Institutions**

**New Bachelor's and Master's Degree Program
Request Form**

Directions: Texas public universities and health-related institutions complete this form to add a new bachelor's or master's degree program, if the following criteria for approval are met, per [Texas Administrative Code \(TAC\), Title 19, Chapter 5, Subchapter C, Section 5.44 \(a\) \(3\)](#): (A) the proposed program has institutional and board of regents approval; (B) the institution certifies compliance with the [Standards for New Bachelor's and Master's Programs](#); (C) the institution certifies that adequate funds are available to cover the costs of the new program; (D) new costs to the program during the first five years of the program would not exceed \$2 million; (E) the proposed program is a non-engineering program; and (F) the proposed program would be offered by a public university or health-related institution.

If the proposed program does not meet the criteria listed above, the institution must submit a request using the [Full Request Form](#).

This form requires the signatures of: (1) the Chief Executive Officer, certifying adherence to the Texas Administrative Code (TAC), Title 19, Chapter 5, Subchapter C, Section 5.44 (a) (3) criteria, adequacy of funding for the new program, the notification of other Texas public institutions of higher education, and adherence to [Texas Education Code \(TEC\) Sections 61.822 through 61.823](#); and (2) a member of the Board of Regents (or designee) certifying Board approval.

Contact: Division of Academic Quality and Workforce, 512-427-6200.

Administrative Information

1. Institution Name and Coordinating Board Accountability Group:

University of North Texas, Emerging Research Group

2. Proposed Program:

Show how the proposed program would appear on the institution's Program Inventory (e.g., Bachelor of Business Administration with a major in accounting).

Bachelor of Science with a major in General Business

3. Proposed CIP Code:

List of CIP Codes may be accessed online at www.txhighereddata.org/Interactive/CIP/. Include justification if the proposed program name is not included in the Texas Classification of Instructional Programs.

52.0101

4. Semester Credit Hours Required:

Bachelor's degree programs should not exceed 120 semester credit hours (SCH). If the number of SCH exceeds 120 for a bachelor's degree program, the institution must submit documentation explaining the compelling academic reason). Master's degree programs do not have semester credit hour restrictions; however, 30 to 36 SCH is common.

120 SCH

5. Location and Delivery of the Proposed Program:

Provide the location of instruction and how the proposed program will be delivered to students (e.g., Instructed on the main campus in Lubbock, face-to-face).

Instructed at the main campus in Denton, face to face; online; and at the Frisco off-site teaching location in Frisco, face to face.

6. Administrative Unit:

Identify where the proposed program would fit within the organizational structure of the institution (e.g., Department of Biology within the College of Natural Sciences).

College of Business

7. Proposed Implementation Date:

Provide the date that students would enter the proposed program (MM/DD/YYYY).

08/26/2019

8. Institutional and Department Contacts:

Provide contact information for the person(s) responsible for addressing any questions related to the proposed program.

1. Name: Terri Day

Title: Vice Provost for Academic Administration

E-mail: Terri.Day@unt.edu

Phone: 940-565-4392

2. Name: Desiree Robison

Title: Assistant Dean, College of Business

E-mail: Desiree.Robinson@unt.edu

Phone: 940-565-3042

Signature Page

1. Chief Executive Officer Certification – The Chief Executive Officer shall sign the following statements:

I hereby certify that all of the following criteria have been met in accordance with the procedures outlined in Texas Administrative Code (TAC), Title 19, Chapter 5, Subchapter C, Section 5.44 (a) (3):

- (A) The proposed program has institutional and governing board approval.
- (B) The institution certifies compliance with the *Standards for New Bachelor's and Master's Programs*.
- (C) The institution certifies that adequate funds are available to cover the costs of the new program.
- (D) New costs during the first five years of the program would not exceed \$2 million.
- (E) The proposed program is a non-engineering program.
- (F) The proposed program would be offered by a public university or health-related institution.

I certify that my institution has notified all public institutions within 50 miles of the teaching site of our intention to offer the proposed program at least 30 days prior to submitting this request. I also certify that if any objections were received, those objections were resolved prior to the submission of this request.

I certify that my institution will adhere to Texas Education Code (TEC), Sections 61.822 through 61.823, requiring my institution to accept and apply to the degree program Core Curriculum and Field of Study courses in transfer.

Chief Executive Officer

Date

2. Board of Regents or Designee Approval – A member of the Board of Regents or designee shall sign the following statement:

On behalf of the Board of Regents, I hereby certify that the proposed program is appropriate for the mission of this institution, and the Board of Regents has approved the proposed program.

Date of Board of Regents approval: _____

Board of Regents (Designee)

Date

Board Briefing



Committee: Academic Affairs & Student Success

Date Filed: January 4, 2019

Title: Approval to Add the UNT Master of Arts Degree Program with a Major in Applied Behavior Analysis

Background:

The University of North Texas (UNT) is requesting to add a Master of Arts (MA) degree program with a major in Applied Behavior Analysis (ABA), effective August 26, 2019. This degree program will be housed in the Department of Behavioral Analysis, College of Health and Public Service.

The proposed new MA in ABA will be an online program that is designed to provide the knowledge base for effective and compassionate practice in behavior analysis and to meet the coursework specifications of the Behavior Analysis Certification Board (BACB). The department is currently offering ABA courses through professional development and through a graduate academic certificate to prepare students to sit for the credentialing exam. However, the BACB is changing the requirements to include a Master's level degree. The department also offers an intensive professional Master of Science in ABA degree with 48 semester credit hours (SCH) that prepares students to enter leadership roles and requires three years to complete. The MA in ABA would be an alternative for students who desire to sit for the credentialing exam but who do not have the resources to commit to the intensive program.

There is an established need for this program. The most frequently asked question at career fairs and conferences is whether the department offers an online Master's program. The overall job market picture is one of a quickly growing discipline and a competitive market. Between 3,000 and 4,000 new professionals sit for the BACB certification exam every year. The number of certificants has grown from approximately 3,000 in 2005 to over 20,000 in 2015. ABA is a growing discipline that has recently entered the health care and third party billing systems. This is due in large part to the need for ABA therapists to provide clinical services to children with autism.

The proposed MA in ABA will require 30 SCH. Of the 30 SCH: 21 SCH are required and 9 SCH are prescribed electives.

Financial Analysis/History:

The costs and funding of the MA in ABA meet the Standards for Bachelor's and Master's Degree Programs established by the Coordinating Board Rules, Section 5.45, Criteria for New Baccalaureate and Master's Degree Programs. Startup costs for this program for year 1 total \$181,290 and include one new lecturer, an adjunct professor, marketing, and operating costs. The college will reallocate resources to start the program.

Bob Brown
Digitally signed by Bob Brown
DN: cn=Bob Brown, o=Senior VP for Finance & Administration, ou=University of North Texas,
email=Bob.Brown@unt.edu, c=US
Date: 2019.01.29 12:40:26 -0600

Institution Chief Financial Officer

Gary Rahlfs Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:12:29
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:45:39 -06'00'

Vice Chancellor/General Counsel

Schedule:

Fall 2019

Recommendation:

The president recommends that the Board of Regents approve adding the MA in ABA degree program to the UNT degree program inventory.

Recommended By:

Jennifer Cowley

Provost and VPAA

**Neal
Smatresk** Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk,
o=University of North Texas,
ou=President,
email=neal.smatresk@unt.edu,
c=US
Date: 2019.01.29 13:16:52 -06'00'

President

**Rosemary R.
Haggett, Ph.D.** Digitally signed by Rosemary R. Haggett, Ph.D.
DN: cn=Rosemary R. Haggett, Ph.D., o=UNT
System, ou,
email=rosemary.haggett@untsystem.edu, c=US
Date: 2019.01.30 17:53:13 -06'00'

Vice Chancellor

Lesla B. Roe Digitally signed by Lesla B. Roe
Date: 2019.02.01 13:07:05 -06'00'

Chancellor

Attachments Filed Electronically:

- THECB Certification Form for New Degree Programs



Board Order

Title: Approval to Add the UNT Master of Arts Degree Program with a Major in Applied Behavior Analysis

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, UNT desires to add a Master of Arts (MA) degree program with a major in Applied Behavior Analysis (ABA), and

Whereas, the new program will meet the new requirements for the Behavior Analysis Certification Board (BACB), and

Whereas, costs and funding needed for the MA degree program with a major in ABA degree program meets the Standards for Bachelor's and Master's Degree Programs established by the Coordinating Board Rules, Section 5.45, Criteria for New Baccalaureate and Master's Degree Programs,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The addition of the UNT MA degree program with a major in Applied Behavior Analysis.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents



**Texas Higher Education Coordinating Board
Texas Public General Academic and Health-Related Institutions**

**New Bachelor's and Master's Degree Program
Request Form**

Directions: Texas public universities and health-related institutions complete this form to add a new bachelor's or master's degree program, if the following criteria for approval are met, per [Texas Administrative Code \(TAC\), Title 19, Chapter 5, Subchapter C, Section 5.44 \(a\) \(3\)](#): (A) the proposed program has institutional and board of regents approval; (B) the institution certifies compliance with the [Standards for New Bachelor's and Master's Programs](#); (C) the institution certifies that adequate funds are available to cover the costs of the new program; (D) new costs to the program during the first five years of the program would not exceed \$2 million; (E) the proposed program is a non-engineering program; and (F) the proposed program would be offered by a public university or health-related institution.

If the proposed program does not meet the criteria listed above, the institution must submit a request using the [Full Request Form](#).

This form requires the signatures of: (1) the Chief Executive Officer, certifying adherence to the Texas Administrative Code (TAC), Title 19, Chapter 5, Subchapter C, Section 5.44 (a) (3) criteria, adequacy of funding for the new program, the notification of other Texas public institutions of higher education, and adherence to [Texas Education Code \(TEC\) Sections 61.822 through 61.823](#); and (2) a member of the Board of Regents (or designee) certifying Board approval.

Contact: Division of Academic Quality and Workforce, 512-427-6200.

Administrative Information

1. Institution Name and Coordinating Board Accountability Group:

University of North Texas, Emerging Research Group

2. Proposed Program:

Show how the proposed program would appear on the institution's Program Inventory (e.g., Bachelor of Business Administration with a major in accounting).

Master of Arts with a major in Applied Behavior Analysis

3. Proposed CIP Code:

30.1701.00

4. Semester Credit Hours Required:

Bachelor's degree programs should not exceed 120 semester credit hours (SCH). If the number of SCH exceeds 120 for a bachelor's degree program, the institution must submit documentation explaining the compelling academic reason). Master's degree programs do not have semester credit hour restrictions; however, 30 to 36 SCH is common.

30 SCH

5. Location and Delivery of the Proposed Program:

Provide the location of instruction and how the proposed program will be delivered to students (e.g., Instructed on the main campus in Lubbock, face-to-face).

Online

6. Administrative Unit:

Identify where the proposed program would fit within the organizational structure of the institution (e.g., Department of Biology within the College of Natural Sciences).

Department of Behavior Analysis within the College of Health and Public Service

7. Proposed Implementation Date:

Provide the date that students would enter the proposed program (MM/DD/YYYY).

08/26/2019

8. Institutional and Department Contacts:

Provide contact information for the person(s) responsible for addressing any questions related to the proposed program.

1. Name: Terri Day

Title: Vice Provost for Academic Resources

E-mail: Terri.Day@unt.edu

Phone: 940.565.4392

2. Name: Manish Vaidya

Title: Chair and Associate Professor

E-mail: Vaidya@unt.edu

Phone: 940-369-7961

Signature Page

1. Chief Executive Officer Certification – The Chief Executive Officer shall sign the following statements:

I hereby certify that all of the following criteria have been met in accordance with the procedures outlined in Texas Administrative Code (TAC), Title 19, Chapter 5, Subchapter C, Section 5.44 (a) (3):

- (A) The proposed program has institutional and governing board approval.
- (B) The institution certifies compliance with the *Standards for New Bachelor's and Master's Programs*.
- (C) The institution certifies that adequate funds are available to cover the costs of the new program.
- (D) New costs during the first five years of the program would not exceed \$2 million.
- (E) The proposed program is a non-engineering program.
- (F) The proposed program would be offered by a public university or health-related institution.

I certify that my institution has notified all public institutions within 50 miles of the teaching site of our intention to offer the proposed program at least 30 days prior to submitting this request. I also certify that if any objections were received, those objections were resolved prior to the submission of this request.

I certify that my institution will adhere to Texas Education Code (TEC), Sections 61.822 through 61.823, requiring my institution to accept and apply to the degree program Core Curriculum and Field of Study courses in transfer.

Chief Executive Officer

Date

2. Board of Regents or Designee Approval – A member of the Board of Regents or designee shall sign the following statement:

On behalf of the Board of Regents, I hereby certify that the proposed program is appropriate for the mission of this institution, and the Board of Regents has approved the proposed program.

Date of Board of Regents approval: _____

Board of Regents (Designee)

Date

Board Briefing



Committee: Academic Affairs & Student Success

Date Filed: January 17, 2019

Title: Approval of Tenure for New Faculty Appointee

Background:

In accordance with the University of North Texas Health Science Center (UNTHSC) Faculty Bylaws, *Article X – Tenure, Section A – Non-tenured Faculty Members on the Tenure Track*,

“...each new faculty member shall serve a minimum probationary term of no less than one year before application for tenure, unless the President, in special circumstances, recommends immediate tenure.”

Dr. J. Glenn Forister joined the UNTHSC on February 4, 2019 as Dean of the School of Health Professions and Professor in the Department of Physician Assistant Studies. Dr. Forister comes to the UNTHSC from the Oregon Health & Science University where he served as the Division Head and Program Director of the Physician Assistant Education Program within the School of Medicine in Portland, Oregon. This Physician Assistant Program is currently ranked among the top five in the United States according to US News & World Report.

Dr. Forister received his Master of Physician Assistant Studies degree from the University of Nebraska, a Master of Science degree in clinical investigation from the University of Texas Health Science Center, San Antonio (UTHSCSA), and a Doctor of Philosophy in Education and Human Resource Development from Texas A&M University. Upon completing his Physician Assistant (PA) training in 1990 at the University of Texas Medical Branch, Galveston, he practiced in orthopedic surgery, family medicine, military medicine, and urgent care. He also served as a PA in the Medical Specialty Corps of the US Army/Army Reserve from 2000 to 2008.

Dr. Forister has received numerous awards including the Presidential Teaching Excellence award from UTHSCSA, and the Outstanding PA Educator of the Year in 2011 from the Texas Academy of Physician Assistants. He was recognized as a Distinguished Fellow by the American Academy of Physician Assistants in 2017. Dr. Forister served on the Research Institute of the Physician Assistant Education Association and has been a feature editor, contributor, and reviewer for the Journal of Physician Assistant Education. Following the completion of the customary UNTHSC review process, it was concluded and endorsed by the Provost and President that Dr. Forister met the criteria for tenure. Dr. Forister is an outstanding addition to the UNTHSC.

Financial Analysis/History:

In general, the award of tenure carries with it the assurance of continued employment absent the showing of good cause for termination.

Gregory R.
Anderson

Institution Chief Financial Officer

Digitally signed by Gregory R. Anderson
DN: cn=Gregory R. Anderson, o=UNT Health Science
Center, ou=Office of Finance and Operations,
email=gregory.anderson@unthsc.edu, c=US
Date: 2019.01.28 11:55:08 -0500

Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:08:09 -06'00'

Gary Rahlfs
Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas System, ou=Office of General Counsel, email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:24:56 -06'00'

Nancy S. Footer
Vice Chancellor/General Counsel

Schedule:

Tenure will be effective immediately upon Board approval.

Recommendation:

The President recommends, with the concurrence of the Chancellor, that the Board of Regents authorize and approve the award of tenure for Dr. J. Glenn Forister.

Recommended By:

Charles Taylor

Provost

Digitally signed by Michael R. Williams
DN: cn=Michael R. Williams, o=UNTHSC, ou=President, email=michael.williams@unthsc.edu, c=US
Date: 2019.01.29 12:33:47 -06'00'

Michael R. Williams

President

Digitally signed by Rosemary R. Haggett, Ph.D.
DN: cn=Rosemary R. Haggett, Ph.D., o=UNT System, ou, email=rosemary.haggett@untsystem.edu, c=US
Date: 2019.01.30 17:01:22 -06'00'

Rosemary R. Haggett, Ph.D.

Vice Chancellor

Digitally signed by Lesa B. Roe
Date: 2019.02.01 12:57:50 -06'00'

Lesla B. Roe

Chancellor



Board Order

Title: Approval of Tenure for New Faculty Appointee

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, in accordance with the University of North Texas Health Science Center (UNTHSC) Faculty Bylaws, *Article X – Tenure, Section A – Non-tenured Faculty Members on the Tenure Track*,

“...each new faculty member shall serve a minimum probationary term of no less than one year before application for tenure, unless the President, in special circumstances, recommends immediate tenure”, and

Whereas, Dr. J. Glenn Forister is an outstanding educator and researcher, and

Whereas, Dr. J. Glenn Forister meets the UNTHSC School of Health Professions criteria for tenure, as determined following a customary review process, and is endorsed by his Provost and President,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The conferring of tenure to Dr. J. Glenn Forister immediately upon Board approval.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

System Investment Policy

Presented February 15, 2019

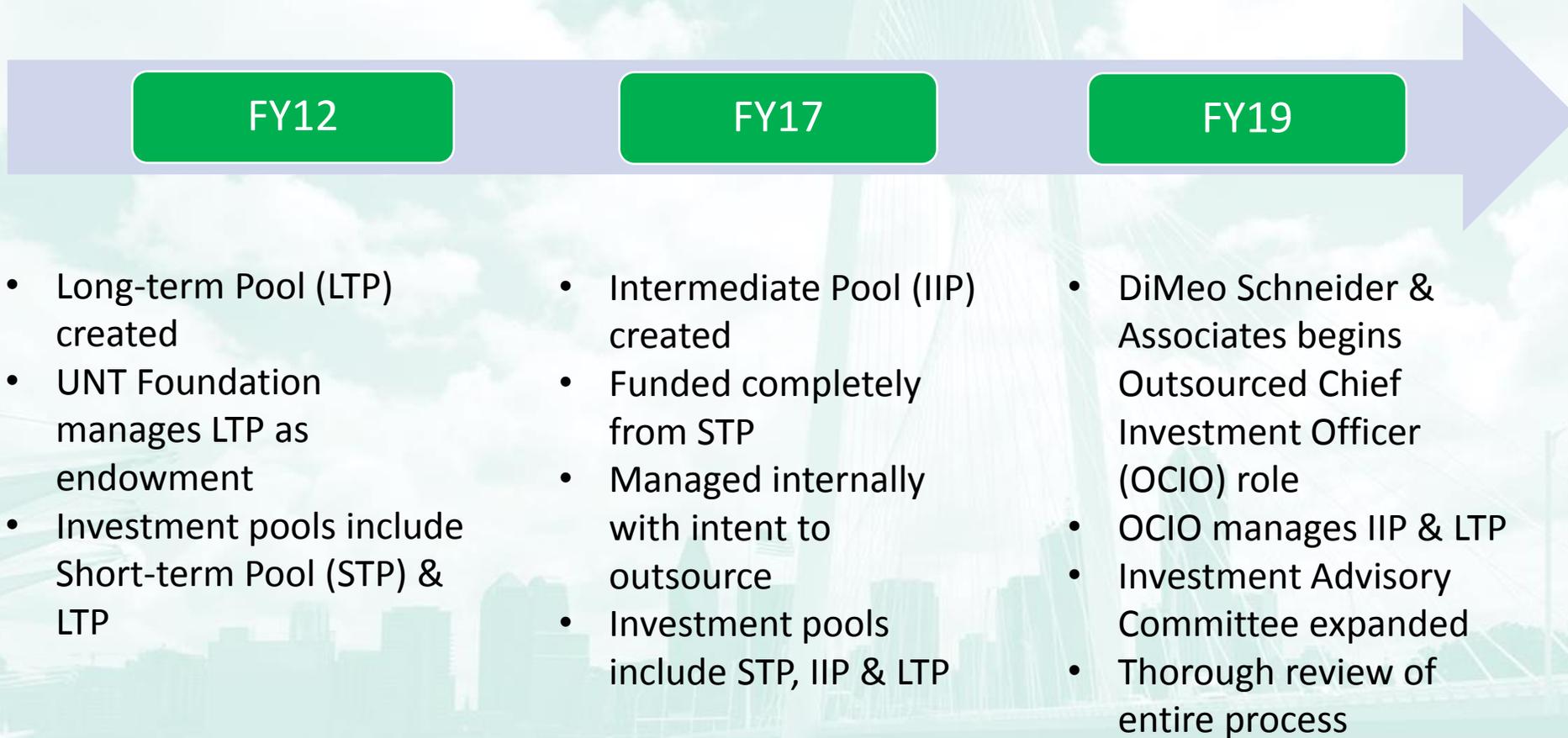
James Mauldin

Associate Vice Chancellor

Agenda

- A brief history
- A change in approach
- A new policy

A Brief History



A Change in Approach

- Additional expertise added to advisory committee
- Merging of Intermediate & Long-Term Pools
 - Assists in System-wide asset allocation management
 - Simplifies pool administration
 - Improves diversification system-wide
 - Additional liquidity in LTP
- Long-Term Pool (LTP) distribution changes

A New Policy

| Investment Policy | Current | Proposed |
|--|-----------|----------|
| Statement of Purpose/Objectives | ✓ | ✓ |
| Spending Policy | Not Incl. | ✓ |
| Pool Investment Constraints | ✓ | ✓ |
| Investment Strategy | ✓ | ✓ |
| Investment Manager Evaluation & Oversight | ✓ | ✓ |
| Roles & Responsibilities | Partial | ✓ |
| Evaluating and Selecting Service Providers | Not Incl. | ✓ |
| Other Funds | ✓ | ✓ |

*Overall theme of clear roles and objectives, and flexibility



Title: Approval of UNT System Regulation 08.2000, Investment of System Funds

Background:

UNT System Regulation 08.2000, Investment of System Funds, sets forth the Board of Regents annually approved investment policy for UNT System and its component institutions.

This amended investment policy is the product of asking the System's new Outsourced Chief Investment Officer (OCIO), DiMeo Schneider & Associates, to take a blank slate approach to our policy and help implement best practices. In addition, the System's Investment Advisory Committee - expanded to include three external members with significant investment experience – reviewed and approved the policy to be submitted for Board approval. The new policy clearly defines objectives of each investment pool and responsibilities of each stakeholder.

Outside of the change in formatting and structure of the policy itself, a change in investment approach is included as well. In November, 2016, the Board approved the creation of the Intermediate Investment Pool to shift some of the excess cash in the Short-term Pool into higher-yielding investments. Since then the System has operated with three investment pools and debated the proper asset allocation and investment approach of the new structure. The amended investment policy merges the Intermediate Investment Pool (IIP) and Long-Term Pool (LTP) into one pool, retaining the name of Long-Term Pool.

This change will accommodate the desire to manage asset allocation, rebalancing, and distributions from a more holistic perspective. The fixed income portion of the new pool, formerly the IIP, can better provide liquidity for distributions or withdrawals from the pool while remaining a key part of the overall investment management approach. As a result of the merging of the two pools, we now need to modify the approach on the spend rate. It has been defined as 3.75% of the rolling 20-quarter average balance of the current LTP and will continue to be so until we have sufficient history with the current IIP. Once we have twenty quarters' worth of historical balances with this group of investments, the calculation will shift to 2.5% of the newly-combined LTP.

Financial Analysis/History:

UNT System Regulation 08.2000, Investment of System Funds, is reviewed and approved annually by the UNT System Board of Regents.

Gary Rahifs Digitally signed by Gary Rahifs
Date: 2019.01.30 17:40:52 -06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 13:00:47 -06'00'

Vice Chancellor/General Counsel

Schedule:

This policy shall be effective immediately upon approval.

Recommendation:

It is recommended that the Board of Regents approve the amended University of North Texas System Regulation 08.2000, Investment of System Funds.

Recommended By:

James Mauldin

Associate Vice Chancellor

Lesla B. Roe

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Roe
Date: 2019.02.01 13:46:43
-06'00'

Chancellor

Attachments Filed Electronically:

- Amended UNT System Regulation 08.2000



Board Order

Title: Approval of UNT System Regulation 08.2000, Investment of System Funds

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, the System desires a holistic long-term approach to managing the investment of its monetary assets, and

Whereas, the System has hired DiMeo Schneider & Associates to perform the function of Outsourced Chief Investment Officer (OCIO), which includes advising on policy matters, and

Whereas, the Investment Advisory Committee has expanded to include three external members with significant investment experience, and

Whereas, the System's OCIO has drafted an amended investment policy that the Investment Advisory Committee recommends for approval, and

Now, Therefore, The Board of Regents authorizes and approves the following:

1. UNT System Regulation 08.2000, Investment of System Funds, as amended, which includes merging the Intermediate and Long-term Investment Pools.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

| | |
|---|---------------------------------|
| Regulations of the University of North Texas System | Chapter 08 Fiscal Management |
| 08.2000 Investment of System Funds | |

08.2001 **Regulation Statement.** This Regulation sets forth the rules for the investment of all System funds and funds held by the System in trust for others. All investments by the System will be made in accordance with Rule 10.100 of the Rules of the Board of Regents of the University of North Texas System and this System Regulation.

08.2002 **Application of Regulation.** This Regulation applies to the UNT System Administration and to all UNT Institutions.

08.2003 **Definitions.**

1. Authorized Broker/Dealers. “Authorized Broker/Dealers” means those entities that have been approved as provided herein.
2. Funds. “Funds” is defined by Government Code § 2256.002 and means public funds in the custody of a state agency or local government that:
 - a. are not required by law to be deposited in the state treasury; and
 - b. the investing entity has authority to invest.
3. Funds Subject to Board of Regents Control. “Funds Subject to Board of Regents Control” is defined by Texas Education Code § 51.002 and means:
 - a. student fees of all kinds;
 - b. charges for use of rooms and dormitories;
 - c. receipts from meals, cafes, and cafeterias;
 - d. fees on deposit refundable to students under certain conditions;
 - e. receipts from school athletic activities;
 - f. income from student publications and other student activities;
 - g. receipts from the sale of publication products and miscellaneous supplies and equipment;

- h. students' voluntary deposits of money for safekeeping;
 - i. all other fees and local or institutional funds arising out of and by virtue of the educational activities, research, or demonstrations carried on by the institution; and
 - j. donations and gifts to the institution.
4. **Investment Officer.** "Investment Officer" means the person(s) appointed by the Board pursuant to the Regents Rules, and any authorized designee.
 5. **Managing Entity.** "Managing Entity" means the entity holding and managing the investment of funds, and may include UNT System Administration, a UNT Institution, the University of North Texas Foundation, Inc. ("UNT Foundation"), the UNTHSC Foundation ("UNTHSC Foundation"), the University of North Texas at Dallas Foundation ("UNT at Dallas Foundation"), an external asset management firm, or Authorized Broker/Dealers.
 6. **Prudent Person Standard.** "Prudent Person Standard" is defined by Texas Education Code § 51.0031(d) and described in Article VII, Section 11b of the Texas Constitution, and means that standard of judgment and care that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.
 7. **System.** "System" means, collectively, the University of North Texas System, University of North Texas System Administration, and UNT Institutions.
 8. **UNT Institutions.** "UNT Institutions" means University of North Texas, University of North Texas Health Science Center at Fort Worth, and University of North Texas at Dallas.

08.2004 **Authority and Governing Statutes.** The System's authority to invest funds is established in the Public Funds Investment Act (Texas Government Code, Chapter 2256), Section 51.0031 of the Texas Education Code, and Rule 10.100 of the Rules of the Board of Regents of the University of North Texas System. This Regulation is promulgated in accordance with the Public Funds Investment Act, Section 51.0032 of the Texas Education Code, the Uniform Prudent Investor Act (Texas Property Code, Chapter 117), the Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163), and the Public Funds Collateral Act (Texas Government Code, Chapter 2257). Texas Education Code, Section 51.0032 requires a governing board to adopt a written investment policy, and the Public Funds Investment Act requires a governing board to adopt a written investment policy and strategy, review the policy and strategy not less than annually, appoint

an Investment Officer, and adopt internal controls to safeguard the System's funds. The Public Funds Collateral Act sets the standards for collateralization of public funds in Texas.

08.2005

Investment of System Funds.

1. ~~Investment Strategy. The investment management objective for the System is to retain appropriate liquidity to meet daily operating demands and Commercial Paper self-liquidity coverage requirements while seeking higher yield on available funds through an appropriately diversified investment portfolio. All Funds Subject to Board of Regents Control shall be invested pursuant to a Prudent Person Standard. All System endowment funds shall be invested pursuant to a Prudent Person Standard and shall be managed through the Short Term Pool (STP), Intermediate Investment Pool (IIP), and the Long Term Pool (LTP) to meet short, intermediate, and long term investment objectives. All UNTHSC medical professional liability self-insurance plan funds shall be invested pursuant to a Prudent Person Standard. All other System Funds shall be deposited in an approved depository bank, invested pursuant to the Public Funds Investment Act, or deposited in the State Treasury as prescribed by Texas Education Code § 51.008. System funds shall be invested according to the attached Exhibit A, the Investment Policy Statement.~~

2. ~~Short Term Pool (STP). Short term working capital funds are needed for daily liquidity requirements and thus shall generally be held in accounts or investments providing daily liquidity. The objective of this pool is to provide sufficient daily liquidity while meeting or exceeding the results of the Bloomberg Barclays US 1-3 Month T-bill index. No investments held in the STP will have a maturity date greater than ninety (90) days from the settlement date and the pool shall have a maximum weighted average maturity of thirty (30) days. System-wide, the combined balances that comprise the STP should be no less than 10% and no more than 20% of the sum total of all three investment pools. It is understood that fluctuations in market value and the timing of cash flows can cause temporary swings in these percentages that might exceed the established boundaries. Consideration will be given to credit and liquidity risks when determining the diversification of accounts and investments.~~

a. ~~Authorized Investments.~~

- ~~i. fully collateralized repurchase agreements or demand accounts deposited with an approved depository institution;~~
- ~~ii. money market mutual funds;~~
- ~~iii. approved Local Government Investment Pools;~~

- ~~iv. certificates of deposit guaranteed by the FDIC or properly collateralized;~~
- ~~v. commercial paper that is rated not less than A-1 or P-1 by a nationally recognized investment rating firm (no issuer in this category may constitute more than ten percent of the Short Term Pool balance).~~

~~b. Self-Liquidity. In accordance with System self-liquidity coverage, UNT Institutions shall maintain a combined amount of liquidity, as calculated by the rating agencies covering the commercial paper program, in the Short Term Pool (net of bond proceeds) and the Intermediate Investment Pool, of at least 1.2x the amount of outstanding debt issued through the System commercial paper program.~~

~~c. Investment Objectives:~~

- ~~i. Safety of Principal~~
- ~~ii. Liquidity~~
- ~~iii. Current Income~~
- ~~iv. Appreciation~~
- ~~v. Diversification~~

~~3. Intermediate Investment Pool. Excess cash that may on occasion be needed for liquidity purposes shall be invested in the Intermediate Investment Pool ("IIP"). The objective of this pool is to put dormant cash to work in higher yielding investments than the STP while still prioritizing safety of principal and liquidity, and meeting or exceeding the results of the Bloomberg Barclays U.S. Universal 1-5 Year Index. Investments in this pool shall not have a maturity date that exceeds seven (7) years and the maximum duration of the pool shall not exceed three (3) years. The balance in this pool should generally be at least 20% but not more than 60% of the sum total of all three investment pools. It is understood that fluctuations in market value and the timing of cash flows can cause temporary swings in these percentages that might exceed the established boundaries.~~

~~a. Authorized Investments. Investments in the IIP may be invested in any authorized vehicle available to the Short Term Pool plus the following:~~

- ~~i. Bond mutual funds;~~
- ~~ii. Asset-backed securities (ABS);~~
- ~~iii. Obligations of the United States, its agencies, states, counties, cities, and any other subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than BBB or its equivalent;~~
- ~~iv. U.S. Agency and Government-Sponsored Enterprise (GSE) backed mortgage securities (MBS);~~

- v. ~~Bank loans;~~
- vi. ~~Corporate bonds rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent~~

b. ~~Portfolio Asset Allocation.~~ The IIP shall allocate its investments in such a way that liquidity may be accessed within three days, if needed. In addition, no individual issuer other than the United States government shall represent more than 10% of the IIP balance.

c. ~~Portfolio Asset Selection.~~ Selection of the underlying assets within each portfolio shall remain the discretion of the Managing Entity, within the guidelines established in the portfolio asset allocation set forth above and the investment management contract.

- d. ~~Investment Objectives:~~
- i. ~~Safety of principal~~
 - ii. ~~Liquidity~~
 - iii. ~~Current Income~~
 - iv. ~~Appreciation~~
 - v. ~~Diversification~~

4. ~~Long Term Investment Pool.~~ Long Term Investment Pool is established to provide an investment vehicle for growth and distribution of funds available, as appropriate, for longer term institutional mission to include financial viability and revenue diversity. Long term cash reserves shall generally constitute at least 25% but not more than 60% of the sum total of all three investment pools. It is understood that fluctuations in market value and the timing of cash flows can cause temporary swings in these percentages that might exceed the established boundaries.

The purpose of the following objectives is to facilitate the discussion and evaluation of the LTP performance:

- ~~Outperform the weighted strategic benchmark over rolling five year periods.~~
- ~~Total return goal for the LTP is to exceed the Consumer Price Index plus 4% over rolling ten year periods or as adjusted by the strategic allocation.~~
- ~~Each investment manager will be evaluated by the managing entity versus a benchmark and/or a peer universe.~~
- ~~Rank in the top half of the NACUBO universe, defined as peers with portfolios ranging from \$100 million to \$500 million over rolling five year periods.~~

a. ~~Authorized Investments.~~ The investment vehicle for Long Term Pool cash reserves shall be the UNT System Long Term Pool ("UNTS-LTP"). The UNTS-LTP shall be held and invested pursuant to a Prudent Person Standard.

~~b. Portfolio Asset Allocation. The UNTS-LTP portfolio asset allocation shall be monitored on an ongoing basis, maintained within the tactical range shown below, and reviewed no less than quarterly in connection with the required quarterly report to the Board of Regents.~~

| | Strategic Target Policy Allocation | Tactical Range |
|-----------------------------|---------------------------------------|----------------|
| Growth Assets | 65% | 55—75% |
| Risk Reduction Assets | 25% | 15—35% |
| Inflation Protection Assets | 10% | 5—15% |

~~The Managing Entity, by and through its investment manager, will be responsible for monitoring the UNTS-LTP's strategic target policy allocation and tactical range. The Managing Entity and its investment manager may make allocation changes within the tactical ranges shown above as warranted under a Prudent Person Standard. Any allocation changes that would exceed the tactical ranges must be pre-approved by the System Investment Advisory Committee.~~

~~c. Portfolio Asset Selection. Selection of the underlying assets within each portfolio shall remain the discretion of the Managing Entity, within the guidelines established in the portfolio asset allocation set forth above and the investment management contract.~~

~~d. Strategic Benchmark. The strategic benchmark for the LTP shall be defined as follows: Russell 3000 Index (35%); MSCI ACWI ex USA IMI (30%); Barclays US Aggregate Bond Index (15%); Barclays US Long Credit Index (10%); Dow Jones U.S. Real Estate Index (5%); and S&P Materials Select Sector Index (5%).~~

~~e. UNT System Investment Advisory Committee. Members of the UNT System Investment Advisory Committee shall be the Vice Chancellor for Finance, the Associate Vice Chancellor for Treasury and Reporting, and the chief financial officers from each UNT Institution. The UNT System Investment Advisory Committee shall have oversight of investments in the UNTS-LTP and IIP, and maintain an active role in advising Managing Entities. The Vice Chancellor for Finance shall represent the System Investment Advisory Committee for all approvals that may be necessary or advisable in connection with the UNTS-LTP to provide to a Managing Entity.~~

~~f. Investment Objectives.
i. Appreciation~~

- ii. ~~Current Income~~
- iii. ~~Diversification~~
- iv. ~~Liquidity~~
- v. ~~Safety of Principal~~

5. ~~Bond Proceeds.~~ Bond proceeds and reserves may be invested in a manner consistent with the requirements and restrictions stated in the applicable Bond Covenants.

a. ~~Investment Objectives.~~

- i. ~~Safety of Principal~~
- ii. ~~Liquidity~~
- iii. ~~Current Income~~
- iv. ~~Appreciation~~

6. ~~Endowed Funds.~~ The objective of endowment investment is to meet the donor intent having a long-term horizon, unless otherwise specified. The long-term objective is to achieve a total annual return which covers the spend rate plus inflation, administrative costs, and investment management fees. The endowment corpus shall be invested in a diversified portfolio using reasonable care to provide on-going and dependable cash payout, while mitigating the impact of inflation.

a. ~~Authorized Investments.~~ The System has identified four options for investing endowed funds:

- i. ~~The UNTS-LTP~~
- ii. ~~The UNT Foundation Endowment~~
- iii. ~~The UNTHSC Foundation Endowment~~
- iv. ~~The UNT at Dallas Foundation Endowment~~

b. ~~Endowment Policies.~~ Each UNT Institution and the UNT System Administration shall adopt an Endowment Policy consistent with this Regulation and subject to Board approval that governs the type of endowments, acceptance of gifts, purpose and use of endowments, and distribution requirements of endowed funds.

c. ~~Asset Allocation.~~ Each UNT Institution and the UNT System Administration shall select the investment portfolio option. The asset allocation and selection of the underlying assets within each portfolio shall be at the discretion of the Managing Entity; provided, however, that investment of any endowment funds must be pursuant to the Prudent Person Standard and within the guidelines established in this Regulation, the applicable

~~UNT Institution Endowment Policy, and the Investment Management Agreement.~~

~~d. Investment Objectives.~~

- ~~i. Appreciation~~
- ~~ii. Current Income~~
- ~~iii. Safety of Principal~~
- ~~iv. Diversification~~
- ~~v. Liquidity~~

~~7. Medical Professional Liability Self Insurance Funds. The total amount of reserve funds required for medical professional liability self insurance shall be actuarially determined annually. These funds shall be invested in any combination of the UNT System Long Term Pool or the UNT System Short Term Pool at the discretion of the UNT Health Science Center. In the event all or a portion of the self insurance fund is converted to a quasi-endowment — subject to liquidation resulting from claims — the quasi-endowment may be invested in accordance with section V — Endowed Funds. A separate accounting of the fund balance and transactions must be maintained and provided to the UNT System Board of Regents at least annually.~~

~~a. Investment Objectives.~~

- ~~i. Preservation of Capital~~
- ~~ii. Appreciation~~
- ~~iii. Liquidity~~

~~8. Investment Management.~~

~~a. Managing Entity. All System investments shall be held, invested, and managed by a Managing Entity pursuant to a Prudent Person Standard. Only those entities named or otherwise approved as a Managing Entity under this Regulation may provide investment management services for and on behalf of the System.~~

~~b. Investment Management Agreement. Investment management services provided by a Managing Entity (other than UNT System Administration or a UNT Institution) shall be administered only through a contractual agreement (“Investment Management Agreement”) with the System or an Institution. Authority to approve and sign Investment Management Agreements is delegated as follows: (i) on behalf of the Board, to the Chancellor; (ii) on behalf of the System, to the Chancellor or his designee; (iii) on behalf of a UNT Institution, to the UNT Institution’s President or his/her designee.~~

- ~~c. Investment Liaison. Each Investment Management Agreement shall designate an Investment Liaison to serve as the liaison between the Managing Entity and the Board of Regents, and may also designate the Investment Liaison to serve as either a voting or ex-officio member of the Managing Entity's board of directors.~~
- ~~9. Insurance or Collateral. All bank deposits of System funds shall be secured by pledged collateral with a market value equal to no less than 102% of the deposits plus accrued interest less an amount insured by the FDIC. Evidence of the pledged collateral shall be maintained by the Vice Chancellor for Finance. Eligible collateral must meet the requirements of the Public Funds Collateral Act or securities authorized by the Public Funds Investment Act. Repurchase agreements shall be documented by the Master Repurchase Agreement approved by The Bond Market (TBMA), or any other entity approved by the Finance Committee of the Board of Regents, noting the collateral pledged in each agreement. The use of a letter of credit issued to the System by the Federal Home Loan Bank may be considered by the System to meet the required bank depository collateral requirements. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.~~
- ~~10. Safekeeping and Custody. Assets shall be settled on a delivery versus payment basis when appropriate, and secured through independent third-party custody and safekeeping procedures. Safekeeping procedures shall be reviewed annually by the Internal Auditor. Periodic surprise audits of safekeeping and custodial systems shall be conducted annually by the Internal Auditor.~~
- ~~11. Authorized Broker/Dealers. The Board of Regents must annually review and adopt a list of broker/dealers qualified and authorized to engage in investment transactions with and for the System. All Authorized Broker/Dealers and investment management firms must supply a certification of having read and understood the investment rules, regulations, and policies applicable to the System and acknowledge that the business has implemented reasonable procedures and controls in an effort to comply.~~
- ~~12. Investment Responsibilities. The System Investment Advisory Committee shall be responsible for investing System funds and must comply with the following:~~
- ~~a. Prudent Person Standard. The Investment Officers shall exercise a Prudent Person Standard at all times with regard to all funds.~~

~~b. Personal Business Relationship. Should any Investment Officer have a personal business relationship with a business organization offering to engage in an investment transaction with the System, a statement shall be filed disclosing that personal business interest. This statement must be filed with the Texas Ethics Commission and the Board of Regents. A "personal business relationship" is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Vice Chancellor for Finance is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.~~

~~c. Training. Each member of the Board of Regents and the System Investment Advisory Committee shall attend at least one training session within six months after taking office or assuming duties. The Texas Higher Education Coordinating Board will provide training for the Regents. All Investment Officers and members of the System Investment Advisory Committee must attend training not less than once in each fiscal biennium, and may receive training from any independent source approved by the Board of Regents. The Texas Higher Education Coordinating Board is an approved source for training. The Investment Officers must report the status of their training to the Board of Regents no later than the 180th day after the last day of each regular session of the legislature.~~

~~13. Reporting.~~

~~a. Audit. The System's Internal Audit department shall perform an annual compliance audit of management controls and adherence to this policy. The results will be reported to the Board of Regents and the State Auditor's Office.~~

~~b. Quarterly Reports. The Vice Chancellor for Finance shall prepare a quarterly investment report which includes endowments and submit it to the Board of Regents through the Chancellor. The report will be prepared in compliance with generally accepted accounting principles and will detail, by asset and fund type, changes in book and market values, dates of maturity, and accrued interest. The quarterly reports are to be formally reviewed at least annually by the System's Internal Audit department in conjunction with the annual compliance audit, and the result of the review shall be reported to the Board of Regents.~~

Annual Report. At the end of each fiscal year, the System will prepare a report of investment performance for the year and submit it to the Board of Regents at its first regularly scheduled board meeting following the end of the fiscal year.

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08.2006 UNT System Investment Advisory Committee.

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Members of the UNT System Investment Advisory Committee shall be the Vice Chancellor for Finance, the Associate Vice Chancellor for Treasury, and the chief financial officers from each UNT Institution. The UNT System Investment Advisory Committee shall have oversight of investments in the UNTS LTP and STP, and maintain an active role in advising Managing Entities. The Vice Chancellor for Finance or the Associate Vice Chancellor for Treasury shall represent the System Investment Advisory Committee for all approvals needed by a Managing Entity regarding the LTP.

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References and Cross-references:

- Public Funds Investment Act (Texas Government Code, Chapter 2256)
- Texas Education Code, Chapter 51, Subchapter A (Section 51.001, et. seq.)
- University of North Texas System Board of Regents Rule 10.100
- Uniform Prudent Investor Act (Texas Property Code, Chapter 117)
- Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163)
- Public Funds Collateral Act (Texas Government Code, Chapter 2257)

Approved: August 16, 2012

Effective: August 16, 2012

Revised: May 16, 2013, August 15, 2013, December 5, 2013, August 21, 2014, October 16, 2014, November 20, 2015, November 18, 2016, May 19, 2017, *Reapproved with no change August 10, 2018

Exhibit A

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The University of North Texas System

DRAFT

Investment Policy Statement

Adoption

This Investment Policy Statement (“IPS”) governs the investment and oversight of the Short-Term Pool (“STP”), as well as the legacy Intermediate Investment Pool (“IIP”) and Long-Term Pool (“LTP”). The IIP and LTP shall be combined and referred to hereafter as the Long-Term Pool (“LTP”) of the University of North Texas System (“Institution”).

This IPS governing the STP and LTP (or “Pools”) was revised and adopted by the Board of Regents (“Regents”) on **Day, Month, Year**.

Purpose of IPS

The purpose of the IPS is to outline the following general provisions affecting the Pools by:

- Assisting the Investment Advisory Committee (“Committee”) and Regents to fulfill their fiduciary responsibilities;
- Conveying the Pools’ purpose, investment objective, investment strategy and constraints;
- Establishing a decision-making framework to promote the effectiveness of Pools;
- Setting forth the role and responsibilities of the Committee, Regents, Discretionary Investment Advisor (“Advisor”) and other relevant parties.
- Intending for the Pools to be maintained in compliance with applicable regulations and laws as well as Rule 10.100 of the Rules of the Board of Regents of the Institution, and managed in accordance with the “Prudent Person Standard” as defined by Texas Education Code § 51.0031(d) and described in Article VII, Section 11b of the Texas Constitution.

Statement of Purpose/Objectives

Short-Term Pool¹ (“STP”): Short-term working capital funds needed for daily liquidity requirements shall be held in the STP. The purpose and objective of the STP is to provide daily liquidity while meeting or exceeding the results of the Bloomberg Barclays US 1-3 Month T-bill index. Emphasis should be placed on safety of principal and liquidity.

Long-Term Pool (LTP): The LTP’s objective is to preserve the long-term purchasing power of assets when accounting for inflation and spending. The LTP’s purpose is to benefit the Institution’s long-term mission while prudently diversifying its assets.

Debt Proceeds: As funds borrowed for the purpose of covering anticipated capital spending needs, these funds should be available for daily liquidity and invested in a manner consistent with the applicable Bond Covenants. Emphasis should be placed on safety of principal and liquidity.

Spending Policy

For the LTP, the Regents have established an annual spending policy equal to 2.5% of the LTP's rolling twenty quarter asset balance. Prior to twenty quarters of balances, the policy shall be equal to 3.75% of legacy LTP assets. Management reserves the right to request additional extraordinary distributions from the LTP if doing so is in the best long-term interests of the Institution.

Investment Constraints

There are no explicit prohibitions against investing a portion of the Pools' assets in any asset class, investment strategy or investment manager structures, so long as the investment is;

- For the sole purpose of advancing the objective of the Pools;
- Appropriate given the Pools' investment strategy;
- Not in violation any of the Pools' liquidity constraints; and
- Intended to improve the Pools' aggregate investment strategy's expected risk-adjusted performance.

The Advisor intends to consider the explicit and implicit costs that may be incurred as a result of adding a new asset class, investment strategy, or investment manager structure and determine whether the merit of the investment justifies any applicable additional costs. Explicit costs include, but are not limited to, investment management fees, custody costs and additional audit expenses. Implicit costs include, but are not limited to, the cost of time and administrative resources that could be allocated elsewhere to improve the effectiveness of the Pools.

Long-Term Pool (LTP) Constraints:

| LTP Parameters: | Lower Limit | Upper Limit |
|---------------------------------------|--------------------|--------------------|
| Cash or Cash Equivalents | 0% | 10% |
| Global Public Fixed Income Securities | 0% | 40% |
| Global Public Equity Securities | 20% | 65% |
| Real Assets ¹ | 5% | 15% |
| Alternative Investments ² | 15% | 35% |

¹ *Real Assets* include real estate, commodity strategies, infrastructure assets and other intrinsically valuable assets.

² *Alternative Investments* include hedge funds, private markets asset classes and other investments that do not fall inside traditional or real asset categories.

Short-Term Pool (STP) Constraints¹:

- All investments or investment vehicles must provide daily liquidity.
- All positions or vehicles must be considered U.S. cash or cash-equivalent investments or vehicles.
- No individual security may have a credit quality of less than AAA at the time of investment.
- No investment vehicle may have an average credit quality of less than AAA at the time of investment.
- The STP must maintain a weighted-average maturity of less than 90 days.
- All bank deposits of System funds shall be secured by pledged collateral with a market value equal to no less than 102% of the deposits plus accrued interest less an amount insured by the FDIC. Evidence of the pledged collateral shall be maintained by the Vice Chancellor for Finance. Eligible collateral must meet the requirements of the Public Funds Collateral Act or securities authorized by the Public Funds Investment Act. Repurchase agreements shall be documented by the Master Repurchase Agreement approved by The Bond Market (TBMA), or any other entity approved by the Finance Committee of the Board of Regents, noting the collateral pledged in each agreement. The use of a letter of credit issued to the System by the Federal Home Loan Bank may be considered by the System to meet the required bank depository collateral requirements. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.
- The Board of Regents must annually review and adopt a list of broker/dealers qualified and authorized to engage in investment transactions with and for the System. All Authorized Broker/Dealers and investment management firms must supply a certification of having read and understood the investment rules, regulations, and policies applicable to the System and acknowledge that the business has implemented reasonable procedures and controls in an effort to comply.
- Where applicable, transactions should settle as Delivery Versus Payment (DVP)

Investment Strategy

The Committee acknowledges that the Pools' asset allocation strategies are likely to be the primary determinant of performance. The Pools' investment strategies involve diversifying among various asset classes, investment strategies and investment managers in order to pursue the Pools' investment objective(s) while complying with applicable constraints.

While reserving the right to take timely advantage of long-term investment opportunities as they present themselves, the Advisor will refrain from making dramatic shifts to the Pools' investment strategy based on short-term capital market expectations.

The Advisor intends to review and revise the target allocation to asset classes periodically to ensure the investment strategies remain consistent with the Pools' investment objectives. However, any change to the investment strategies shall remain consistent with the constraints of this IPS.

The Pools' allocations will be monitored on a periodic basis to determine whether rebalancing back to its target allocation is warranted. This rebalancing process is often to result in withdrawing from investments that have recently outperformed and/or adding to investments that have recently underperformed. Concerning periodic withdrawals (or contributions) that may be made to (or from) the Pools, partial rebalancing will generally have the objective of bringing the Pools closer to their target asset allocations.

The investment strategies will be illustrated by the Pools' target allocations, and will be detailed in a section of the Pools' periodic performance report. The target asset allocations illustrated in the most recent quarterly performance report will function as an appendix to this IPS.

In addition to achieving the investment objectives previously outlined in this IPS, the goal of the overall investment strategies is to meet or exceed (a risk-appropriate) benchmark over full market cycles. The benchmarks will constitute underlying market indices appropriate for each strategy, and its components will be illustrated in the periodic performance report provided by the Advisor. The Advisor may also use additional performance benchmarks including, but not limited to, broader and/or more specific benchmarks made up of multiple underlying indices, peer group comparisons to similar funds, inflation-adjusted absolute return benchmarks, or any other benchmark the Advisor, Committee or Regents believe will further the evaluation of the Pools' effectiveness.

Investment Manager Selection

The Pools may allocate to investment managers through a variety of investment vehicles including, but not limited to separate accounts, mutual funds, commingled funds, or private partnerships.

The underlying investment managers selected for the Pools are intended to be selected with the care, skill and diligence that would be applied by a prudent person acting in a like capacity and knowledgeable about investing.

The Advisor will examine investment managers' investment objectives and processes; historical adherence to stated objectives and processes; depth of resources; quality of personnel; historical

performance (including risk) versus various appropriate benchmarks; appropriateness of diversification; reasonableness of fees; and any other metric that may be material when evaluating investment managers' capabilities. The Advisor will use all available information and its best judgment when seeking to hire skillful investment managers. The Advisor may also select low cost, passively managed investment products where appropriate.

Investment Manager Evaluation and Oversight

The Advisor will periodically review the performance of underlying investment managers. Investment manager performance will be evaluated against proper indices, peer group comparisons, and risk-adjusted performance metrics. Managers will also be evaluated against other metrics that may include but are not limited to expenses, consistency of strategy or style, or other qualitative factors.

Investment managers may be considered for possible termination if they fail to meet performance or other guidelines enumerated in the periodic performance report. The performance summary section of the most recent performance report, including managers and their various benchmarks, will serve as an appendix to this IPS. Since several studies have demonstrated that the vast majority of strong long-term performing investment managers suffer multi-year periods of underperformance, failure to meet performance or other qualitative guidelines will not automatically trigger a manager termination. The Advisor intends to use all known information and its best judgment to determine if and when terminating a manager is warranted. Events that may trigger a termination include but are not limited to illegal or unethical behavior on the part of the manager; failure to follow investment guidelines; turnover among key personnel; a change in investment style or strategy; insufficient infrastructure to keep pace with asset growth; significant increase in expenses or fees; higher conviction with a competing manager; and any other observation the Advisor deems may prevent the manager from carrying out its duties effectively. In addition, managers may be terminated at any time for any reason at the discretion of the Advisor.

Roles and Responsibilities

The following is a summary of roles and responsibilities of various parties involved in overseeing or safeguarding the Pools' assets:

Board of Regents

- Provide guidance to Committee on the Pools' objectives.
- Empower the Vice Chancellor for Finance to select members to serve on the Committee.
- Review Committee's proposed changes to the IPS.
- Ratify Committee's proposed changes to the IPS.
- Periodically request status reports from the Committee.

- Seek to avoid conflicts of interest.

Committee^l

- Oversee the management of assets including the distribution of funds and the movement of funds between Pools.
- Act solely in the best interest of the Pools and its objectives.
- Determine investment objectives and constraints. Immediately communicate any revision in objectives or constraints to the Advisor.
- Set and revise the investment policy and receive approval from Regents.
- Select Advisor, custodians, and any other vendors required to administer the Pools.
- Review and evaluate investment results with the assistance of the Advisor.
- Should any Investment Officer have a personal business relationship with a business organization offering to engage in an investment transaction with the System, a statement shall be filed disclosing that personal business interest. This statement must be filed with the Texas Ethics Commission and the Board of Regents. A “personal business relationship” is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Vice Chancellor for Finance is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.
- Each member of the Board of Regents and the System Investment Advisory Committee shall attend at least one training session within six months after taking office or assuming duties. The Texas Higher Education Coordinating Board will provide training for the Regents. All Investment Officers and members of the System Investment Advisory Committee must attend training not less than once in each fiscal biennium, and may receive training from any independent source approved by the Board of Regents. The Texas Higher Education Coordinating Board is an approved source for training. The Investment Officers must report the status of their training to the Board of Regents no later than the 180th day after the last day of each regular session of the legislature.

Advisor^l

- Assist Committee in the development and periodic review of the investment policy.
- Manage the Pools’ strategy and assets within IPS constraints and periodically revise the investment strategy in order to seek to maximize the Pools’ long-term effectiveness.
- Select and terminate underlying investment managers.
- Periodically review Pools-related investment expenses to ensure they are competitive and appropriate. Take corrective action if they are not.

- Monitor aggregate and manager-level performance to ensure compliance with objectives.
- Provide the Committee with performance reporting and attribution updates.
- On a timely basis, notify the Committee if there are material developments with the investment strategy or any of the Pools' underlying investment managers.
- Produce performance reports at least quarterly for Committee review.
- Produce an annual performance report for the Board

Investment Managers

- Manage assets in accordance with the guidelines and objectives outlined in prospectuses (mutual funds), investment agreements (commingled funds, private partnerships, etc.), or manager-specific investment guidelines (separate accounts).
- Exercise investment discretion to buy, manage, and sell assets held in the portfolios.
- Promptly vote proxies and related actions in a manner consistent with the long-term interest of the Pools.
- Communicate all organizational changes in a timely manner, including but not limited to ownership, organizational structure, financial condition, and professional staff.
- Seek "best price and execution" for transactions. Both explicit and implicit transactions costs should be considered.
- Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like portfolios with like aims in accordance and compliance with all applicable laws, rules, and regulations.

Custodian(s)

- Safeguard portfolio assets.
- Accurately value portfolio holdings.
- Execute buy/sell orders and cash transfers in a timely manner as directed by the Advisor.
- Collect all income and dividends owed to the Pools.
- Settle all transactions (buy-sell orders) initiated by separate account investment managers.
- Provide monthly reports that detail transactions, cash flows, securities values, and changes in the value of each security and the overall portfolio since the previous report.

- Provide all requested portfolio information to the Advisor, Committee or Regents in a timely manner.

Evaluating and Selecting Service Providers

In carrying out the policies of this IPS, the Committee may rely on various service providers including, but not limited to, the Advisor, custodian, administrative services provider(s), and investment managers. Such service providers generally shall be evaluated and selected based on the following:

- Furthering the Purpose of the Pools in Cost-Effective Manner. Each service provider is intended to advance the purpose of the Pools, which is to meet the objectives previously stated in this IPS. The service providers shall be expected to deliver administratively efficient services and charge fees that are reasonable given the service(s) provided.
- Core Business Commitment and Expertise. Each service provider is intended to have a history of providing services to other similar portfolios and demonstrate an ongoing commitment to such business. Its employees should have a reputation among its clients for the quality of its services. The firm should show an appropriate knowledge of other applicable statutes and regulation.
- Fiduciary Status and Conflicts of Interest. To the extent required based on the services being provided to the Pools, the service provider shall acknowledge its role as a fiduciary to the Pools. Service providers are expected to disclose any potential conflicts of interest to the Advisor and Committee.

Investment management services provided by a Managing Entity (other than UNT System Administration or a UNT Institution) shall be administered only through a contractual agreement (“Investment Management Agreement”) with the System or an Institution. Authority to approve and sign Investment Management Agreements is delegated as follows: (i) on behalf of the Board, to the Chancellor; (ii) on behalf of the System, to the Chancellor or his/her designee; (iii) on behalf of a UNT Institution, to the Institution’s President or his/her designee.

Other Funds

Endowed Funds: The objective of endowment investment is to meet the donor intent having a long-term horizon, unless otherwise specified. The long-term objective is to achieve a total annual return which covers the spend rate plus inflation, administrative costs, and investment management fees. The endowment corpus shall be invested in a diversified portfolio using reasonable care to provide on-going and dependable cash payout, while mitigating the impact of inflation.

- Authorized Investments. The System has identified four options for investing endowed funds:
 - The UNTS-LTP
 - The UNT Foundation Endowment
 - The UNTHSC Foundation Endowment
 - The UNT at Dallas Foundation Endowment

- Endowment Policies. Each UNT Institution and the UNT System Administration shall adopt an Endowment Policy consistent with this Regulation and subject to Board approval that governs the type of endowments, acceptance of gifts, purpose and use of endowments, and distribution requirements of endowed funds.
- Asset Allocation. Each UNT Institution and the UNT System Administration shall select the investment portfolio option. The asset allocation and selection of the underlying assets within each portfolio shall be at the discretion of the Managing Entity; provided, however, that investment of any endowment funds must be pursuant to the Prudent Person Standard and within the guidelines established in this Regulation, the applicable UNT Institution Endowment Policy, and the Investment Management Agreement.
- Investment Objectives.
 - Appreciation
 - Current Income
 - Safety of Principal
 - Diversification
 - Liquidity

Medical Professional Liability Self-Insurance Funds: The total amount of reserve funds required for medical professional liability self-insurance shall be actuarially determined annually. These funds may be invested in any combination of the UNT System LTP, the UNT Health Science Center Foundation, or the UNT System Short Term Pool at the discretion of the UNT Health Science Center. In the event all or a portion of the self-insurance fund is converted to a quasi-endowment – subject to liquidation resulting from claims – the quasi-endowment may be invested in accordance with Endowed Funds (above). A separate accounting of the fund balance and transactions must be maintained and provided to the UNT System Board of Regents at least annually.

Investment Objectives.

- Preservation of Capital
- Appreciation
- Liquidity

Voting of Proxies

For separately managed accounts, if applicable, investment managers will be expected to vote proxies in the best interest of the Pools. When applicable, mutual fund proxies are intended to be voted in the best interest of the Pools.

¹ Unlike the LTP, the STP's management, rebalancing and full oversight will remain the sole responsibility of the Investment Committee and/or Regents. However, the Advisor will provide performance reports for all Pools.



Title: Authorization to Amend the UNTS FY19 Capital Improvement Plan to Add Campus Energy Infrastructure Improvements and the Facilities Management and General Services Buildings Renovation

Background:

The University of North Texas Health Science Center (HSC) has expanded significantly over the last ten years with the construction of the Medical Education Training facility and the Interdisciplinary Research and Education Building. As a result of this growth as well as facing aging mechanical systems throughout campus, the university seeks to evaluate campus-wide upgrades for energy efficient infrastructure. This project will address both short and long-term needs of the campus chilled water systems, replace aging cooling towers, and optimize other systems.

In addition, the HSC will renovate the Facilities Management and General Services Buildings to an open concept that will allow for increased collaboration between departments, improved space utilization, and streamlining of processes.

On August 10, 2018, the Board of Regents approved the UNTS FY19 Capital Improvement Plan (CIP) which identified capital projects for the UNT System. The requested action is to amend the UNTS FY19 CIP to include the campus energy infrastructure improvements and the renovation of the Facilities Management and General Services Buildings.

Financial Analysis/History:

Funds for all listed FY19 projects have been allocated by the institutions and confirmed by signature on the plan documents by the President and CFO. Funding plans have been reviewed by the Vice Chancellor for Finance.

Gregory R. Anderson
Digitally signed by Gregory R. Anderson
DN: cn=Gregory R. Anderson, o=UNT Health Science Center, ou=Office of Finance and Operations,
email=gregory.anderson@unthsc.edu, c=US
Date: 2019.01.30 11:16:49 -06'00'

Institution Chief Financial Officer

Gary Rahlfs
Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:18:08 -06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer
Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untssystem.edu, c=US
Date: 2019.02.01 12:51:47 -06'00'
Vice Chancellor/General Counsel

Schedule:

The planning, design and/or construction of the Capital Improvement Project schedules are detailed in the plan documents.

Recommendation:

It is recommended that the Board of Regents authorize and approve the following Board Order to amend the UNTS FY19 Capital Improvement Plan as attached.

Recommended By:

James Davis
Associate Vice Chancellor for
Facilities Planning & Development

Michael R. Williams
Digitally signed by Michael R. Williams
DN: cn=Michael R. Williams,
o=UNTHSC, ou=President,
email=michael.williams@unthsc.edu, c=US
Date: 2019.01.30 11:46:51 -06'00'
President

Steven Maruszewski
Digitally signed by Steven Maruszewski
Date: 2019.02.01 15:17:37 -06'00'
Vice Chancellor

Lesa B. Roe
Digitally signed by Lesa B. Roe
Date: 2019.02.01 13:38:33 -06'00'
Chancellor

Attachments Filed Electronically:

- UNTS FY19 Capital Improvement Plan – February 2019 Amendment



Board Order

Title: Authorization to Amend the UNTS FY19 Capital Improvement Plan to Add Campus Energy Infrastructure Improvements and the Facilities Management and General Services Buildings Renovation

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, the Board of Regents approved the UNTS FY19 Capital Improvement Plan, and

Whereas, there was an identified need for campus-wide energy improvements and the renovation of the Facilities Management and General Services Buildings, and

Whereas, funds for Fiscal Year 2019 projects have been identified for expenditure in FY19 budgets and for the completion of those projects which extend into later Fiscal years,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Amend the UNTS FY19 Capital Improvement Plan to add the Campus Infrastructure Improvements and the Facilities Management and General Services Buildings Renovation.

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

UNIVERSITY of NORTH TEXAS SYSTEM

FY2019 SUMMARY (in \$Million)

NEW PROJECTS FOR FY2019

| Proj. No. | Project | Funding Source | Prior Yrs Budget | 2019 | 2020 | 2021 | 2022 | 2023+ | Total Project |
|--|---|----------------|------------------|------|------|------|------|-------|---------------|
| University of North Texas | | | | | | | | | |
| | | | | | | | | | |
| University of North Texas Total | | | | - | - | - | - | - | - |
| University of North Texas Dallas | | | | | | | | | |
| | | | | | | | | | |
| University of North Texas Dallas Total | | | | - | - | - | - | - | - |
| University of North Texas Health Science Center | | | | | | | | | |
| 19-03-1901 | Campus Energy Infrastructure Improvements | RFS | | 0.40 | 6.60 | 1.00 | | | 8.00 |
| 19-03-1902 | Facilities Management and General Services Buildings Renovation | RFS | | 3.00 | | | | | 3.00 |
| New Project for Approval Total | | | | - | 3.40 | 6.60 | 1.00 | - | 11.00 |
| University of North Texas System | | | | | | | | | |
| | | | | | | | | | |
| University of North Texas System Total | | | | - | - | - | - | - | - |
| Capital Improvement Plan Total | | | | - | 3.40 | 6.60 | 1.00 | - | 11.00 |

Summary by Funding Source

| | Funding Source | Prior Yrs Budget | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|--------------------------------------|----------------|------------------|------|------|------|------|-------|-------|
| HEAF | HEAF | - | - | - | - | - | - | - |
| Tuition Revenue Bonds | TRB | - | - | - | - | - | - | - |
| Commercial Paper | CP | - | - | - | - | - | - | - |
| Revenue Financing System Bonds | RFS | - | 3.40 | 6.60 | 1.00 | - | - | 11.00 |
| Auxiliary Reserves | AUX | - | - | - | - | - | - | - |
| Grants | GRNT | - | - | - | - | - | - | - |
| Student Fees | SF | - | - | - | - | - | - | - |
| Housing Revenue | HR | - | - | - | - | - | - | - |
| Gift/Donations | GIFT | - | - | - | - | - | - | - |
| Annual Budget, Operating and Capital | Local/Cash | - | - | - | - | - | - | - |
| Total | | | - | 3.40 | 6.60 | 1.00 | - | 11.00 |

FY2019 (in \$Million)

University of North Texas Health Science Center

| Proj. No. | Project | Funding Source | Prior Yrs Budget | 2019 | 2020 | 2021 | 2022 | 2023+ | Total Project |
|---|---|----------------|------------------|--------------|-------------|-------------|----------|----------|---------------|
| Previously Approved Projects: | | | | | | | | | |
| System OFPC Managed Projects | | | | | | | | | |
| 16-1.40 | Interdisciplinary Research Building | TRB | 80.00 | | | | | | 118.50 |
| | | RFS | 20.80 | 16.47 | | | | | |
| | | GIFT | | 1.23 | | | | | |
| 16-2.96 | Research and Education (RES) Level 4 | RFS | 0.01 | 2.99 | 1.50 | | | | 4.50 |
| UNT HSC Facilities Managed Projects | | | | | | | | | |
| 17-03-0001 | East Parking Garage Renovation | RFS | | 2.50 | | | | | 6.00 |
| | | Local/Cash | | 3.50 | | | | | |
| Previously Approved Projects Total | | | 100.81 | 26.69 | 1.50 | - | - | - | 129.00 |
| New Projects for Approval: | | | | | | | | | |
| 19-03-1901 | Campus Energy Infrastructure Improvements | RFS | | 0.40 | 6.60 | 1.00 | | | 8.00 |
| 19-03-1902 | Facilities Maintenance and General Services | | | | | | | | |
| | Buildings Renovation | HEAF | | 3.00 | | | | | 3.00 |
| New Project for Approval Total | | | - | 3.40 | 6.60 | 1.00 | - | - | 11.00 |
| Planned Projects with Identified Funding Sources: | | | | | | | | | |
| | | | | | | | | | - |
| Planned Projects with Identified Funding Sources Total | | | - | - | - | - | - | - | - |
| Planned Land Acquisitions | | | | | | | | | |
| 3.01 | Property Acquisition | RFS | | 27.00 | | | | | 27.00 |
| 3.02 | Property Acquisition | HEAF | | 3.00 | | | | | 3.00 |
| Planned Land Acquisition Total | | | - | 30.00 | - | - | - | - | 30.00 |
| Capital Improvement Plan Total | | | 100.81 | 60.09 | 8.10 | 1.00 | - | - | 170.00 |

Planned Project without Identified Funding Sources

New Construction:
Academic Building

Renovation:

Summary by Funding Source

| Funding Source | Prior Yrs Budget | 2019 | 2020 | 2021 | 2022 | 2023+ | Total |
|--------------------------------------|------------------|--------------|-------------|-------------|-------------|-------------|---------------|
| HEAF | - | 6.00 | - | - | - | - | 6.00 |
| Tuition Revenue Bonds | 80.00 | - | - | - | - | - | 80.00 |
| Private Placement | - | - | - | - | - | - | - |
| Revenue Financing System Bonds | 20.81 | 49.36 | 8.10 | 1.00 | - | - | 79.27 |
| Auxiliary Reserves | - | - | - | - | - | - | - |
| Grants | - | - | - | - | - | - | - |
| Student Fees | - | - | - | - | - | - | - |
| Housing Revenue | - | - | - | - | - | - | - |
| Gift/Donations | - | 1.23 | - | - | - | - | 1.23 |
| Annual Budget, Operating and Capital | - | 3.50 | - | - | - | - | 3.50 |
| Total | 100.81 | 60.09 | 8.10 | 1.00 | 0.00 | 0.00 | 170.00 |

Approved

President

UNIVERSITY of NORTH TEXAS SYSTEM

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER
 Campus Energy Infrastructure Improvements
 Capital Improvement Project No. 19-03-1901



PROJECT DESCRIPTION

This project will address multiple aspects of the campus-wide mechanical, electrical, and plumbing infrastructure through an energy performance contract. It will address both short and long-term needs of the campus chilled water systems, replace and relocate aging cooling towers, optimize facilities not included in previous performance phases, and incorporate recent advances in LED lighting. The project will consist of an investment grade survey, development, and installation.

PROJECT INFORMATION

JUSTIFICATION: Since 2000, HSC has entered into two energy performance contracts. Over the life of these contracts, the actual saving of the provided by the renovations exceeded the guaranteed amounts. It is anticipated that the renovations provided for as part of this project will not only deliver critical improvements to the campus infrastructure and like the previous performance contracts, provide leverage guaranteed reductions in capital and operations expenditure.

LOCATION ON CAMPUS: Campus-wide
SIZE (ASF/GSF): GSF: N/A ASF: N/A
CIP PROJECT TYPE (NEW CONST. OR RENO.): Renovation
HISTORICALLY SIGNIFICANT? (Y or N): N
CONSISTENT WITH MASTER PLAN (Y or N): Y

PROJECT BUDGET

| | |
|---|---------------------|
| Design Fees | \$ 175,000 |
| Construction Costs | \$ 7,725,000 |
| Other Costs (Commissioning, Inspection, etc.) | \$ 100,000 |
| Furniture, Fixtures, and Equipment | \$ - |
| Contingency and Fees | \$ - |
| Total Projects | \$ 8,000,000 |

PROJECT FUNDING (in \$ Millions)

| Funding Source Abbrv. | Funding Source | Prior Yrs Costs | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023+ | Source Total |
|--------------------------|--------------------------------|--------------------|---------|---------|---------|---------|----------|--------------|
| RFS | Revenue Financing System Bonds | \$ - | \$ 0.40 | \$ 6.60 | \$ 1.00 | \$ - | \$ - | \$ 8.00 |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ 0.40 | \$ 6.60 | \$ 1.00 | \$ - | \$ - | \$ 8.00 |

UNIVERSITY of NORTH TEXAS SYSTEM

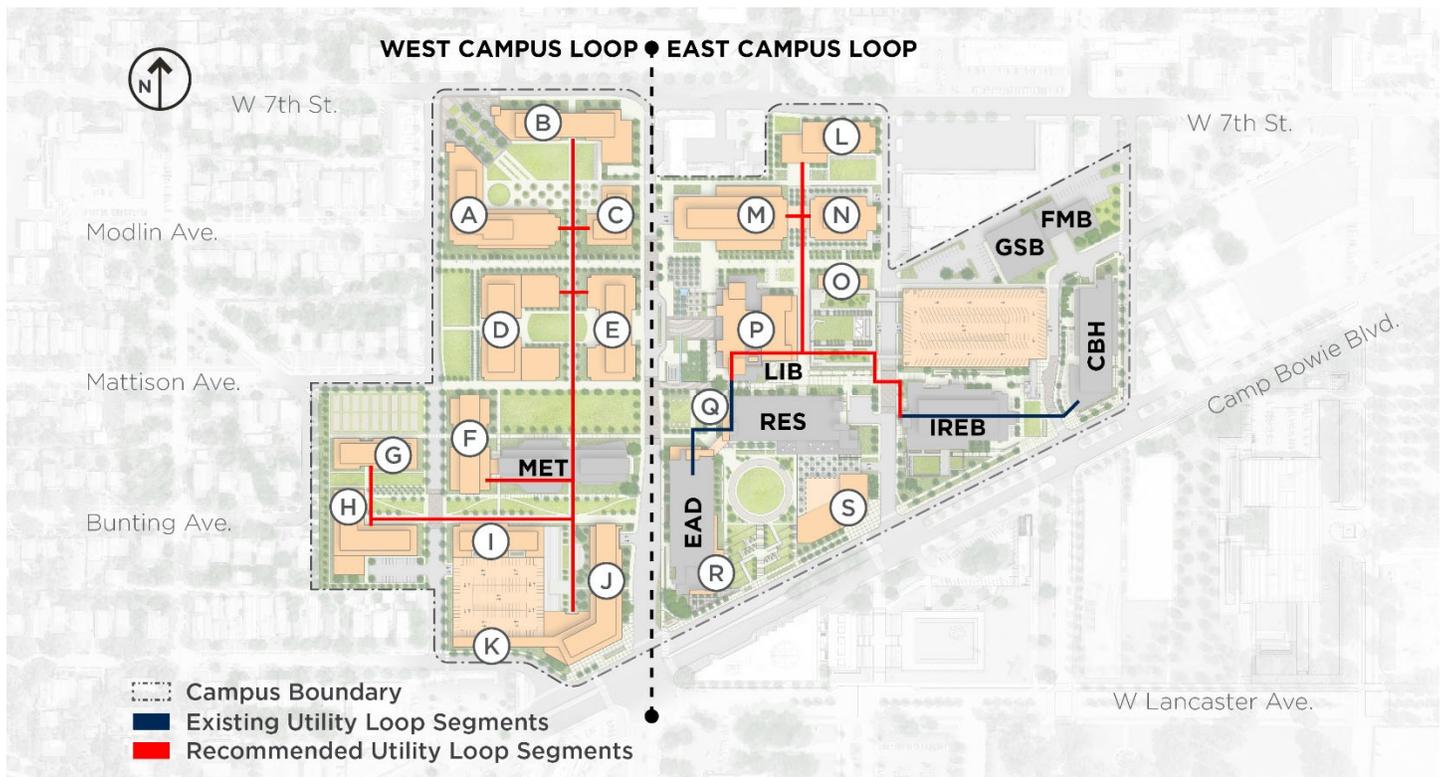
UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER
Campus Energy Infrastructure Improvements
Capital Improvement Project No. 19-03-1901



PROJECT SCHEDULE

| | |
|---|----------------|
| PREVIOUS APPROVALS FROM BOARD OF REGENTS: | N/A |
| PROGRAMMING/PLANNING: | February 2019 |
| DESIGN: | April 2019 |
| CONSTRUCTION: | September 2019 |
| SUBSTANTIAL COMPLETION: | September 2020 |

LOCATION MAP



UNIVERSITY of NORTH TEXAS SYSTEM

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER
 Facilities Maintenance Building and General Services Building Renovation
 Capital Improvement Project No. 19-03-1902



PROJECT DESCRIPTION

This project will renovate approximately 24,000 gross square feet of space in both the Facilities Maintenance Building and the General Service Building. These two buildings are adjacent but function independently. This interior renovation to an open concept will provide for increased collaboration between the service provider team located in the two facilities by providing a more efficient space plan, allowing for additional staff to be located in a cohesive space. The new space will help facilities management team operate in a more effectively and better serve the campus, faculty, staff, and students.

PROJECT INFORMATION

JUSTIFICATION: This project will create a sustainable people culture that will improve team member engagement and increase integration of Our Values (1.1.1 UNTHSC SEE 2020). The operational teams need to be in one cohesive space; currently, they are in five different locations across campus.

LOCATION ON CAMPUS: 3416 & 3420 Darcy St
 SIZE (ASF/GSF): GSF: 24,000 sq ft ASF: 19,000
 CIP PROJECT TYPE (NEW CONST. OR RENO.): Renovation
 HISTORICALLY SIGNIFICANT? (Y or N): N
 CONSISTENT WITH MASTER PLAN (Y or N): Y

PROJECT BUDGET

| | |
|---|---------------------|
| Design Fees | \$ 150,000 |
| Construction Costs | \$ 2,600,000 |
| Other Costs (Commissioning, Inspection, etc.) | \$ 10,000 |
| Furniture, Fixtures, and Equipment | \$ 220,000 |
| Contingency and Fees | \$ 20,000 |
| Total Projects | \$ 3,000,000 |

PROJECT FUNDING (in \$ Millions)

| Funding Source Abrv. | Funding Source | Prior Yrs Costs | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023+ | Source Total |
|-------------------------|----------------|--------------------|---------|---------|---------|---------|----------|--------------|
| HEAF | HEAF | \$ - | \$ 3.00 | \$ - | \$ - | \$ - | \$ - | \$ 3.00 |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | \$ - | \$ 3.00 | \$ - | \$ - | \$ - | \$ - | \$ 3.00 |

UNIVERSITY of NORTH TEXAS SYSTEM

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER
Facilities Maintenance Building and General Services Building Renovation
Capital Improvement Project No. 19-03-1902



PROJECT SCHEDULE

| | |
|---|---------------|
| PREVIOUS APPROVALS FROM BOARD OF REGENTS: | N/A |
| PROGRAMMING/PLANNING: | Starts 2/4/19 |
| DESIGN: | Starts 3/4/19 |
| CONSTRUCTION: | Starts 6/1/19 |
| SUBSTANTIAL COMPLETION: | 12/25/19 |

LOCATION MAP





Title: Delegation of Authority to the Audit Committee of the UNT System Board of Regents to Retain an External Audit Firm

Background:

In 2014, the UNT System Board of Regents directed UNT System management to procure the first external audit of the UNT System comprehensive annual financial reports. On the recommendation of System leadership, the Board of Regents selected Grant Thornton, LLP to conduct the external audit for FY2014 to FY2016 with an option for two additional years, which was exercised. The UNT System is at the end of its contract with Grant Thornton, LLP and wishes to issue a request for qualifications (RFQ) and seek an audit partner for the next five years. The proposed contract period would be three years with an option for two additional years. Additionally, the contract would include the option for the audit partner to conduct financial reviews or other agreed upon procedures of the member institutions as needs for the Southern Association of Colleges and Schools Commission on Colleges (“SACSCOC”) accreditation requirements or other needs.

Financial Analysis/History:

The amount of the future contract would be determined in the RFQ proposal process. The RFQ will require the proposer to submit cost information for separate services to allow evaluation on cost of services as a whole or individually.

Comprehensive Audit & Review Actual Amounts:

| | |
|---------|--------------------------------|
| FY 2014 | \$420,000 |
| FY 2015 | \$397,500 |
| FY 2015 | \$35,000 (UNT SACSCOC Review) |
| FY 2016 | \$465,000 |
| FY 2017 | \$465,000 |
| FY 2017 | \$20,000 (UNTD SACSCOC Review) |

Estimated Amount for Current Comprehensive Audit and Review:

| | |
|---------|----------------------------------|
| FY 2018 | \$425,000 |
| FY 2018 | \$20,000 (UNTHSC SACSCOC Review) |

Gary Rahlfs Digitally signed by Gary Rahlfs
Date: 2019.02.06 16:50:30 -06'00'
Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas System, ou=Office of General Counsel, email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.07 09:42:05 -06'00'
Vice Chancellor/General Counsel

Schedule:

Issue RFQ: February 2019

Review Responses: March-April 2019

Recommend a new external audit partner: April 2019

Recommendation:

It is recommended the Board of Regents delegate authority to the Audit Committee of the Board to select an external audit partner.

It is further recommended that the Chancellor be authorized to approve the allocation of funding in a reasonable amount, negotiate and enter into an auditing services contract with the selected firm.

Recommended By:

Tracy C.
Grunig

Digitally signed by Tracy C. Grunig
DN: cn=Tracy C. Grunig, o=University
of North Texas System, ou=Internal
Audit,
email=tracy.grunig@untsystem.edu,
c=US
Date: 2019.02.07 11:38:38 -06'00'

Chief Audit Executive

Lesa B. Roe

Digitally signed by Lesa B. Roe
Date: 2019.02.08 14:27:14
-06'00'

Chancellor



Board Order

Title: Delegation of Authority to the Audit Committee of the UNT System Board of Regents to Retain an External Audit Firm

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, the UNT System requires an annual audit of the UNT System Comprehensive Annual Financial Report, and

Whereas, the UNT System member institutions require periodic financial reviews for accreditation purposes along with possible other agreed upon services, and

Whereas, the UNT System will conduct an RFQ process to determine the qualifications of an external audit firm to be recommended for audits related to fiscal years 2019 through 2023,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Delegation of authority to the Audit Committee of the UNT System Board of Regents to select an external audit firm.
 2. The Chancellor to allocate funding in a reasonable amount, negotiate and enter into an auditing services contract with the selected firm.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

Board Briefing



Committee: Finance & Facilities

Date Filed: February 4, 2019

Title: Gift-Related Naming of the UNT College of Business as the "G. Brint Ryan College of Business"

Background:

UNT Alumnus G. Brint Ryan ('88,'88 M.S.) is the President and CEO of Ryan, LLC and Ryan International. He currently serves as chairman of the UNT System Board of Regents and has served on the Board since being appointed in 2009. In addition to a long list of professional business successes and accolades, Chairman Ryan was named UNT Outstanding Alumnus in 2003, UNT Distinguished Alumnus in 2009 and received the University's highest honor in 2017 when he received the Wings of Eagles award. Chairman Ryan has been a generous donor to the UNT System, including a \$1,000,000 gift to the UNT basketball program in 2013 and a \$1,000,000 gift to the support the UNT Department of Accounting in 2007.

Chairman Ryan gave \$30,000,000 to the University of North Texas on December 27, 2018 for the purpose of creating at least six (6) endowed chairs for the UNT College of Business, and to provide funding for strategic program initiatives in the College of Business. This transformational gift will assist with increasing the reputation and prestige of the university and its College of Business.

Per UNT System Regents Rule 09.200 (*Institutional Advancement*) and UNT Policy 09.9002 (*Fundraising and Private Support*), an endowed chair will allow the University to recruit and retain prominent faculty to lead and elevate the College of Business. Endowed chairs are honorific and provide additional funding for research-enhancing activities.

Financial Analysis/History:

There is no financial implication in the naming of this college.

Bob Brown
Digitally signed by Bob Brown
DN: cn=Bob Brown, o=Senior VP for Finance & Administration, ou=University of North Texas, email=Bob.Brown@unt.edu, c=US
Date: 2019.02.04 16:39:54 -06'00'

Institution Chief Financial Officer

Gary Rahlfs
Digitally signed by Gary Rahlfs
Date: 2019.02.04 17:40:43 -06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer
Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas System, ou=Office of General Counsel, email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.05 12:05:42 -06'00'

Vice Chancellor/General Counsel

Schedule:

If approved, the naming will become effective immediately.

Recommendation:

It is recommended that the Board of Regents approve the naming of the UNT College of Business as the "G. Brint Ryan College of Business."

Recommended By:

David F. Wolf

Vice President of University
Advancement

Neal
Smatresk

Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk, o=University
of North Texas, ou=President,
email=neal.smatresk@unt.edu, c=US
Date: 2019.02.04 16:53:01 -06'00'

President

Lesa B. Roe

Digitally signed by Lesa B.
Roe
Date: 2019.02.05 12:20:48
-06'00'

Chancellor



Board Order

Title: Gift-Related Naming of the UNT College of Business as the "G. Brint Ryan College of Business"

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent and seconded by Regent _____, the Board approved the motion presented below:

Whereas, G. Brint Ryan has made a substantial gift to support the UNT College of Business, and

Whereas, this transformational gift will significantly elevate the reputation and prestige of the University and its College of Business, and

Whereas, G. Brint Ryan has agreed to recognition of his generosity by the public naming of the College of Business,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Naming of the UNT College of Business as the "G. Brint Ryan College of Business."

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents



Title: Naming of Various Buildings at UNT

Background:

Regents Rule 09.200, Naming of Property, Programs and Academic Positions, requires approval of the Board of Regents for the naming of all buildings.

Recent major capital improvement projects at the University of North Texas have led to the design and construction of new buildings, the purchase of existing buildings, the renovation of existing buildings, and spurred changes to the function and purpose of existing buildings. In light of these developments, UNT is proposing inaugural names for five buildings and an update to the name of one existing building to reflect new conditions on campus.

Proposed names for new facilities, all located in Denton, Texas:

- Welcome Center (part of CIP # 16-1.84a New Residence Hall), located at 1417 Maple St.
- Central Dining Hall (CIP # 18-01-0007 New Dining Hall), located at 1416 Maple St.
- Indoor Practice Facility (CIP # 18-01-0009 New Athletics Indoor Practice Facility), located at 1307 S. Bonnie Brae St.
- Track and Soccer Complex (CIP # 16-2.82 Track and Field Stadium), located at 1801 S. Bonnie Brae St.
- Support and Services Building (CIP #16-2.67 1500 IH 35) located at 1500 IH 35.

Existing building proposed name change, located in Denton, Texas:

- Field House (currently called Track & Field Building) located at 704 North Texas Blvd.

Financial Analysis/History:

There are no financial implications in the naming of these buildings.

Bob Brown Digitally signed by Bob Brown
DN: cn=Bob Brown, o=Senior VP for Finance & Administration, ou=University of North Texas, email=Bob.Brown@unt.edu, c=US
Date: 2019.01.29 12:42:21 -06'00'

Institution Chief Financial Officer

Gary Rahlfs Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:17:39
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas System, ou=Office of General Counsel, email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:56:56 -06'00'

Vice Chancellor/General Counsel

Schedule:

Effective upon approval by the Board of Regents.

Recommendation:

UNT recommends that the Board approve the naming of the facilities as detailed above.

Recommended By:

Neal J. Smatresk

President

Neal
Smatresk

Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk, o=University
of North Texas, ou=President,
email=neal.smatresk@unt.edu, c=US
Date: 2019.02.04 11:51:28 -06'00'

President

Lesa B. Roe

Digitally signed by
Lesa B. Roe
Date: 2019.02.01
13:36:36 -06'00'

Chancellor



Board Order

Title: Naming of Various Buildings at UNT

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, Regents Rule 09.200, Naming of Property, Programs and Academic Positions, requires approval of the Board of Regents for the naming of buildings, and

Whereas, UNT has constructed, purchased, or repurposed numerous facilities,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Naming of building located at 1417 Maple St, Denton, Texas, as "Welcome Center"
 2. Naming of building located at 1416 Maple St, Denton, Texas, as "Central Dining Hall"
 3. Naming of building located at 1307 S. Bonnie Brae St, Denton, Texas, as "Indoor Practice Facility"
 4. Naming of facility located at 1801 S. Bonnie Brae St, Denton, Texas, as "Track and Soccer Complex"
 5. Naming of building located at 1500 IH 35, Denton, Texas, as "Support and Services Building"
 6. Renaming of Track & Field Building, located at 704 North Texas Blvd, Denton, Texas, as "Field House"
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

Board Briefing



Committee: Finance & Facilities

Date Filed: January 23, 2019

Title: Delegate Authority for the UNTHSC President to Enter into Letter of Agreement with inVentive Health Consulting/Syneos Health to Receive Funding in the Form of an Educational Grant to Implement a Continuing Medical Education Initiative

Background:

INCEDO, the continuing medical education arm of UNTHSC, provides educational activities to enhance the knowledge, skills, and abilities of health professionals. INCEDO seeks approval to receive funding in the form of an educational grant from inVentive Health Consulting/Syneos Health to create learning activities and provide continuing education credits for the educational initiatives designed for this program. INCEDO will partner with the University of Idaho, Office of Continuing Medical Education, Blue Cross of Idaho, TESCHGlobal and Confluent Healthcare Solutions for this educational program. The initiative seeks to improve the safe prescribing of opioid analgesics and enhance the overall delivery of responsible care for pain management.

Financial Analysis/History:

The proposed agreement is for funding to be received in the form of an educational grant in the amount of \$1,028,800.00 to implement a Continuing Medical Education (CME) initiative.

**Gregory R.
Anderson**

Digitally signed by Gregory R. Anderson
DN: cn=Gregory R. Anderson, ou=UNT Health
Science Center, ou=Office of Finance and
Operations,
email=gregory.anderson@unthsc.edu, c=US
Date: 2019.01.28 11:34:20 -06'00'

Institution Chief Financial Officer

Gary Rahlfs

Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:07:37
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer

Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untssystem.edu, c=US
Date: 2019.02.01 12:22:59 -06'00'

Vice Chancellor/General Counsel

Schedule:

Funding to be received:

Milestone 1: \$386,080.00 – Execution of agreement

Milestone 2: \$247,200.00 – Initiation of activity

Milestone 3: \$296,640.00 – Midterm data report submission & acceptance

Milestone 4: \$98,880.00 – Activity completion and outcomes report submission

Recommendation:

It is recommended that the Board of Regents authorize and approve the President to enter into the agreement with inVentive Health Consulting/Syneos Health and UNTHSC.

Recommended By:

Charles Taylor

Provost

Michael R.
Williams

Digitally signed by Michael R.
Williams
DN: cn=Michael R. Williams,
o=UNTHSC, ou=President,
email=michael.williams@unthsc.
edu, c=US
Date: 2019.01.29 12:33:08 -06'00'

President

Lesa B. Roe

Digitally signed by Lesa B.
Roe
Date: 2019.02.01 12:54:20
-06'00'

Chancellor



Board Order

Title: Delegate Authority for the UNTHSC President to Enter into Letter of Agreement with inVentive Health Consulting/Syneos Health to Receive Funding in the Form of an Educational Grant to Implement a Continuing Medical Education Initiative

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, inVentive Health Consulting/Syneos Health seeks to provide funding in the form of an educational grant to implement a Continuing Education (CME) initiative to UNTHSC INCEDO, and

Whereas, UNTHSC INCEDO is a nationally recognized CME provider and wishes to accept funding in the form of an educational grant from inVentive Health Consulting/Syneos Health in order to design and implement accredited learning activities to promote effective pain management,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Delegate Authority for the UNTHSC President to enter into an agreement with inVentive Health Consulting/Syneos Health to receive funding in the form of an educational grant for implementation of a Continuing Education (CME) initiative.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents



Board Order

Title: Approval of the Minutes of the November 15-16, 2018, Board Meeting

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on November 15-16, 2018, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, the minutes of the November 15-16, 2018, Board Meeting have been prepared by the Board Secretary and are attached here for Board approval,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The minutes of the November 15-16, 2018, Board Meeting.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents



**MINUTES
BOARD OF REGENTS MEETING
November 15-16, 2018**

Thursday, November 15, 2018

The University of North Texas System Board of Regents convened on Thursday, November 15, 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas, with the following Regents in attendance: Brint Ryan, Mary Denny, Milton Lee, A.K. Mago, Carlos Munguia, Rusty Reid, Gwyn Shea, Glen Whitley, Laura Wright, and Amanda Pajares. In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Brint Ryan called the meeting to order at 8:31 a.m.

Chairman Ryan recognized Chancellor Roe who provided remarks on **progress since the last quarterly Board meeting**.

President Neal Smatresk then gave a brief update on things happening at the University of North Texas, including **FY18 in Review, Introductions, and News Updates**.

President Michael Williams and President Bob Mong shared UNT Health Science Center and UNT Dallas campus updates, respectively. President Williams addressed **Campus Update, TCU and UNTHSC School of Medicine, and Significant Developments**. President Mong provided a **Campus Update, College of Law Update, and summarized Significant Developments**.

For **Spotlight on Students**, President Smatresk introduced two students, Anna McKee (winner of the Master of the Mainframe competition) and Ciara Boniface (winner of the Next Visionary Filmmaker competition), who each told the Board about their recent national awards. The students entertained questions from the Board of Regents. In a video, Mason Fine, UNT football quarterback talked about his accomplishments and the impact that UNT and its culture has had on him.

Chairman Ryan recessed the Board at 9:27 a.m. for the meetings of the Strategic and Operational Excellence, Academic Affairs and Student Success, Audit, and Finance and Facilities Committees.

Following the Committee meetings, the Board reconvened at 4:26 p.m. and Chairman Ryan moved the Board into Executive Session to consider matters noted on the Executive Session agenda in accordance with Texas Education Code Sections 551.072, .073, and .074.

Chairman Ryan reconvened the Board into open session at 6:30 p.m. There were three action items to consider from Executive Session.

2018-79 UNTS Delegation of Authority to Execute Lease Agreement with Due Monelli, LLC

Pursuant to a motion by Regent Laura Wright seconded by Regent A.K. Mago, the Board approved the action item 9-0.

2018-80 UNTS Delegation of Authority to Amend the UNT Dallas President's Employment Agreement

Pursuant to a motion by Regent A.K. Mago seconded by Regent Milton Lee, the Board approved the action item 9-0.

2018-81 UNTD Naming of UNT Dallas "Ryan Tower"

Chairman Ryan recused himself from the discussion of this item. Pursuant to a motion by Regent Rusty Reid seconded by Regent Carlos Munguia, the Board approved the action item 8-0.

There being no further business, the Board meeting recessed at 6:33 p.m. on Thursday, November 15, 2018, to be reconvened at 9:00 am on Friday, November 16, 2018, in the same room.

Friday, November 16, 2018

The University of North Texas System Board of Regents convened on Friday, November 16 2018, in Room 333 of the University Union, University of North Texas, 1155 Union Circle, Denton, Texas with the following Regents in attendance: Mary Denny, Milton Lee, A.K. Mago, Carlos Munguia, Rusty Reid, Glen Whitley, Laura Wright, and Amanda Pajares. In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Vice Chairman Laura Wright, in the Chairman Brint Ryan's absence, called the meeting to order at 9:03 a.m.

Vice Chairman Wright recessed the Board for the meetings of the Academic Affairs and Student Success, and Finance and Facilities Committees.

Following the Committee meetings, Vice Chairman Wright reconvened the full Board at 9:31 a.m.

The Board considered the following items on the Consent Agenda:

2018-82 UNTS Approval of the Minutes of the August 8-9, 2018 Board Meeting and the October 9, 2018 Special Called Board Meeting

2018-83 UNTS Authorization to Permit Negotiation and Granting of Pedestrian Easement to the City of Dallas for the Runyon Creek Greenbelt Trail Project at UNT Dallas

2018-84 UNT Approval of Emeritus Recommendations

2018-85 UNT Approval of Tenure for New UNT Faculty Appointees

- 2018-86 UNTHSC** **Approval of Tenure for New Faculty Appointee**
- 2018-87 UNTHSC** **Authorization to Enter into Interlocal Agreement with Tarrant County for Disposition of Certain Decedents**
- 2018-88 UNTHSC** **Delegation of Authority to Extend GME Formula Funding Agreement Between UNTHSC and the Tarrant County Hospital District**

Regent Glen Whitley recused himself from items 2018-87. Therefore, the consent agenda was considered in two motions. Pursuant to a motion by Regent Rusty Reid seconded by Regent Glen Whitley, the Board approved action items 2018-82 through 2018-86 and action item 2018-88 on the Consent Agenda. The motion was approved on a 7-0 vote. Pursuant to a motion by Regent Carlos Munguia seconded by Regent Milton Lee, the Board approved action item 2018-87 on the Consent Agenda, on a 6-0 vote with Regent Glen Whitley recused.

The Board then considered the following action items coming out of committees:

Academic Affairs and Student Success Committee Items

- 2018-89 UNT** **Approval to Add the UNT Bachelor of Science Degree Program with a Major in Data Science**
- 2018-90 UNT** **Approval to Add the UNT Bachelor of Arts Degree Program with a Major in Latino Culture, Economy, and Policy**

Pursuant to a motion by Regent Mary Denny seconded by Regent A.K. Mago, the Board approved the above Academic Affairs and Student Success Committee action items. The motion was approved on a 7-0 vote.

Finance and Facilities Committee Items

- 2018-91 UNT** **Approval of New UNT Undergraduate Differential Tuition Beginning Fall 2019**
- 2018-92 UNT** **Approval of New UNT Graduate Differential Tuition Beginning Fall 2019**
- 2018-93 UNT** **Approval of Increase to Board Designated Tuition for Graduate Students Beginning Fall 2019**
- 2018-94 UNT** **Approval of Reduced Rate for Excessive Undergraduate Hours Beginning Fall 2019**

- 2018-95 UNT** **Approval of New Save and Soar (Fixed Rate) Tuition Plan and Discontinuance of Eagle Express Tuition Plan**

- 2018-96 UNT** **Honorific Naming of Room 269 of the College of Visual Arts and Design Building as “The Ray and Georgia Gough Design Research Space”**

- 2018-97 UNT** **Naming of the Building Located at 6170 Research Road in Frisco, Texas, as “Inspire Park”**

Pursuant to a motion by Regent Rusty Reid seconded by Regent Carlos Munguia, the Board approved the above Finance and Facilitates Committee action items. The motion was approved on a 7-0 vote.

The following Background Material was shared with the Board through its committees:

- Quarterly Operations Report
- Quarterly Academic Measures Report
- UNT System Consolidated Annual Compliance Report, September 2017 through August 2018

There being no further business, the Board meeting was adjourned at 9:35 a.m. on Friday, November 16, 2018.

Submitted By:

Approved By:

Rosemary R. Haggert
 Rosemary R. Haggert, Board Secretary
 Board of Regents

 Laura Wright, Acting Chairman
 Board of Regents

Date: Dec 6, 2018

Date: _____



Title: Approval of UNT Faculty Development Leaves for 2019-20 Academic Year

Background:

In accordance with UNT Policy 06.010, Development Leave:

"Development leaves are authorized for the primary purpose of increasing the value of the recipient's sustained contribution to the university by providing the individual an opportunity for professional growth. Such developmental leaves are not to be understood as deferred compensation, nor are they to be anticipated simply on the basis of longevity at the university, alone. Development leave may be granted, upon application, for study, research, writing, field observations, or other suitable purposes.

Opportunities for additional training, for improving skills, and for maintaining currency is understood to be included as a purpose of development leave."

In 1984, the University of North Texas (UNT) began granting faculty development leaves, recognizing the need for faculty to have an opportunity to pursue major research or creative projects in order to contribute to the body of knowledge in their fields and better serve their students by remaining current in their disciplines. In 1987, the 70th Texas Legislature similarly encouraged universities to expand faculty development programs through a series of measures that increased flexibility in accounting for faculty activities.

In the ensuing years, the faculty development leave program proved vital in maintaining discipline mastery for faculty as UNT pushed forward toward national research status. These development leaves contribute greatly to the increase in research funding, research publications, and national recognition for UNT.

After careful review of proposals at the department and college levels, by a Faculty Senate committee, and by the provost, UNT plans to award a total of 56 (4.7% of the full-time faculty) developmental leaves for the upcoming academic year.

Financial Analysis/History:

The cost incurred as a result of the recommended faculty development leaves will be covered by existing college and school budgeted funds and will total approximately \$395,515. The total estimate for the costs incurred as a result of the recommended faculty development leaves was calculated from replacement costs submitted by colleges and estimated average costs for covering individual faculty leaves.

Bob Brown
Digitally signed by Bob Brown
DN: cn=Bob Brown, o=Senior VP for Finance &
Administration, ou=University of North Texas,
email=Bob.Brown@unt.edu, c=US
Date: 2019.01.29 12:40:53 -0600

Institution Chief Financial Officer

Gary Rahlfs Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:13:19 -06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas System, ou=Office of General Counsel, email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:46:21 -06'00'

Vice Chancellor/General Counsel

Schedule:

2019-20 Academic Year

Recommendation:

The president recommends that the Board of Regents approve the faculty development leaves for the individuals named on the attached list.

Recommended By:

Jennifer Cowley

Provost and VPAA

Neal Smatresk Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk, o=University of North Texas, ou=President, email=neal.smatresk@unt.edu, c=US
Date: 2019.01.29 13:17:29 -06'00'

President

Rosemary R. Haggett, Ph.D. Digitally signed by Rosemary R. Haggett, Ph.D.
DN: cn=Rosemary R. Haggett, Ph.D., o=UNT System, ou, email=rosemary.haggett@untsystem.edu, c=US
Date: 2019.01.30 19:35:08 -06'00'

Vice Chancellor

Lesla B. Roe Digitally signed by Lesla B. Roe
Date: 2019.02.01 13:27:00 -06'00'

Chancellor

Attachments Filed Electronically:

- UNT 2019-20 FDLs



Board Order

Title: Approval of UNT Faculty Development Leaves for 2019-20 Academic Year

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, in 1984, UNT began granting faculty development leaves, recognizing the need for faculty to have an opportunity to pursue major research or creative projects in order to contribute to the body of knowledge in their fields and better serve their students by remaining current in their disciplines, and

Whereas, in 1987, the 70th Texas Legislature similarly encouraged universities to expand faculty development programs through a series of measures that increased flexibility in accounting for faculty activities,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Faculty development leave for academic year 2019-20 for the UNT faculty as set forth in the attached list.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

| First Name | Last Name | Department | Leave Period Requested | Faculty Development Leave (FDL) Focus | FDL Objective(s) |
|-----------------|------------|--|------------------------|--|--|
| Sam | Atkinson | Biology | Spring 2020 | This FDL will focus on the single economic sector of urban metabolism: the culinary sector. This sector can be a very important component of a region's urban metabolism, especially if the area is a popular tourist destination. | The primary objective of this FDL is to develop a new avenue for research in this emerging sustainability area - the nexus of food, energy, and water in urban areas. |
| Brian | Ayre | Biology | Fall 2019 | This FDL will focus on laboratory techniques associated with the tree genus populus (poplar, aspen, cottonwood, etc.). Poplar is a leading tree crop throughout the northern hemisphere and is also an important model for woody perennial plants. Poplars are fast growing and in addition to traditional products of timber, pulp, and paper, poplar is recognized as important for renewable biofuels and plant-based chemical feedstocks. | The primary objective of this FDL is to become proficient in poplar laboratory techniques in order to pursue collaborative and independent research on sugar partitioning in trees. |
| Glen | Biglaiser | Political Science | Fall 2019 | This FDL will focus on the completion of four manuscripts related to economic sanctions and have them under journal review. | The primary objective of this FDL is publish four scholarly works. |
| Charles | Blankson | Marketing, Logistics and Operations Management | Spring 2020 | This FDL will focus on examining the joint effects of indigenous African culture and material poverty on the formation of perceptions and attitudes towards the acquisition of possessions and their consumption of death rituals. | The primary objective for this FDL is a publication targeted at the Journal of Consumer Research. |
| Heidmarie | Blumenthal | Psychology | Fall 2019 | This FDL will focus on current application targets utilization of existing/incoming data in the most up-to-date manner, dissemination of this and future work, and preparation for externally-funded follow-up data collections. | The primary objective of this FDL is advanced statistical training. Sophisticated statistical modeling is a key requirement of study design and dissemination. |
| Renee | Bryce | Computer Science and Engineering | Fall 2019 | This FDL will focus on software testing to improve the quality of software. | The primary objective of this FDL is to design, implement, and evaluate a novel combinatorial-based approach for cost-based test suite prioritization for emerging technologies that have context-aware environments and serve as a foundation for future work and proposals. |
| Tony | Carey | Political Science | Fall 2019 | This FDL will focus on writing a book manuscript that focuses on the differential relationship between religiosity and political attitudes between racial and ethnic groups in the United States. | The primary objective of this FDL is the completion of a book manuscript. |
| Ipsita | Chatterjee | Geography and the Environment | Fall 2019 | This FDL will focus on alternative movement fieldwork (USA and India) involving data collection through ethnographic methods like field interviews. A substantial amount of time will also be devoted towards data collection from secondary sources like media interviews and news pieces. | The primary objective of this FDL is a book monograph on contemporary identity movements published through a prestigious university press. |
| Pushih Daniel | Chen | Counseling and Higher Education | Spring 2020 | This FDL will focus on value conflicts in higher education institutions, e.g., the value conflict between maintaining a liberal arts tradition or offering more career-oriented majors. | The primary objectives of this FDL are to conduct a qualitative value conflict case study and write a book regarding the study. |
| Charles | Conley | Mathematics | Spring 2020 | This FDL will focus on the completion of four papers and a visit to the University of Reims in France. The research focuses on geometric description of the contact Schwarzian derivative, factorizations of projections to highest weight spaces in the area of semi simple Lie algebras, realizations of injective modules of the special linear Lie algebras, and the classification of the bounded modules of the Virasoro Lie algebra with a single Casimir eigenvalue. | The primary objectives of this FDL are to complete and submit four papers and to assist graduate students with their PhD theses journal submissions. |
| Mary | Curtis | Accounting | Spring 2020 | This FDL will focus on the analysis and write-up of Phase 1 of a project on auditor skepticism and the development of a second phase, including design and execution. The research will focus on the relationship between public accountants and public corporations, and professionalism aspects of skepticism. | The primary objectives of this FDL are to submit several papers to high-level research journals and present the research findings at conferences. |
| Mark | Davis | Management | Spring 2020 | This FDL will focus on a qualitative and descriptive study that explores the experiences of individuals who learn and perform the work of 911 tele-communicators. | The primary objectives of this FDL are the creation of new data, theory development, conference presentations, and peer-reviewed publications. |
| Francis | D'Souza | Chemistry | Fall 2019 | This FDL will focus on visiting the laboratories of prominent research to engage in brain-storming light energy harvesting material sessions on new research directions and secure preliminary results on mutually selected projects for publications and grant activities. | The primary objectives of this FDL are to perform collaborative light energy harvesting material research and write joint publications in high-impact journals. |
| Jincheng | Du | Materials Science and Engineering | Spring 2020 | This FDL will focus on the exploration of industrial and international research environments and management structures of advanced materials research. | The primary objective of this FDL is to explore advanced glass research in industrial and international environments in order to broaden current research and foster future collaborations. |
| Jordan | Frith | Technical Communication | Spring 2020 | This FDL will focus on an often ignored part of user experience (UX): moderation policies. Practices of moderation have become increasingly public and this study will examine moderation from a UX perspective. | The primary objectives of this FDL are to become an interdisciplinary UX researcher and publish the results from this study in the Journal of Business and Technical Communication Quarterly and IEEE Transactions of Professional Communication. |
| Nolan | Gaffney | Management | Fall 2019 | This FDL will focus on the completion of ongoing research projects, visiting/networking with top researchers in the discipline, and starting a new project that attempts to deal with specific methodological and statistical limitations within the research domain. | The primary objectives of this FDL are to further the understanding of the interactions of country-level institutional factors and firm strategic decision-making during internationalization to contribute new knowledge to the research domain through the completion of four research projects, networking with leading international business scholars, and disseminating the research through conference and journal submissions. |
| Sandra Mendiola | Garcia | History | Fall 2019 | This FDL will focus on completing research at several historical archives in central Mexico to write a second book tentatively entitled Labor, Health, and Protest: The Silver Miners of Twentieth-Century Mexico. | The primary objective of this FDL is to write a book proposal and two book chapters. |

| First Name | Last Name | Department | Leave Period Requested | Faculty Development Leave (FDL) Focus | FDL Objective(s) |
|-----------------|-----------|---|---------------------------|--|---|
| Teresa | Golden | Chemistry | Fall 2019 | This FDL will focus on corrosion science research, particularly electrochemical impedance spectroscopy (EIS). EIS is an experimental technique used to evaluate corrosion mechanisms occurring in materials. | The primary objective of this FDL is to write and publish three journal articles on using EIS with anti-corrosion coatings. |
| David | Hill | Kinesiology, Health Promotion, and Recreation | Spring 2020 | This FDL will focus on circadian rhythms in factors related to exercise and sport, and the effects of various manipulations/interventions on these rhythms. | The primary objective of this FDL is submission of several research papers. |
| John | Holt | Instrumental Studies | Spring 2020 | This FDL will focus on the creation of a companion volume that highlights trumpet excerpts from European Operas. | The primary objective of this FDL is to prepare a publication entitled Trumpet Excerpts from European Operas. |
| Kyle | Jensen | English | Fall 2019 | This FDL will focus on the completion of a monograph entitled, Kenneth Burke's Weed Garden: Myth, Identification, and Devices in the Early Postwar Period. | The primary objective of this FDL is to complete and submit a full manuscript to a top-tier university press. |
| Jeonghyun | Kim | Information Science | Spring 2020 | This FDL will focus on the completion of a book that assesses how the library and information science field is responding to a need for supporting and empowering scholarship in the digital era through digital tools and methods, digital publishing, digitization, digital preservation and curation, and research data services. | The primary objective of this FDL is the publication of a book with the working title of Supporting Digital Scholarship: Theory and Practice. |
| Panayiotis | Kokoras | Composition Studies | Fall 2019 | This FDL will focus on a new sound composition for ensemble and electronics, investigating four areas: digital fabrication in the form of instrumental prosthetic designs, music information retrieval tool for sound classification, 3D sound spatialization, and new instrumental sound possibilities. | The primary objectives of this FDL are to have a series of new/improved instrumental prosthetic designs, and completion of the performance materials of the piece including full score, parts, performance notes, video documentation, and a studio recording. |
| Marie-Christine | Koop | World Languages, Literatures, and Cultures | Spring 2020 | This FDL will focus on the writing of a book on the legacy of the Knights Templar. The study will focus on the extent of the Templars' accomplishments and contributions to the rise of the medieval civilization; their presence in Scotland, Portugal, Spain, and possibly America; and the legacy they have left in contemporary France. | The primary objective of this FDL is the presentation of papers at professional conferences and the completion of a book. |
| Arkadii | Krokhin | Physics | Fall 2019 | This FDL will focus on they development of a theory of propagation of sound in periodic heterogeneous structures, so called phononic crystals embedded in a viscous fluid, for example water or air. | The primary objective of this FDL is the development of a microscopic theory of effective viscosity of anisotropic phononic crystals. The obtained results will be submitted to publication in the prestigious peer-reviewed journals, like Physical Review, Physical Review Letters, Journal of Acoustic Society of America, etc. |
| John | Krueger | Mathematics | Spring 2020 | This FDL will focus on set theory, a branch of mathematical logic. Part of the leave will be spent at the Graduate School of System Informatics at Kobe University (Japan). | The primary objectives of this FDL are to develop techniques in an area of set theory called side conditions and iterated forcing and to apply these new techniques in an attempt to solve several decades old open problems in set theory. The final product of this work will be two to four publications. |
| Chris | Lam | Technical Communication | Fall 2019 | This FDL will focus on research projects related to teamwork and the completion of a study on interdisciplinary biology research team. The study focuses on how NSF-funded STEM research teams engage in the writing and communication process with each other (expert-to-expert communication) as well as with the public (expert-to-public communication). | The primary objectives of this FDL are book chapters on teamwork and a peer-reviewed journal article submitted <i>Technical Communication Quarterly</i> . |
| Ana | Lopez | Studio Art | Fall 2019 | This FDL will focus on the researching domestic objects historically used to modulate temperature in the home and the relationship between their functional and ornamental attributes. | The primary objective of this FDL is to increase the understanding of the history and role of decorative arts object in the functional temperature modulation of the American home, a new body of work based on this understanding and the dissemination of those research outcomes. |
| Kimberly | Luevano | Instrumental Studies | Fall 2019 | This FDL will focus on the study of period clarinet. Early clarinets are substantively different than modern instruments featuring different fingering systems, sound quality, intonation tendencies, and mouthpiece/ reed/ligature combinations. | The primary objectives of this FDL are to fully understand and articulate the challenges inherent in moving between modern and period instruments, to understand what repertoire is critical for students to perform, and to understand the challenges with playing period instruments in modern times including challenges in pitch center and intonation, sound generation and projection, and equipment procurement. |
| Rafael | Major | Honors College | Fall 2019/ Spring 2020 | This FDL will focus on research in American constitutional law western political as a visiting fellow at Princeton University's James Madison Program. | The primary objective of this FDL is to complete research and compose a book length manuscript on the importance of religion in the writings of several early modern thinkers known for their early articulation of the political thought that informs the foundation of modern liberal democracies. |
| Teresa | Marreo | Spanish | Fall 2019 | This FDL will focus on the subject of futurism and plays that exemplify a type of futuristic outlook by Latino/a playwrights in the United States. | The primary objective of this FDL is to have a monograph ready to be submitted to a publisher. |
| Todd | Moye | History | Spring 2020 | This FDL will focus on the completion of a pair of projects (a book and a podcast) stemming from an NEH-funded project "Civil Rights in Black and Brown: Multi-Racial Freedom Struggles in Texas." Additionally, new research on a dual biography of the civil rights leaders John Lewis and Julian Bon will begin. | The primary objective of this FDL is the publication of an edited collection and a ten-episode podcast. |
| Rodney | Nielsen | Computer Science and Engineering | Fall 2019 | This FDL will focus on advancing the state of natural language processing (NLP) and spoken dialogue companionable robots (Companionbots) in order to address the growing need for automated tools and techniques for early diagnosis and prevention or treatment of mild (to moderate) cognitive impairment. | The primary objectives of this FDL are to build and strengthen collaborations, write/submit journal articles, and write/submit research proposals to key federal funding programs. |

| First Name | Last Name | Department | Leave Period Requested | Faculty Development Leave (FDL) Focus | FDL Objective(s) |
|------------|-----------|-----------------------------------|------------------------|---|---|
| Brian | O'Connor | Information Science | Fall 2019 | This FDL will focus on the research and writing of monograph about the specificities photography provides for memory, communication, understanding, and action. | The primary objective of this FDL is the completion of the monograph: Reclaiming Specificity: Photography and Public Knowledge. A succinct version of the project will also be submitted to the Journal of Documentation. |
| Jose | Perez | Physics | Fall 2019 | This FDL will focus on the research possibilities in the areas of two-dimensional materials and topological insulators. | The primary objectives of this FDL are to write manuscripts to be submitted to refereed journals and to write significant research proposals to be submitted to the NSF and other funding agencies. |
| John | Peters | English | Fall 2019 | This FDL will focus on the topic of silence (literal and metaphorical) in the works of Joseph Conrad. | The primary objectives of this FDL are the completion of a book project and the publication of one article. |
| Usha | Philipose | Physics | Fall 2019 | This FDL will focus on device fabrication based on low-dimensional materials, including novel synthesis and characterization strategies. The nanostructures under study will be one-dimensional structures like nanotubes/nanowires and atomically thin films of metaldichacolgenides. The novel phenomena will include electronic effects like Coulomb blockade, single-electron tunneling and promising linear/non-linear optical and phonon-related effects. | The primary objectives of this FDL are to fabricate nanoscale devices and to evaluate their performance relative to currently available devices fabricated using bulk materials. |
| Elizabeth | Prosek | Counseling and Higher Education | Fall 2019 | This FDL will focus on co-editing the first textbook in the counseling profession for military populations. | The primary objective of this FDL is to co-edit a textbook on counseling military populations. |
| Jesse | Robertson | Accounting | Spring 2020 | This FDL will focus on research that examines how financial statement auditors' use of data analytics influences jurors' negligence assessments. Data analytics involves examining large data sets to identify patterns, and has recently emerged as a new technique auditors use to examine more data than is possible with traditional sampling techniques. | The primary objectives of this FDL are to present research at the American Accounting Association conference and publish an article in a high-quality accounting journal. |
| Bunyamin | Sari | Mathematics | Spring 2020 | This FDL will focus on a project that aspires a new road map towards the complemented subspace problem, one of the most central problems in functional analysis. | The primary objective of this FDL is to test the complemented subspace idea yielding into a road map. |
| Sheldon | Shi | Mechanical and Energy Engineering | Spring 2020 | This FDL will focus on research activities in renewable bioproducts, making effort to work with private sectors/investors to commercialize the technologies in bioproducts developed in the past years. | The primary objectives of this FDL are one professional book, research proposals, and the development of key steps for technology commercialization. |
| Nicole | Smith | English | Fall 2019 | This FDL will focus on exploration of the complexities of Chaucer's use of devotional lyrics in a tale presented by one of his most wayward pilgrims. | The primary objective of this FDL is the production of a 10,000 word article of literary criticism to be published in a top-tier international journal. |
| Susan | Squires | Anthropology | Spring 2020 | This FDL will focus on the argument that the development of a modem, off-shore fishing industry would eventually displace the traditional in-shore fishery. | The primary objective of this FDL is to collect the additional data necessary to complete a book on the fishing industry. |
| Hassan | Takabi | Computer Science and Engineering | Spring 2020 | This FDL will focus on developing scientific foundation for defensive cyber deception, specifically on studying human theory of mind, understanding how attackers behave and make decisions, and building computational models for inferring attackers' goal. | The primary objectives of this FDL are to build and strengthen collaborations in defensive cyber deception and to write research proposals for submission to federal funding programs, such as NSF, SaTC, and various DoD programs. |
| Harold | Tanner | History | Fall 2019 | This FDL will focus on the completion of a manuscript for a book titled <i>Modern East Asia</i> . The book will present an overview of East Asia from the 19th to 21st centuries. | The primary objective of this FDL is completion of a manuscript consisting of an introduction and four parts of four chapters each for a total of sixteen chapters. |
| Barrett | Taylor | Counseling and Higher Education | Fall 2019 | This FDL will focus on the investigation of an alternative explanation for state higher education policy. | The primary objective of this FDL is to create high-impact scholarly products including peer-reviewed conference presentations, refereed manuscripts, and an authored book with a university press. |
| Don | Taylor | Music Education | Fall 2019 | This FDL will focus on conducting a case study that examines the experiences of openly gay teachers in four different regions of the United States to discern successful strategies for navigating professional identity. | The primary objective of this FDL is to conduct a case study and submit the findings for presentation at a national or international conference and publication in a journal. |
| Robert | Upchurch | English | Spring 2020 | This FDL will focus on the completion of a substantial co-authored volume of critical editions and translations of twenty-three works by the Anglo-Saxon monk and moralist, IElfric of Eynsham (c. 950 - c. 1010), whose learned elegant prose accounts for about 15% of all writing in Old English that survives. | The primary objective of this FDL is the completion of a major book project (200,000+ words) and acceptance in the Anglo-Saxon Text Series of Boydell and Brewer, the scholarly English press specializing in medieval studies. |
| Jacqueline | Vickery | Media Arts | Fall 2019 | This FDL will focus on conducting a multi-year ethnographic research study focusing on the digital media practices of teens (12-18) currently living in foster care, as well as young adults (18-25) who have aged out or experienced foster care. | The primary objective of this FDL is to complete Stage 1 of a longitudinal and interdisciplinary study about the digital media practices of teens in foster care and young adults who have recently aged out of or experienced foster care. |
| DC | Wang | Psychology | Spring 2020 | This FDL will focus on acquiring adequate familiarity and competency on Mp/us; performing a comprehensive analyses on cross-cultural adult attachment data of more than 4,000 participants; completing two manuscripts to describe the studies and corresponding findings; and conducting a series of interviews with a world known attachment-based psychologist, Dr. Peter Fonagy in England. | The primary objectives of this FDL are the acquisition of the skills to conduct multi-group confirmative factor analysis (MCFA) using Mp/us, submission of two manuscripts to top-tier journals, and integration of the insights from Fonagy's interview into my Attachment-based Psychotherapy course. |
| Ed | Watkins | Psychology | Fall 2019 | This FDL will focus on the continued development of a program of thought focused on articulating a trans-theoretical approach to psychotherapy supervision (i.e., giving voice to those most core practice essentials that are integral across all supervisory models), and the introduction and elaboration of unexamined supervision common factors (e.g., supervisor humility). | The primary objectives of this FDL are to write and submit papers for publication and complete writing two invited supervision chapters for a planned, forthcoming textbook. |
| Geoffrey | Wawro | History | Fall 2019 | This FDL will focus on reading and reviewing the existing literature on the Vietnam war as a high intensity and counter-insurgency campaign, its origins, and aftermath. | The primary objective of this FDL is to write a book that will bridge the divide in the field between orthodox historians arguing the futility of the war and revisionists who assert that the war was entirely winnable and lost only because of a failure of will in America. |

| First Name | Last Name | Department | Leave Period Requested | Faculty Development Leave (FDL) Focus | FDL Objective(s) |
|------------|-----------|-----------------------------------|------------------------|--|--|
| Harry | Williams | Geography and the Environment | Fall 2019 | This FDL will focus on writing multiple peer-reviewed journal articles stemming from a NSF collaborative research grant. This collaborative research project investigates several aspects of Hurricane Harvey's storm surge and flood sedimentation at multiple sites on the Texas coast. | The primary objective of this FDL is the publication of 4-5 peer-reviewed journal articles on aspects of Hurricane Harvey's storm surge and flood sedimentation. |
| Rex | Wright | Psychology | Fall 2019 | This FDL will focus on researching motives to help and harm, focusing on their common character and conversion into effortful goal pursuit and fatigue influence on inhibitory control (resistance of behavioral impulses) and could involve the concept of circadian mismatch, a phenomenon that exists when "morning people" (Larks) and "evening people" (Owls) perform at non-optimal times. | The primary objectives of this FDL are to produce two labor-intensive conceptual articles for submission to high impact peer review professional journals, and to produce one or two substantial grant research proposals for submission to the NSF or NIH. |
| Marcus | Young | Materials Science and Engineering | Fall 2019/ Spring 2020 | This FDL will focus on performing research through mentorship and interaction with German institutions on processing, development, and characterization of alloys and other materials for various applications in many fields including aerospace, automotive, archaeological, art historical, biomedical, electronic, engineering, petrochemical, and technological industries. | The primary objectives of this FDL are the creation of more opportunities for collaboration with cutting- edge researchers and to facility student research exchanges, and joint publications, presentations, and proposals with collaborating German institutions and the number of student research exchanges. |
| Cheng | Yu | Engineering Technology | Fall 2019 | This FDL will focus on increasing research productivity in the field of numerical modeling and structural application of metal (steel and aluminum) foams. | The primary objectives for this FDL are to develop the testing methods and details for characterizing the mechanical properties of metal foams; develop finite element models to simulate structural components (columns, beams, panels) using metal foams; perform optimization analysis to develop feasible and high-efficient structural systems for permanent and mobile building structures; and submit journal articles and research proposals that could be submitted to the NSF, the DoD, and other related funding agencies for continued research. |



Title: Approval of Tenure for New UNT Faculty Appointees

Background:

In accordance with University of North Texas (UNT) Policy 06.004, Faculty Reappointment, Tenure, and Promotion, I.B., Maximum Probationary Period:

“The maximum probationary period for a faculty member appointed as an assistant professor is the equivalent of six (6) years of full-time service. This period shall be specified for each individual at the time of his or her initial appointment, and these provisions do not preclude a recommendation for the granting of tenure at any time prior to the expiration of the maximum probationary period.”

And 06.004, V.I., Review of Dossier by the Provost:

“The provost’s recommendation is sent to the president. The president’s recommendations regarding the candidates for tenure are then sent to the Board of Regents for final approval.”

Dr. Hanchen Huang joined the College of Engineering in January 2019 as dean and professor of Mechanical and Energy Engineering. Dr. Huang received a BS in Physics (1984) from Hebei Normal University in China, an MS in Theoretical Nuclear Physics from the Chinese Academy of Sciences, Institute of Atomic Energy at Beijing (1987), and a PhD in Nuclear Engineering from the University of California at Los Angeles (1995). He completed his post-doc experience in Computational Mechanics and Materials at the Lawrence Livermore National Laboratory from 1995-97. Dr. Huang has served Northeastern University as professor and department chair of Mechanical and Industrial Engineering since 2013. Prior to that, he served as the Connecticut Clean Energy Fund Endowed Professor at the University of Connecticut from 2009-13. Dr. Huang was promoted to associate professor and awarded tenure at Rensselaer Polytechnic Institute (RPI) in 2005. He was promoted to professor at RPI in 2006. Dr. Huang served at Hong Kong Polytechnic University from 1998-2002 as an assistant and then an associate professor in the department of Mechanical Engineering. Dr. Huang has many honors including an elected fellow at the: American Association for the Advancement of Science (2017), Society of Engineering Science (2016), and American Society of Mechanical Engineers (2014). Dr. Huang has impressive success with obtaining research grants and has published more than 150 journal articles in the past thirty (30) years. In addition, Dr. Huang has been an invited speaker to more than seventy (70) events.

Financial Analysis/History:

In general, the award of tenure carries with it the assurance of continued employment absent the showing of good cause for termination.

Bob Brown
Digitally signed by Bob Brown
DN: cn=Bob Brown, o=Senior VP for Finance &
Administration, ou=University of North Texas,
email=Bob.Brown@unt.edu, c=US
Date: 2019.01.29 12:41:26 -0600

Institution Chief Financial Officer

Gary Rahlfs Digitally signed by Gary Rahlfs
Date: 2019.02.01 08:47:16 -06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas
System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:46:59 -06'00'

Vice Chancellor/General Counsel

Schedule:

Tenure will be effective upon Board of Regents approval for the following individuals:

- Hanchen Huang

Recommendation:

The president recommends that the Board of Regents authorize and approve the award of tenure for Hanchen Huang.

Recommended By:

Jennifer Cowley

Provost and VPAA

Neal Smatresk Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk, o=University
of North Texas, ou=President,
email=neal.smatresk@unt.edu, c=US
Date: 2019.01.29 13:18:16 -06'00'

President

Rosemary R. Haggett, Ph.D. Digitally signed by Rosemary R. Haggett, Ph.D.
DN: cn=Rosemary R. Haggett, Ph.D., o=UNT System,
ou, email=rosemary.haggett@untsystem.edu, c=US
Date: 2019.01.30 19:36:37 -06'00'

Vice Chancellor

Lesla B. Roe Digitally signed by Lesla B. Roe
Date: 2019.02.01 13:33:49
-06'00'

Chancellor



Board Order

Title: Approval of Tenure for New UNT Faculty Appointees

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, in accordance with UNT Policy 06.004, *Faculty Reappointment, Tenure, and Promotion*:

"The maximum probationary period is defined as the maximum amount of time a faculty member may be appointed in probationary ranks in the university," and

Whereas, "this period shall be specified for each individual at the time of his or her initial appointment," and

Whereas, "these provisions do not preclude a recommendation for the granting of tenure at any time prior to the expiration of the maximum probationary period," and

Whereas, Hanchen Huang was awarded tenure at his previous institution, and

Whereas, Hanchen Huang has the credentials and experience to be awarded tenure as confirmed by his department, college, and provost, and

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The conferring of tenure will be effective upon Board approval for the following individual: Hanchen Huang.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

Board Briefing



Committee: Consent

Date Filed: January 4, 2019

Title: Appointment of Deborah Leliaert as Vice President Emeritus

Background:

In accordance with Regents Rule 06.303, the Board of Regents may confer the designation of emeritus upon individuals after their retirement from full time employment at UNT. Deborah Leliaert was hired at UNT in January 1992 as a public information writer and directed UNT's News and Information Service. She was promoted to Associate Vice President for Marketing and Communication in 1996 and was named Vice President for University Relations when the role was created in 2001. She also served a dual role as Associate Vice Chancellor for Communications and Marketing for the UNT System from 2001 to 2004. Emeritus titles for an administrator are normally commensurate with the title held at the time of retirement. Deborah Leliaert retired as Vice President on June 8, 2018, after 17 years in that role.

President Smatresk recommends that the Board of Regents grant emeritus status to Deborah Leliaert, naming her Vice President Emeritus. During the last 17 years, Deborah Leliaert assisted the UNT System, UNT System Center at Dallas, UNT Health Science Center, and UNT Dallas with the development of registered and licensed brand marks and messaging, as well as the development of the first-ever official university web presence, student recruitment marketing, advertising programs and serial publications. With her guidance, market research led the evolution of the university's top-tier collaterals, including the student recruitment viewbooks, *The North Texan* and *Research* magazines, and the *InHouse*, and *President's Insider* newsletters. She also managed and guided colleagues through countless media crises in her role as the university's top spokesperson, and guided leaders through university strategic planning.

Financial Analysis/History:

The title of Vice President Emeritus is honorary only and carries with it no financial obligations.

Bob Brown Digitally signed by Bob Brown
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Administration, ou=University of North Texas,
email=Bob.Brown@unt.edu, c=US
Date: 2019.01.31 14:24:47 -06'00'

Institution Chief Financial Officer

Gary Rahlfs Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:15:14 -06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
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Texas System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.05 10:25:32 -06'00'

Vice Chancellor/General Counsel

Schedule:

If approved by the board, the honorary title of Vice President Emeritus will be awarded to Deborah Leliaert as her retirement was effective on June 8, 2018.

Recommendation:

President Smatresk recommends that the Board of Regents grant Emeritus status to Deborah Leliaert, naming her Vice President Emeritus.

Recommended By:

Neal Smatresk

President

Neal Smatresk Digitally signed by Neal Smatresk
DN: cn=Neal Smatresk,
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President

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Vice Chancellor

Lesia B. Roe Digitally signed by Lesia
B. Roe
Date: 2019.02.01
13:35:01 -06'00'

Chancellor



Board Order

Title: Appointment of Deborah Leliaert as Vice President Emeritus

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, per Regents Rule 06.303, the Board of Regents may confer the designation of Emeritus upon individuals after their retirement from full time employment at UNT, and

Whereas, Deborah Leliaert retired as Vice President on June 8, 2018 after serving in that role for 17 years, and

Whereas, her tenure as Vice President was marked by innovation, growth, and service, and

Whereas, Deborah will be the first Vice President to receive the title Vice President Emeritus from UNT, and

Whereas, President Smatresk and the Board of Regents wish to recognize the valuable contributions made by Deborah Leliaert and commemorate her service,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Awarding of the honorary title Vice President Emeritus to Deborah Leliaert as her retirement was effective on June 8, 2018.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

**Title:** Approval of Tenure for New Faculty Appointees

Background:

In accordance with the University of North Texas Health Science Center (UNTHSC) Faculty Bylaws, *Article X – Tenure, Section A – Non-tenured Faculty Members on the Tenure Track*,

“...each new faculty member shall serve a minimum probationary term of not less than one year before application for tenure, unless the President, in special circumstances, recommends immediate tenure.”

Dr. Marc Fleming joined the University of North Texas System College of Pharmacy (UNTSCP) on February 1, 2019 as Chairman and Associate Professor in the Department of Pharmacotherapy. Dr. Fleming comes to UNTSCP from the University of Houston College of Pharmacy (UHCOP) where he is currently tenured and serves as Associate Professor of Pharmaceutical Health Outcomes and Policy. With a Bachelor’s in Pharmacy from Texas Southern University, a Master of Public Health from Virginia Commonwealth University, a Master of Science in Pharmacy Administration and a Doctor of Philosophy in Pharmacy from the University of Texas, Dr. Fleming brings a wealth of knowledge and expertise to this role. Prior to joining the UHCOP Faculty, Dr. Fleming was an active community pharmacist. He has a passion for pharmacy education and is committed to improving pharmacy practice and patient health. His “vision” for pharmacy is a “synergistic relationship between didactic training, pharmacy practice and research aimed at advancing the profession while promoting public health”. Following the completion of the customary UNTHSC review process, it was concluded and endorsed by the Dean, Provost and President that Dr. Fleming met the criteria for tenure. Dr. Fleming is an outstanding addition to the UNTSCP Team.

Dr. J. Michael Mathis will join the University of North Texas Health Science Center (UNTHSC) on March 1, 2019 as Dean of the Graduate School of Biomedical Sciences and Professor in the Department of Physiology and Anatomy. Dr. Mathis comes to UNTHSC from Louisiana State University (LSU) where he is currently tenured and has spent the last five years as Professor and Chair of Comparative Biomedical Sciences in the School of Veterinary Medicine in Baton Rouge, Louisiana. Prior to this leadership role, Dr. Mathis served for a decade as the Director of the Gene Therapy Program and the Small Animal Imaging Facility with a focus on advancing gynecologic cancer research. Dr. Mathis earned a Doctor of Philosophy degree in Biochemistry from the University of Texas Southwestern Medical Center followed by postdoctoral training at the University of California, San Diego. He has also completed a Master’s in Health Administration from LSU Shreveport and a Doctorate in Education in Higher Education Administration from the University of Alabama. Dr. Mathis has excelled in teaching graduate students, published extensively, and maintained a robust research enterprise. Following the completion of the customary UNTHSC review process, it was concluded and endorsed by the Provost and President that Dr. Mathis met the criteria for tenure. Dr. Mathis will be a valuable asset to the Graduate School of Biomedical Sciences and to the UNTHSC.

Financial Analysis/History:

In general, the award of tenure carries with it the assurance of continued employment absent the showing of good cause for termination.

Gregory R. Anderson
Institution Chief Financial Officer

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Gary Rahlfs

Digitally signed by Gary Rahlfs
Date: 2019.01.30 17:08:41
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer
Vice Chancellor/General Counsel

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Texas System, ou=Office of General Counsel,
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Schedule:

Tenure will be effective immediately upon Board approval or the first day of employment if after the date of Board approval.

Recommendation:

The President recommends, with the concurrence of the Chancellor, that the Board of Regents authorize and approve the award of tenure for Dr. Marc L. Fleming and Dr. J. Michael Mathis.

Recommended By:

Charles Taylor

Provost

Michael R. Williams

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President

Rosemary R. Haggett, Ph.D.

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Vice Chancellor

Lesa B. Roe

Digitally signed by Lesa
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Date: 2019.02.01
13:02:06 -06'00'

Chancellor



Board Order

Title: Approval of Tenure for New Faculty Appointees

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, in accordance with the University of North Texas Health Science Center (UNTHSC) Faculty Bylaws, *Article X – Tenure, Section A – Non-tenured Faculty Members on the Tenure Track*,

“...each new faculty member shall serve a minimum probationary term of no less than one year before application for tenure, unless the President, in special circumstances, recommends immediate tenure”, and

Whereas, Dr. Fleming and Dr. Mathis are outstanding educators and researchers and were awarded tenure at their previous institutions, and

Whereas, Dr. Fleming meets the University of North Texas System College of Pharmacy criteria for tenure, as determined following a customary review process, and is endorsed by his Dean, Provost and President, and

Whereas, Dr. Mathis meets the UNTHSC Graduate School of Biomedical Sciences criteria for tenure, as determined following a customary review process, and is endorsed by the Provost and President,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The conferring of tenure to Dr. Marc L. Fleming and Dr. J. Michael Mathis immediately upon Board approval or on the first day of employment if after the date of Board approval.

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

Board Briefing



Committee: Finance & Facilities

Date Filed: January 4, 2019

Title: Approval of Purchase of Two Confocal Microscopes by UNTHSC

Background:

In accordance with The University of North Texas System Board of Regents Rules section 03.904, Board Governance, Board approval is required for contracts (including purchase orders) that have a cost or monetary value to the System, the System Administration, or an Institution of \$1,000,000 or more in cash or other consideration.

The purpose of this board item is to request approval for the combined purchase of two new confocal microscopes by the University of North Texas Health Science Center: the Zeiss LSM 880 Confocal Inverted Microscope with Super-Resolution Airyscan detector and Fast Mode acquisition capabilities and the Zeiss LSM 880 Confocal Upright Microscope and Multiphoton System.

Addition of the two microscopes is part of a multi-year effort initiated in FY17-18 to invest in research infrastructure at the University of North Texas Health Science Center. In this case, the instruments will add capabilities to the Microscopy Core Laboratory, a core laboratory used by more than 15 research labs. Increasingly, confocal microscopy needs by scientists at the University of North Texas Health Science Center demand higher resolution images than existing instruments can provide and the addition of these two instruments will meet those needs.

The inverted Zeiss microscope will use proprietary technology to capture high quality electronic images of cells, tissues, organs and other biological systems and will complement existing, lower-resolution Zeiss technology at the University of North Texas Health Science Center.

The upright Zeiss microscope will be used for animal tissue and organ imaging experiments – a capability that currently doesn't exist at the University of North Texas Health Science Center. Currently, scientists at the University of North Texas Health Science Center must seek these capabilities through off-campus sources.

For researchers at the University of North Texas Health Science Center, the acquisition of both instruments will increase: 1) quality of biomedical research conducted on-campus, 2) competitiveness for grant funding, 3) exposure of students to cutting-edge technologies, and 4) potential for new collaborative opportunities.

Financial Analysis/History:

Funds for instrumentation upgrades to the Microscopy Core Laboratory as a part of the research infrastructure investment initiative were approved at an institutional level during the FY18-19 budget planning process in the spring of 2018 and in planning decisions for additional HEF allocations in the fall of 2019.

The cost incurred as a result of the recommended combined purchase will be \$1,045,827.28, a significantly discounted cost over the total cost of the instruments if they were purchased individually. The purchase will be covered by a mix of HEF dollars and Revenue Financing System

debt. The useful life of the instrumentation is estimated to be 10 years. The funding plan has been reviewed by the Vice Chancellor for Finance.

Gregory R.
Anderson

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Science Center, ou=Office of Finance and
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Institution Chief Financial Officer

Gary Rahlfs

Digitally signed by Gary
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Date: 2019.01.30 17:07:09
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer

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Date: 2019.02.01 14:55:00 -06'00'

Vice Chancellor/General Counsel

Schedule:

The contract will be finalized and issued following Board of Regents approval.

Recommendation:

The President recommends that the Board of Regents approve the combined purchase of the Zeiss LSM 880 Confocal Inverted Microscope with Super-Resolution Airyscan detector and Fast Mode acquisition capabilities and the LSM 880 Confocal Upright Microscope and Multiphoton System by the University of North Texas Health Science Center.

Recommended By:

Brian Gladue, PhD.

Acting Vice President, Research

Michael R.
Williams

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President

Lesa B. Roe

Digitally signed by Lesa
B. Roe
Date: 2019.02.01
11:33:28 -06'00'

Chancellor



Board Order

Title: Approval of Purchase of Two Confocal Microscopes by UNTHSC

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, the Board of Regents finds that the combined purchase of the Zeiss LSM 880 Confocal Inverted Microscope with Super-Resolution Airyscan detector and Fast Mode acquisition capabilities and the LSM 880 Confocal Upright Microscope and Multiphoton System is of substantial benefit to the UNT System and to the University of North Texas Health Science Center,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The combined purchase of the Zeiss LSM 880 Confocal Inverted Microscope with Super-Resolution Airyscan detector and Fast Mode acquisition capabilities and the LSM 880 Confocal Upright Microscope and Multiphoton System by the University of North Texas Health Science Center.
-

VOTE: _____ ayes _____ nays _____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

Board Briefing



Committee: Consent

Date Filed: January 17, 2019

Title: Authorization to Enter into Agreement with Tarrant County Medical Examiner's Office for Joint Providership of Continuing Medical Education

Background:

UNTHSC INCEDO seeks to enter into an agreement to provide management and accreditation of three regularly scheduled series (RSS) medical education programs hosted by Tarrant County Medical Examiner's Office to provide continuing education to their staff. Responsibilities of INCEDO will be to perform content overview, program management, and record retention. INCEDO will provide continuing education credit for the programs.

Financial Analysis/History:

The proposed agreement is for a total of \$3,000.00 for three RSS over a 12-month period.

Gregory R.
Anderson

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Science Center, ou=Office of Finance and
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Date: 2019.01.28 11:30:30 -06'00'

Institution Chief Financial Officer

Gary Rahlfs

Digitally signed by Gary
Rahlfs
Date: 2019.01.30 16:44:21
-06'00'

Vice Chancellor for Finance

Legal Review:

This item has been reviewed by General Counsel.

Nancy S.
Footer

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North Texas System, ou=Office of General
Counsel,
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Date: 2019.02.01 12:18:16 -06'00'

Vice Chancellor/General Counsel

Schedule:

\$3,000 payment is due upon execution of the agreement.

Recommendation:

It is recommended that the Board of Regents authorize and approve UNTHSC to enter into an agreement with Tarrant County Medical Examiner's Office for joint providership of continuing medical education.

Recommended By:

Charles Taylor

Provost

Michael R. Williams Digitally signed by Michael R. Williams
DN: cn=Michael R. Williams, o=UNTHSC, ou=President, email=michael.williams@unthsc.edu, c=US
Date: 2019.01.29 12:30:03 -06'00'

President

Lesa B. Roe Digitally signed by Lesa B. Roe
Date: 2019.02.01 10:54:38 -06'00'

Chancellor

Attachments Filed Electronically:

- Letter of Agreement for the Joint Providership of Continuing Medical Education



Board Order

Title: Authorization to Enter into Agreement with Tarrant County Medical Examiner's Office for Joint Providership of Continuing Medical Education

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, Tarrant County Medical Examiner's Office determined that providing continuing medical education (CME) to their staff is an important employment and community benefit, and

Whereas, UNTHSC INCEDO is a nationally recognized CME provider and wishes to provide continuing education credit to the Tarrant County Medical Examiner's Office regularly scheduled series (RSS) programs,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Authorization for UNTHSC to enter into an agreement with Tarrant County Medical Examiner's Office for joint providership of continuing medical education.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

incedo™



LETTER OF AGREEMENT FOR THE JOINT PROVIDERSHIP OF CONTINUING MEDICAL EDUCATION



Between
UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER
INCEDO

and

TARRANT COUNTY MEDICAL EXAMINERS OFFICE

Contents

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I. Introduction

Within the framework of the Accreditation Council on Continuing Medical Education's (ACCME) requirements, there is an opportunity for accredited providers to plan and implement CME activities with organizations that are not accredited by ACCME. This approach, called "joint providership," accounts for a sizable portion of the CME conducted annually by ACCME-accredited providers.

The Accreditation Council on Continuing Medical Education (ACCME) defines joint providership as the providership of a continuing medical education (CME) activity by one accredited and one non-accredited organization. Therefore, accredited providers that plan and present one or more activities with non-accredited providers are engaging in "joint providership."

All jointly-provided CME activities must be in compliance with the established criteria, the Standards for Commercial Support, and policies (accreditation requirements). In cases of joint providership, it is the accredited provider's responsibility to be able to demonstrate this compliance.

It is important to note that when the University of North Texas Health Science Center (UNTHSC) engages in a jointly-sponsored activity, it is not working for the joint provider. Rather, it is collaboratively planning, implementing and assessing the effectiveness of a CME activity. The divisions of responsibilities address many areas, but ultimately, UNTHSC is the accredited provider and has the final determination in any matter affecting the educational activity.

Commercial interests cannot engage in the joint providership of accredited CME activities.

II. Definitions

| Term | Definition |
|--|--|
| UNTHSC | University of North Texas Health Science Center |
| Sponsor | The accredited (or lead) organization in a joint providership. |
| Joint Sponsor | The non-accredited organization in a joint providership. |
| Joint Providership | The providership of a CME activity by one accredited and one non-accredited organization |
| Continuing Medical Education (CME) | Educational activities which serve to maintain, develop, or increase the knowledge, skills, and professional performance and relationships that a physician uses to provide services for patients, the public, or the profession. The content of CME is that body of knowledge and skills generally recognized and accepted by the profession as within the basic medical sciences, the discipline of clinical medicine, and the provision of health care to the public. |
| Commercial Support | Financial or in-kind support given by a commercial interest used to pay all or part of costs of a CME activity |
| Commercial Interest | Any entity producing, marketing, re-selling, or distributing health care goods or services consumed by, or used on, patients. |
| ACCME | Accreditation Council for Continuing Medical Education |
| AOA | American Osteopathic Association |
| Live or attendance-based activities | CME activities which physicians must attend in order to receive credit may range from national conferences to local workshops, seminars, grand rounds, or departmental scientific meetings. |
| Enduring Material | Printed, recorded, audio, video, and electronic activities that may be used over time at various locations, and meet the criteria of a planned CME activity. |
| Journal-Based CME | CME activities that appear in publish peer-reviewed, professional journals may designate |
| RSS | A regularly scheduled series (RSS) is a course that is planned as a series with multiple, ongoing sessions, e.g., offered weekly, monthly, or quarterly; and is primarily planned by and presented to the accredited organization's professional staff. Examples include grand rounds, tumor boards, and morbidity and mortality conferences. |

III. Contact Information

| University of North Texas Health Science Center Office of INCEDO | |
|--|--|
| Contact Name | Suzy Gardner |
| Contact Phone | 817-735-5188 |
| Contact Fax | 817-735-2598 |
| Contact E-Mail | Suzy.Gardner@unthsc.edu |
| Contact Address | 3500 Camp Bowie Blvd. Fort Worth, Texas 76107 |

| Tarrant County Medical Examiner's Office Fort Worth | |
|---|---|
| Contact Name | Ron Singer/Carol Lawson |
| Contact Phone | 817-920-5700 X8340 |
| Alternate Phone | |
| Contact Fax | 817-920-5713 |
| Contact E-Mail | CALawson@TarrantCounty.com ; rsinger@tarrantcounty.com |
| Contact Address | 200 Feliks Gwozdz Place Fort Worth, TX 76104 |

IV. Activity Information

The University of North Texas Health Science Center (*UNTHSC*) will jointly provide an educational activity with Medical City Fort Worth (*Joint Provider*).

Regularly Scheduled Series (RSS)

| | |
|-----------------------|---|
| RSS Title(s) | Critical Case Review (up to 2X per month) Morning Mortality Meeting (5XW/Daily M-F) Journal Club (1XM, 12XAnnually) |
| Start/End Date | January 1, 2019– December 31, 2019 |
| RSS Location | Tarrant County Medical Examiner's Office Fort Worth |

V. RSS Requirements

1. The Joint Provider will complete an RSS application annually for each RSS series (not each individual session).
2. The Joint Provider will formulate the needs assessment, define the educational gaps and produce objectives linked to the gaps.
3. An in-depth outcomes assessment of at least one activity will be completed by the Joint Provider for each RSS series in addition to an evaluation.
4. The Joint Provider is responsible for proposing the objectives and the content of the program which may be modified by UNTHSC PACE.
5. The program chair and coordinator must meet with UNTHSC PACE staff at least annually to review the RSS.
6. The Joint Provider is responsible for proposing an annual revenue and expense budget for each RSS.
7. The Joint Provider will reconcile the RSS within 30 days of its end and, if necessary, provide UNTHSC PACE copies of all required reconciliation documents and budget figures for commercial supporters.
8. The Joint Provider will not seek funds for the activity from sources not approved by UNTHSC PACE.
9. The Joint Provider will notify UNTHSC PACE of its desire to seek funds from a source prior to seeking funds.
10. The Joint Provider will make all arrangements for the facility where the educational activity will be held. UNTHSC PACE reserves the right to reject proposed facilities based on its interpretation of CME guidelines, best judgment and internal policies.
11. The Joint Provider will obtain the necessary insurance coverage for the educational activity, as required by the facility where the activity will be held.
12. The Joint Provider will plan all breaks, food and beverages.
13. The Joint Provider will coordinate all audio/visual requirements for the activity, including staffing.
14. The Joint Provider will pay all activity expenses, including the presenter honoraria when authorized by UNTHSC PACE.
15. The Joint Provider will register the participants, collect the registration fees and send confirmations of registration, as well as provide on-site registration options, if needed.
16. The Joint Provider will liaise with approved presenters, including provision of confirmation.
17. The Joint Provider will collect disclosure declarations via the link to the UNTHSC PACE online disclosure from all individuals in a position to influence the content of the activity and provide to UNTHSC PACE at least 30 days prior to activity involvement.
18. The Joint Provider will provide UNTHSC PACE with the presenters' presentation materials no less than 10 days before the educational activity for review and modification.
19. The Joint Provider will provide to UNTHSC PACE all RSS schedules at least 30 days in advance of the activities.

20. Schedule changes or event cancellations will be communicated promptly by the Joint Provider to UNTHSC PACE.
21. UNTHSC PACE must receive the topic, objectives, and presenter information at least 30 days in advance of the activity.
22. The Joint Provider will ensure announcements, flyers, and invitations for each session contain the information prescribed by UNTHSC PACE. (1)
23. The Joint Provider will provide all announcements, flyers, and invitations for each session to UNTHSC PACE for approval at least 30 days before the activity and prior to distribution.
24. The Joint Provider will display the announcement outside the meeting space at each RSS session to ensure all participants have received advance notice of the subject matter, faculty, faculty disclosures, and course objectives.
25. The Joint Provider will print all approved meeting materials, including claim credit forms, informational pages and nametags upon approval from UNTHSC PACE.
26. The Joint Provider will ensure participants claim credit for RSS participation through the UNTHSC PACE learning management system prior to the deadline specified on the "Claim Credit" form provided.
27. The Joint Provider will verify attendance at each RSS event and submit completed sign-in sheets of verification to UNTHSC PACE within 30 days after each event.

(1) Required elements for announcements, flyers, and invitations:

- Title
- Speaker with credentials
- Location with address
- Date
- Times
- Learning objectives
- Target audience
- Accreditation statements
- How to register/RSVP

Requirements specific to a RSS that is a case-based conference, such as tumor boards, clinical conferences, and morbidity and mortality reviews:

1. Global objectives for the overall yearly sessions which constitute the RSS activity must be prepared as part of the original CME application.
2. Announcements/flyers/invitations for each session must contain the required elements.
3. All participants in the case-based RSS must complete a faculty disclosure according to UNTHSC's Conflict of Interest policy.
4. If a guest faculty participates in an individual session and presents a didactic presentation, then that session must be treated as an activity with a fixed agenda, and all the above requirements for a RSS with a fixed agenda must be met.

5. The evaluation of the overall RSS may be done on a quarterly basis. Evaluations will be included in the credit claim process.
6. All cases presented should be logged and retained on file. The log must include the type of case/patient presented and the individual presenting. This log should be submitted upon request. All patient and provider identifying information must be deleted from case/materials prior to the case submission.

VI. Responsibilities of UNTHSC

1. Evaluate and, if necessary, modify the proposed needs assessment and gap analysis, educational plan, learning objectives, implementation plan, budget, faculty/presenters, evaluation plan and promotion/audience generation plan.
2. Determine the appropriateness of proposed funding sources.
3. Review and provide written approval or modifications of activity promotional pieces prior to distribution.
4. UNTHSC will apply its Conflict of Interest policy to the activity:
 - a. UNTHSC will review the Conflict of Interest collection instrument for anyone in a position to influence content for the activity.
 - b. UNTHSC will assist the Joint Provider in reviewing the Conflict of Interest declarations for anyone in a position to influence content for the activity
 - c. UNTHSC will recommend conflict resolution strategies, if necessary.
5. UNTHSC will authorize the Joint Provider to pay any associated the speaker fees.
6. UNTHSC will authorize the Joint Provider to pay other expenses associated with the activity.
7. UNTHSC will provide each joint provider with an individualized course number to be used on the UNTHSC Claim Credit form. A list of course numbers will be sent to the event coordinator prior to the new month.
8. Approve outcomes methodology.
9. UNTHSC will complete and retain a compliant activity file which contains the following information:
 - a. Needs assessment and gap analysis
 - b. Promotional pieces (flyer, e-mail, invitations)
 - c. Conflict of interest information
 - d. Commercial support information
 - e. Program budget
 - f. Activity evaluation
 - g. Program syllabus
 - h. Attendance records
 - i. Joint-providership information
 - j. Sample copy of a certificate of attendance

Compliance with Accreditation Guidelines and UNTHSC Standards

UNTHSC reserves the right to conduct an on-site audit of each provided activity to monitor compliance with relevant guidelines and standards. When a UNTHSC staff member monitors an activity, his/her travel, accommodation, ground transportation and meal per diem (at the current federal rate) expenses will be charged to the Joint Provider as a cost of the activity. Please consider this in your proposed budget.

VII. Fees and Payment

The Joint Provider will pay the following fees related to this activity.

| Fee | Amount | Due |
|----------------------------------|----------------|---------------------------------|
| Activity Review Fee | n/a | |
| Joint Providership Fee | \$3,000 | |
| Total Owed to UNTHSC PACE | \$3,000 | Upon Agreement Execution |

**Full payment should be made within 30 days of signing this agreement.
Add 4% if paying by credit card.**

Late payments will be subject to a 10% per month penalty.

Optional Service Fees

Optional services may be requested at the time of conference planning. The following fees are for planning purposes.

Materials Packet for conference (Nametags, paperwork, information pages, evaluation instructions) - \$3/registration

Fees shall be made payable to:

UNTHSC (INCEDO)
ATTN: INCEDO Office
3500 Camp Bowie Blvd
Fort Worth, TX 76107

Federal Tax ID #: 75-6064033

VIII. Terms and Conditions

1. **Termination.** If either party is in breach of this Agreement, the other party shall give notice to the breaching party and provide thirty (30) days to cure the breach. If said breach is not cured, the party may terminate the Agreement without further notice. In certain circumstances, UNTHSC may terminate this agreement with no advanced notice. Such circumstances include, but are not limited to, violation of accreditation guidelines, loss of faith in the Joint Provider, significant financial risk, public opinion or administrative directive.
2. **Indemnification.** The Joint Provider agrees to indemnify and hold harmless UNTHSC for any claims, damages or expense arising from this educational activity, including those brought by any participant, the host facility, or any other third party.
3. **Non-Waiver.** Any failure by either party to detect, protest, or remedy any breach of this Agreement shall not constitute a waiver or impairment of any such term or condition, or the right of such party at any time to avail itself of such remedies as it may have for any breach or breaches of such term or condition.
4. **Severability.** If any provision hereof is declared invalid by a court of competent jurisdiction, ruling or opinion of applicable accreditation organization or policy implemented by a regulatory agency, such provision shall be ineffective only to the extent of such invalidity, so that the remainder of that provision and all remaining provisions of this Agreement will continue in full force and effect.
5. **Force Majeure.** Neither party shall be in default by reason of any failure in performance of this Agreement if such failure arises, directly or indirectly, out of causes reasonably beyond the direct control or foresee ability of such party, including but not limited to, default by subcontractors or suppliers, acts of God or of the public enemy, U.S. or foreign government acts in either a sovereign or contractual capacity, labor, fire, flood, epidemic, public health emergency, restrictions, strikes, and/or freight embargoes.
6. **Notice.** All communications between the parties which are required or permitted to be in writing shall be sent by hand delivery, with delivery confirmation, or by prepaid, first class U.S. postal service mail, certified return receipt requested, or by facsimile with confirmation by first class U.S. postal service and sent to the address specified in the first paragraph of this Agreement. By written communication, either party may designate a different address for purposes hereof.
7. **Governing Law.** This Agreement shall be governed by, construed, and interpreted in accordance with the laws of the State of Texas without regard to its rules governing conflicts of law. Venue for any legal proceeding arising out of this Agreement shall lie in a court of competent jurisdiction in Tarrant County, Texas.
8. **Miscellaneous.** This Agreement shall be binding upon and inure to the benefit of each party and their respective heirs, successors and assigns. It is understood that any relationship created by this agreement between the Parties shall be that of independent contractors. Under no circumstance shall either Party be deemed an employee of the other nor shall either Party act as an agent of the other Party. Any and all joint venture, joint enterprise, or partnership status is hereby expressly denied and the Parties expressly state that they have

not formed expressly or impliedly a joint venture, joint enterprise, or partnership. This agreement contains the entire agreement of the Parties concerning this subject matter described herein and there are no other promises or conditions in any other agreement whether oral or written concerning the subject matter described herein. This Agreement supersedes any prior written or oral agreements between the Parties concerning the subject matter described herein. This agreement may not be modified except by a written amendment properly approved and executed by duly authorized Parties.

9. In accordance with federal and state law, the Parties agree not to unlawfully discriminate against any person on the basis of sex, race, creed, national origin, color, religious belief, age disability, or status as a disabled veteran or veteran of the Vietnam era in the performance of this Agreement. JOINT PROVIDER represents that it is fully informed concerning and is in full compliance with its obligations, if any, under the following: (1) Equal Employment Opportunities provisions of the Civil Rights Act of 1964, as amended; (2) Executive Order 11701, as amended; (3) Executive Order 11246 as amended; (4) Rehabilitation Act of 1973, as implemented by 41 CFR 60-741, as amended; (5) Vietnam Era Veterans Readjustment Act of 1974 as implemented by 41 CFR 60-250, as amended; and (6) Fair Labor Standards Act of 1938, Sections 6, 7, and 12, as amended.
10. JOINT PROVIDER certifies that neither it nor any of its principals (officers, directors, owners, partners, key employees involved with this Agreement, or management or supervisory personnel) is presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in this transaction or in any federal grant, benefit, contract or program (including but not limited to Medicare and Medicaid and Federal Health Care Programs) by any Federal departments or agency, and JOINT PROVIDER shall notify the PACE office immediately if it becomes aware of any such exclusion, debarment, or sanction.
11. The Parties agree to maintain such records, books, and documents, and provide such information to any and all state and federal agencies as may be required to comply with any and all applicable state and federal regulations and statutory provisions. All statistical, financial, personnel, and other data relating to the business of each Party shall be retained in confidence by the other Party including its employees, agents, and contractors; provided, however, the foregoing obligation does not apply to such data, information or materials which (a) a Party by written authorization permits the other Party to release, (b) a Party is required by law to release, including the Texas Public Information Act, or (c) is reasonably and lawfully needs to perform services pursuant to this Agreement.

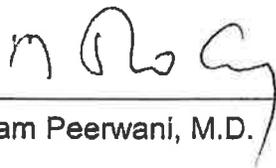
IX. Signatures

AGREED TO ON THE DATE SIGNED BELOW:

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| Signature | |
| Name | |
| Title | |
| Date | |

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|-----------|---|
| Signature |  |
| Name | Nizam Peerwani, M.D. |
| Title | Chief Medical Examiner |
| Date | 10-11-2018 |



Title: Authorization to Execute a Professional Services Agreement with Tarrant County Public Health for Perinatal Health Services

Background:

Tarrant County Public Health acts as the Prime Awardee of a HRSA grant for a project on addressing the perinatal health needs of HIV positive women in the HIV care continuum entitled, "Perinatal Support of HIV Positive Mothers and Women". Tarrant County Public Health requests for UNTHSC— through its employee, Dr. Amy Raines-Milenkov— to provide outreach and medical case management services specific to HIV in a highly vulnerable population of women and children.

As part of this agreement, UNTHSC will provide comprehensive participant-centered perinatal case management for pregnant and postpartum women and their infants to include prenatal care, oral health, mental and substance use assessment counseling and referral, treatment adherence, nutritional counseling and other needs to 40 women annually.

UNTHSC anticipates amendments to the Agreement to both extend the project period and add additional funding.

Financial Analysis/History:

A Professional Services Agreement is anticipated with an initial project period of approximately six months in 2019, with a funding amount of \$68,789.00. Any additional funds cannot be projected at this time should the project period be extended beyond the initial project period.

Gregory R. Anderson
Institution Chief Financial Officer

Digitally signed by Gregory R. Anderson
DN: cn=Gregory R. Anderson, ou=UNT Health Science Center, ou=Office of Finance and Operations,
email=gregory.anderson@unthsc.edu, c=US
Date: 2019.01.26 11:30:58 -06'00'

Gary Rahlfs
Vice Chancellor for Finance

Digitally signed by Gary Rahlfs
Date: 2019.01.30 16:45:16 -06'00'

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer
Vice Chancellor/General Counsel

Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North Texas System, ou=Office of General Counsel,
email=nancy.footer@untssystem.edu, c=US
Date: 2019.02.01 12:19:03 -06'00'

Schedule:

The anticipated initial project period is approximately six months during 2019.

Recommendation:

It is recommended that the Board of Regents authorize and approve the execution of the contract for perinatal health services.

Recommended By:

Brian Gladue, PhD
Acting Vice President, Research

Michael R. Williams

Digitally signed by Michael R. Williams
DN: cn=Michael R. Williams, o=UNTHSC, ou=President, email=Michael.Williams@unthsc.edu, c=US
Date: 2019.01.29 12:31:30 -0600

President

Lesa B. Roe

Digitally signed by Lesa B. Roe
Date: 2019.02.01 10:56:34 -06'00'

Chancellor



Board Order

Title: Authorization to Execute a Professional Services Agreement with Tarrant County Public Health for Perinatal Health Services

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, UNTHSC provides perinatal health services, and

Whereas, Tarrant County Public Health requests to contract with UNTHSC to provide comprehensive participant-centered perinatal case management for pregnant and postpartum women and their infants, and

Whereas, the parties wish to enter into a Professional Services Agreement for an initial project period of approximately six months in 2019 with the potential to amend the agreement to extend the project period with additional funding.

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Execution of a Professional Services Agreement between UNTHSC and Tarrant County Public Health for UNTHSC to provide perinatal health services and amendment and/or extension of the agreement to extend the project period with additional funding.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents

Board Briefing



Committee: Consent

Date Filed: January 4, 2019

Title: Authorization to Execute a Confidential Disclosure Agreement and Sub-award Agreement with Tarrant County Public Health

Background:

UNTHSC has a grant agreement from the Centers for Disease Control (CDC) with a current cumulative value of approximately \$8.2 million as of September 2018. UNTHSC has held this agreement with the CDC since 2009 and the Principal Investigator ("PI") on this project has changed a few times. Thaddeus Miller, Ph.D. was formally named the PI on the project on December 12, 2018; the project is currently in Option Period 8 and the grant will end on 9/17/2019.

Tarrant County Public Health plays an integral part in performance of the research for this project as the performance site for the last 10 years. In the next phase of the project, the parties wish for TCPH to facilitate UNTHSC's successful performance of CDC's Tuberculosis Trials Consortium's (TBTC's) Study #37. To that end, TCPH will act as UNTHSC's TBTC enrollment and primary work site; and will implement and perform activities as required within its TB, Refugee, and other appropriate clinics. These tasks will take place during the course of routine patient interactions within the existing setting and activities of TCPH's TB, Refugee, and other clinics. Activities required by the experimental protocol will require additional labor and other resources within the TCPH setting. Accordingly, Dr. Miller has requested CDC approval to pass through grant funds to TCPH under a sub-award.

The previous PI, Dr. Samuel, is an M.D. and was at the site full time where he was the physician responsible for TCPH's Tuberculosis and Refugee Health program. Dr. Miller will not provide physician services and will need access to the facility for the project. Accordingly, TCPH has requested to enter into a Confidential Disclosure Agreement with UNTHSC.

Financial Analysis/History:

Pending the approval of the CDC, the sub-award agreement will provide approximately \$135,330.00 to Tarrant County Public Health for their tasks associated with the contract.

Gregory R.
Anderson

Institution Chief Financial Officer

Digitally signed by Gregory R. Anderson
DN: cn=Gregory R. Anderson, ou=UNT Health
Science Center, ou=Office of Finance and
Operations,
email=gregory.anderson@unthsc.edu, c=US
131220190104164604-06'00'

Gary Rahlfs

Vice Chancellor for Finance

Digitally signed by Gary
Rahlfs
Date: 2019.01.30 16:46:04
-06'00'

Legal Review:

This item has been reviewed by General Counsel.

Nancy S. Footer Digitally signed by Nancy S. Footer
DN: cn=Nancy S. Footer, o=University of North
Texas System, ou=Office of General Counsel,
email=nancy.footer@untsystem.edu, c=US
Date: 2019.02.01 12:20:12 -06'00'

Vice Chancellor/General Counsel

Schedule:

Project period is 9/18/18 to 9/17/19. While this is the final year of the CDC contract that has been in effect since September 18, 2009, it is expected that UNTHSC will present a proposal for the next funding opportunity to continue this research effort.

Recommendation:

It is recommended that the Board of Regents authorize and approve the execution of the Confidential Disclosure Agreement and Sub-Award Agreement with Tarrant County Public Health.

Recommended By:

Brian Gladue, PhD.

Acting Vice President, Research

Michael R. Williams Digitally signed by Michael R. Williams
DN: cn=Michael R. Williams,
o=UNTHSC, ou=President,
email=michael.williams@unthsc.edu, c=US
Date: 2019.01.29 12:32:00 -06'00'

President

Lesa B. Roe Digitally signed by Lesa B. Roe
Date: 2019.02.01 10:58:38 -06'00'

Chancellor



Board Order

Title: Authorization to Execute a Confidential Disclosure Agreement and Sub-Award Agreement with Tarrant County Public Health

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 14-15, 2019, pursuant to a motion made by Regent _____ and seconded by Regent _____, the Board approved the motion presented below:

Whereas, Tarrant County Public Health acts as UNTHSC's Center for Disease Control and Prevention Tuberculosis Trials Consortium (TBTC) enrollment and primary work site for CDC's Option Period 8; and implements and performs activities as required within its TB, refugee, and other appropriate clinics, and

Whereas, the parties wish to continue this integral collaborative research.

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Execution of a Confidential Disclosure Agreement with Tarrant County Public Health; and
 2. Execution of a Sub-Award Agreement to Tarrant County Public Health.
-

VOTE: ____ ayes ____ nays ____ abstentions

BOARD ACTION:

Attested By:

Approved By:

Rosemary R. Haggett, Secretary
Board of Regents

Laura Wright, Acting Chairman
Board of Regents