



# University of North Texas System

---

## Board of Regents

### Schedule of Events for Audit Committee Meeting

December 20, 2022

Real-Time Livestream Link: <https://livestream.com/accounts/7090653/events/10705573>

The University of North Texas System Board of Regents Audit Committee will meet by videoconference on December 20, 2022, from 9:30 a.m. until approximately 11:00 a.m. according to the following agenda. The meeting will be livestreamed in real time for public attendance at the link listed in this posting.

The Audit Committee is posted as an individual meeting of a Board committee; however, 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, the meeting of the Audit Committee is also being posted as a meeting of the full Board.

Please contact the Office of the Board Secretary with any questions at 214.752.5533.

**9:30 a.m. CONVENE AUDIT COMMITTEE**

**Action Item:**

UNTS            Acceptance of the Externally Audited UNT System FY22 Annual Comprehensive Financial Report (ACFR)

**11:00 a.m. ADJOURN AUDIT COMMITTEE**

The image features the FORVIS logo in a bold, red, sans-serif font on the left side. To the right, there is a decorative graphic consisting of several parallel, diagonal red stripes of varying shades, creating a sense of depth and movement. The background is white.

# FORVIS

## Annual Audit Results and Trends August 31, 2022

Sara Grenier, CPA, Partner

Derek Pfeifer, CPA, Director

# Audit Results

- Accomplished audit plan and timeline
- Good client assistance and responsiveness
- Unmodified “clean” opinion on financial statements
- Audit journal entries – None
- Passed audit journal entries – 3 entries
- Significant deficiencies or material weaknesses in internal controls – None

# Preliminary Opinion

- Auditor's Responsibility Under 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
  - We are ready to issue an unmodified opinion on the System's financial statements
  - AICPA's Statement on Auditing Standards 134, Auditor Reporting and Amendments

# Summary of Audit Approach and Results

- Our Approach
  - The FORVIS audit approach focuses on areas of higher risk – the unique characteristics of the System’s operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures.
- Areas of Audit Emphasis
  - Management override of controls
    - No matters are reportable

# Summary of Audit Approach and Results

- Areas of Audit Emphasis (Continued)
  - Revenue recognition
    - We proposed an adjustment to revenue of \$3.5 million related to HEERF grants that was passed on by management.
    - We proposed an adjustment to investment income of \$2.3 million related to realized losses on sales of investments recorded as changes in fair value of investments that was passed on by management.
    - No other matters are reportable

# Summary of Audit Approach and Results

- Areas of Audit Emphasis (Continued)
  - Existence of valuation of investments
    - no matters are reportable
  - Net position classifications
    - Management identified an error in amounts that were capitalized in CIP in prior years that should have been expensed and have been included as a restatement of beginning of the year net position
  - Net pension and OPEB liabilities
    - No matters are reportable

# Summary of Audit Approach and Results

- Areas of Audit Emphasis (Continued)
  - GASB 87, *Leases*
    - We proposed an adjustment to reduce the lease receivable and deferred inflow of resources for leases that include a cancellable portion
    - We proposed an adjustment to restate the beginning balances for right of use assets and lease liabilities in the notes to the financial statements for the adoption of GASB 87
    - No other matters are reportable



# Significant Estimates

- The preparation of financial statements requires judgment because some assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses are “estimated” based on management’s assumptions
- The following are considered to be significant estimates for the System:
  - Allowance for doubtful accounts
  - Valuation of Investments
  - Defined Benefit Plan and OPEB Assumptions

# Reconciliation of Change in Net Position

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	718,512,578	119,393	718,631,971	0.02%
Non-Current Assets & Deferred Outflows	2,237,346,707	(6,290,805)	2,231,055,902	-0.28%
Current Liabilities	(560,919,649)		(560,919,649)	
Non-Current Liabilities & Deferred Inflows	(1,657,503,332)	6,120,136	(1,651,383,196)	-0.37%
Current Ratio	1.281		1.281	
<b>Total Assets &amp; Deferred Outflows</b>	<b>2,955,859,285</b>	<b>(6,171,412)</b>	<b>2,949,687,873</b>	<b>-0.21%</b>
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>(2,218,422,981)</b>	<b>6,120,136</b>	<b>(2,212,302,845)</b>	<b>-0.28%</b>
<b>Total Net Position</b>	<b>(737,436,304)</b>	<b>51,276</b>	<b>(737,385,028)</b>	<b>-0.01%</b>
Operating Revenues	(758,462,363)	51,276	(758,411,087)	-0.01%
Operating Expenses	1,248,159,374		1,248,159,374	
Nonoperating (Revenues) Exp	(469,782,151)	(3,479,000)	(473,261,151)	0.74%
Change in Net Position	19,914,860	(3,427,724)	16,487,136	-17.21%

## Misstatements within Notes to the Financial Statements

1 Beginning balances were not updated in the tables of current year activity of capital assets and long-term liabilities related to the adoption of leases and were included as current year additions and disposals for capital leases

# Required Communications

- Significant Accounting Policies
  - Described in Note 1 of the financial statements
  - Adoption of GASB 87, *Leases*
- Alternative Accounting Treatments
  - No matters are reportable
- Management Judgments and Accounting Estimates
  - Previously discussed

# Required Communications

- Financial Statement Disclosures
  - Investments and determination of fair values
  - Defined benefit pension plan
  - Post-employment benefits other than pensions
  - Leases
- Significant Unusual Transactions
  - No matters are reportable

# Required Communications

- Audit Adjustments
  - Previously discussed
- Auditor's Judgments About the Quality of the System's Accounting Policies
  - With the adoption of GASB 87
    - The System utilized a threshold of net present value (NPV) of \$100,000 or greater
    - The System utilized the U.S. Government Securities/Treasury constant maturities/Nominal rates to calculate NPV

# Other Material Communications

- Management representation letter
- We orally communicated to management deficiencies in internal control identified in our audit that are not considered material weaknesses or significant deficiencies

# Future Accounting Pronouncements

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements

# Thank you!

**forvis.com**

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

# **FORVIS**

**Assurance / Tax / Advisory**





## Board Briefing

---

**Committee:** Audit Committee

**Submission Date:** 12/13/2022

**Title:** Acceptance of the Externally Audited UNT System FY22 Annual Comprehensive Financial Report (ACFR)

---

### **BACKGROUND SUMMARY:**

The UNT System Board of Regents Audit Committee Charter, adopted May 19, 2022, established a responsibility for the Audit Committee to provide governance, oversight, and annually review the external auditor's audit scope and approach, and to review, approve, and recommend to the Board of Regents the externally audited Annual Comprehensive Financial Report (ACFR) and Independent Auditor's Report.

### **PURPOSE:**

The objective of the external audit of the FY22 financial statements of the University of North Texas System is to express an opinion on the conformity of UNT System financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

### **ASSESSMENT:**

The external audit firm, FORVIS, LLP, conducted an audit of the UNT System FY22 Annual Comprehensive Financial Report and provided an unmodified opinion, which is the best possible opinion.

### **FINANCIAL IMPLICATIONS/TIMELINE:**

The External Audit Opinion of UNT System's FY22 Annual Comprehensive Financial Report will be included in the System's Annual Report upon approval.

### **PROPOSED BOARD ACTION:**

It is recommended that the Board of Regents accept the externally audited UNT System FY22 Annual Comprehensive Financial Report, and direct that the Independent Auditor's Report be included in the System's Annual Report.

Attachments Filed Electronically:

1. FORVIS report on results of the 2022 financial statement audit, internal control matters and other required communications

---


### **Legal Approval:**

*Alan Stucky*

---


Alan Stucky  
General Counsel

**Recommendation for Approval:**

  
Gregory R. Anderson (Dec 14, 2022 15:32 CST)

---

Gregory R. Anderson  
Deputy Chancellor,  
Finance and Operations

---

Michael R. Williams  
Chancellor



## Board Order 2022-

---

**Title:** Acceptance of the Externally Audited UNT System FY22 Annual Comprehensive Financial Report (ACFR)

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on February 16, 2023, pursuant to a motion made by Regent \_\_\_\_\_ and seconded by Regent \_\_\_\_\_, the Board approved the motion presented below:

Whereas, The UNT System Board of Regents Audit Committee Charter, adopted May 19, 2022, established a responsibility for the Audit Committee to provide governance and oversight and annually review the external auditor's audit scope and approach, and to review, approve, and recommend to the Board of Regents the externally audited Annual Comprehensive Financial Report (ACFR) and Independent Auditor's Report, and

Whereas, the external audit firm, FORVIS, LLP, conducted an audit of the UNT System FY22 Annual Comprehensive Financial Report and provided an unmodified opinion, and

Whereas, the Audit Committee of the Board of Regents has reviewed and approved the FY22 Annual Comprehensive Financial Report and the final audit opinion of the UNT System FY22 Annual Comprehensive Financial Report,

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

1. Acceptance of the externally audited UNT System FY22 Annual Comprehensive Financial Report
  2. Inclusion of the Independent Auditor's Report in the final UNT System FY22 Annual Report
- 

**Board Action:**

VOTE: \_\_\_\_\_ ayes \_\_\_\_\_ nays \_\_\_\_\_ abstentions

Attested By:

Approved By:

\_\_\_\_\_  
Rachel Barone, Secretary  
Board of Regents

\_\_\_\_\_  
Laura Wright, Chair  
Board of Regents

# FORVIS

## University of North Texas System

### Report to the Board of Regents December 20, 2022

Results of the 2022 financial statement audit, internal control matters and other required communications

# FORVIS

<b>Contents: 2022 Audit Results</b>	<b>Summary of Our Audit Approach &amp; Results</b>	<b>2</b>
	<b>Significant Estimates</b>	<b>3</b>
	<b>Opinion</b>	<b>4</b>
	<b>Reconciliation of Changes in Net Position</b>	<b>5</b>
	<b>Required Communications</b>	<b>6</b>
	<b>Future Accounting Pronouncements</b>	<b>11</b>
<b>Appendices</b>	<b>Management Representation Letter &amp; Schedule of Uncorrected Misstatements</b>	



December 20, 2022

Board of Regents  
University of North Texas System  
1112 Dallas Drive, Suite 4000  
Denton, TX 76205

Dear Board of Regents:

We have completed our audit of the financial statements of the business-type activities and aggregate discretely presented component units of the University of North Texas System (collectively referred to as the "System"), as of and for the year ended August 31, 2022. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the System. Specifically, auditing standards require us to:

- Express an opinion on the August 31, 2022, financial statements of the System.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future accounting standards.

This communication is intended solely for the information and use of management, the board of trustees and others within the System and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Sara E. Grenier  
Partner

## Summary of Our Audit Approach & Results

### Our Approach

The FORVIS audit approach focuses on areas of higher risk—the unique characteristics of the System’s operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

We worked with you to develop an audit plan tailored to your specific circumstances and risks.

### Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
<p><b>Management override of controls</b> – The risk that management may override existing and functioning accounting controls is an inherent risk to the System.</p>	<ul style="list-style-type: none"> <li>No matters are reportable.</li> </ul>
<p><b>Revenue recognition</b> – The risk that revenue is improperly categorized or recorded in an improper period. This risk includes timing of recognition of tuition and fee revenue and the consideration of the allowance for doubtful accounts.</p>	<ul style="list-style-type: none"> <li>We proposed an adjustment to revenue of \$3.5 million related to HEERF grants that was passed on by management.</li> <li>We proposed an adjustment to investment income of \$2.3 million related to realize losses on sales of investments recorded as changes in fair value of investments that was passed on by management. No other matters are reportable.</li> </ul>
<p><b>Revenue recognition (Health Science Center)</b> – The risk that revenue is improperly categorized or recorded in improper period. This risk includes consideration of the allowance for doubtful accounts, contractual allowances and consideration of amounts due to/from third-party payers.</p>	<ul style="list-style-type: none"> <li>No matters are reportable.</li> </ul>
<p><b>Existence and valuation of investments</b> – The assumptions and methods used by management to value difficult-to-value investments, such as alternative investments.</p>	<ul style="list-style-type: none"> <li>No matters are reportable.</li> </ul>
<p><b>Net position classification</b> – The risk that management has improperly classified ending net position.</p>	<ul style="list-style-type: none"> <li>Management identified an error in amounts that were capitalized in construction in progress in prior years that should have been expensed and have been included as a restatement of beginning of the year net position. No other matters are reportable.</li> </ul>

Risk Area	Results
<p><b>Net pension and OPEB liabilities</b> – the risk that the census data provided to the actuary was not correct or the disclosures were not complete.</p>	<ul style="list-style-type: none"> <li>No matters are reportable.</li> </ul>
<p><b>GASB 87, Leases</b> – the risk that the liability for future lease payments and the related assets are improperly recorded or the disclosures are not complete</p>	<ul style="list-style-type: none"> <li>We proposed an adjustment to reduce the lease receivable and deferred inflow of resources for leases that include a cancellable portion. We also proposed an adjustment to restate the beginning balances for right to use assets and lease liabilities in the notes to the financial statements for the adoption of GASB 87. No other matters are reportable.</li> </ul>

### Significant Estimates

The preparation of the financial statements requires considerable judgment because some assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses are “estimated” based on management’s assumptions about future outcomes. Estimates may be dependent on assumptions related to economic or environmental conditions, regulatory reform or changes in industry trends.

Some estimates are inherently more difficult to evaluate and highly susceptible to variation because the assumptions relating to future outcomes have a higher degree of uncertainty. To the extent future outcomes are different than expected, management’s estimates are adjusted in future periods, sometimes having a significant effect on subsequent period financial statements. The following are considered to be significant estimates for the System.

- Allowance for Doubtful Accounts** – Management’s estimate for the allowance is based on historical collection, payor mix and anticipated trends.
- Valuation of Investment Securities** – Management values investments at fair value as of the statement of net position date. Accounting standards define fair value as the price that would be received to sell a financial asset in an orderly transaction between market participants at the measurement date. Investments are valued using quoted market prices or third-party sources, including appraisers and valuation specialists, when available.
- Defined Benefit Pension Plan and OPEB Assumptions** – Management has recorded a liability for its defined pension and OPEB plans. The liability is based on the actuarial present value of future expected benefits and is based on inputs provided by management, including expected future earnings on plan assets and discount rates.



## Preliminary Opinions

### **Unmodified, or “Clean,” Opinions Ready to be Issued on Financial Statements**

We are ready to issue unmodified opinions as to whether the financial statements of the business-type activities and aggregate discretely presented component units of the University of North Texas System as of and for the year ended August 31, 2022, are fairly presented, in all material respects.

### ***AICPA’s Statement on Auditing Standards 134, Auditor Reporting and Amendments (SAS 134)***

The AICPA issued a new standard that changes the form and content of the auditor’s report in order to increase its informational value and to make it more relevant. The standard requires auditors to present the “Opinion” section first in their reports, followed by the “Basis for Opinion” section, and to more clearly articulate management’s responsibilities for the financial statements and the auditor’s responsibilities for the audit. The standard also requires the auditor to make certain new communications to those charged with governance, including communicating significant risks the auditor identifies.

The standard is effective for audits of financial statements for periods ending on or after December 15, 2021. As a result, the opinions we are ready to issue on your August 31, 2022 financial statements will be under this new format.



## Reconciliation of Change in Net Position

We also proposed the following adjustments that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated. A schedule of these uncorrected misstatements is located in the *Appendices*.

### QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	718,512,578	119,393	718,631,971	0.02%
Non-Current Assets & Deferred Outflows	2,237,346,707	(6,290,805)	2,231,055,902	-0.28%
Current Liabilities	(560,919,649)		(560,919,649)	
Non-Current Liabilities & Deferred Inflows	(1,657,503,332)	6,120,136	(1,651,383,196)	-0.37%
Current Ratio	1.281		1.281	
Total Assets & Deferred Outflows	2,955,859,285	(6,171,412)	2,949,687,873	-0.21%
Total Liabilities & Deferred Inflows	(2,218,422,981)	6,120,136	(2,212,302,845)	-0.28%
Total Net Position	(737,436,304)	51,276	(737,385,028)	-0.01%
Operating Revenues	(758,462,363)	51,276	(758,411,087)	-0.01%
Operating Expenses	1,248,159,374		1,248,159,374	
Nonoperating (Revenues) Exp	(469,782,151)	(3,479,000)	(473,261,151)	0.74%
Change in Net Position	19,914,860	(3,427,724)	16,487,136	-17.21%

#### Misstatements within Notes to the Financial Statements

- 1 Beginning balances were not updated in the tables of current year activity of capital assets and long-term liabilities related to the adoption of leases and were included as current year additions and disposals for capital leases

## Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

### **Auditor's Responsibilities Under Auditing Standards Generally Accepted in the United States of America (GAAS) and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States**

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.



Area	Comments
<p><b>Significant Accounting Policies</b></p> <p>Significant accounting policies are described in <i>Note 1</i> of the financial statements.</p>	<p>With respect to new accounting standards adopted during the year, unusual accounting policies or accounting methods used by University of North Texas System for unusual transactions, we call to your attention the following topics:</p> <p><u>GASB 87, Leases</u>  Effective September 1, 2021, the Entity adopted GASB 87, <i>Leases</i>. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.</p> <p>Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the System's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.</p>
<p><b>Alternative Accounting Treatments</b></p> <p>We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> <li>• No matters are reportable.</li> </ul>

Area	Comments
<p><b>Management Judgments &amp; Accounting Estimates</b></p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> <li>Refer to Significant Estimates section of this report</li> </ul>
<p><b>Financial Statement Disclosures</b></p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<ul style="list-style-type: none"> <li>Investments and determination of fair values</li> <li>Defined benefit pension plan</li> <li>Post-employment benefits other than pensions</li> <li>Leases</li> </ul>
<p><b>Significant Unusual Transactions</b></p> <p>Significant unusual transactions represent significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.</p>	<ul style="list-style-type: none"> <li>No matters are reportable.</li> </ul>

Area	Comments
<p><b>Audit Adjustments</b></p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.</p> <p>Some adjustments proposed were not recorded because their aggregate effect is not currently material. We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.</p>	<p><i>Areas in which adjustments were proposed include:</i></p> <p><u>Proposed Audit Adjustments Recorded</u></p> <ul style="list-style-type: none"> <li>No matters are reportable.</li> </ul> <p><u>Proposed Audit Adjustments Not Recorded</u></p> <ul style="list-style-type: none"> <li><i>See pages 2 through 5</i></li> </ul> <p><u>Proposed Adjustment within Notes to the Financial Statement Not Recorded</u></p> <ul style="list-style-type: none"> <li><i>Beginning balances were not updated in the tables of current year activity of capital assets and long-term liabilities related to the adoption of leases and were included as current year additions and disposals for capital leases</i></li> </ul>
<p><b>Auditor’s Judgments About the Quality of the System’s Accounting Policies</b></p> <p>During the course of the audit, we made observations regarding the System’s application of accounting principles listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> <li>With the adoption of GASB 87: <ul style="list-style-type: none"> <li>The System utilized a threshold of net present value of \$100,000 or greater, which was set by the State of Texas Comptroller General of Public Accounts for all state agencies and institutes of higher education</li> <li>The System utilized the U.S Government Securities / Treasury constant maturities / Nominal rates to calculate the net present value of lease assets, liabilities and deferred inflows of resources</li> </ul> </li> </ul>

### Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (*attached*)
- We orally communicated to management deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

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

Fort Worth, Texas  
December 20, 2022

## Future Accounting Pronouncements

### **GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96)**

This Statement addresses the accounting for the costs related to subscription-based information technology arrangements (SBITA). The standard defines a SBITA, establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, Leases. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the earliest fiscal year restated. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.



**University of North Texas System**  
**ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

**QUANTITATIVE ANALYSIS**

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	718,512,578	119,393	718,631,971	0.02%
Non-Current Assets & Deferred Outflows	2,237,346,707	(6,290,805)	2,231,055,902	-0.28%
Current Liabilities	(560,919,649)		(560,919,649)	
Non-Current Liabilities & Deferred Inflows	(1,657,503,332)	6,120,136	(1,651,383,196)	-0.37%
Current Ratio	1.281		1.281	
<b>Total Assets &amp; Deferred Outflows</b>	<b>2,955,859,285</b>	<b>(6,171,412)</b>	<b>2,949,687,873</b>	<b>-0.21%</b>
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>(2,218,422,981)</b>	<b>6,120,136</b>	<b>(2,212,302,845)</b>	<b>-0.28%</b>
<b>Total Net Position</b>	<b>(737,436,304)</b>	<b>51,276</b>	<b>(737,385,028)</b>	<b>-0.01%</b>
Operating Revenues	(758,462,363)	51,276	(758,411,087)	-0.01%
Operating Expenses	1,248,159,374		1,248,159,374	
Nonoperating (Revenues) Exp	(469,782,151)	(3,479,000)	(473,261,151)	0.74%
Change in Net Position	19,914,860	(3,427,724)	16,487,136	-17.21%

Misstatements within Notes to the Financial Statements

1 Beginning balances were not updated in the tables of current year activity of capital assets and long-term liabilities related to the adoption of leases and were included as current year additions and disposals for capital leases



**SCHEDULE OF UNCORRECTED MISSTATEMENTS (NOTES TO THE FINANCIAL STATEMENTS)**

Uncorrected and/or Omitted Disclosure (Include Guidance Reference)	Misstatement Type	Quantitative Amount(s)	Relevant Financial Statement Line(s)
1 Beginning balances were not updated in the tables of current year activity of capital assets and long-term liabilities related to the adoption of leases and were included as current year additions and disposals for capital leases	Uncorrected	\$13,262,283	Right to use asset and lease liability