CONSOLIDATED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

UNIVERSITY OF NORTH TEXAS™ SYSTEM

UNIVERSITY OF NORTH TEXAS SYSTEM

CONSOLIDATED ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORT

For the fiscal year ended August 31, 2015

DALLAS, TEXAS

Lee Jackson, Chancellor

UNT | SYSTEM

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UNT | SYSTEM

UNIVERSITY OF NORTH TEXAS SYSTEM ADMINISTRATION

ORGANIZATIONAL DATA

August 31, 2015

BOARD OF REGENTS

Donald Potts .... *(Term expires 5-22-17)* .... Dallas
Al Silva... *(Term expires 5-22-17)* .... San Antonio
Milton B. Lee... (*Term expires 5-22-17)* .... San Antonio

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

STUDENT REGENT

Christopher Lee....................................... (*Term expires 5-31-17)* .... Houston

OFFICERS OF THE BOARD

Brint Ryan .... Chairman
Donald Potts ………….. .... Vice Chairman
Rosemary R. Haggett .... Secretary

ADMINISTRATIVE OFFICERS

Lee F. Jackson .... Chancellor
Janet Waldron... Vice Chancellor for Finance

UNT | SYSTEM
VICE CHANCELLOR FOR FINANCE

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

August 19, 2016

Brint Ryan, Chairman, UNT System Board of Regents
Don Potts, 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 Potts, Chairman Whitley
and Board of Regents

We are pleased to submit the audited Consolidated Annual Financial Report (CAFR) of the University of North Texas System (UNTS) for the fiscal year ended August 31, 2015. This report is in compliance with TEX. GOV'T CODE ANN 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts and Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In fiscal year 2015, the University of North Texas System employed over 10,000 people, educated over 42,000 students, and awarded more than 9,200 degrees. With a total annual economic impact of over $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 125-year history of our flagship institution in Denton, UNTS continues to innovate, to excel, and to 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 115 top-tier research universities in the latest Carnegie Classification list. The university has been named one of America's 100 Best College Buys for 20 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 eight consecutive years. UNT has 15 programs ranked in the Top 100 in the nation by U.S. News & World Report.

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's dedication to primary care has received national recognition for the 15th consecutive year in U.S. News & World Report's annual ranking of medical schools. The university invests $42 million in annual research expenditures – a figure that has doubled since 2006.

UNT Dallas, the only 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.

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Enrollment has increased since its inception and now includes the UNT Dallas College of Law, a distinctive new school dedicated to providing affordable access to education with an annual tuition that is significantly lower than all other law schools, public or private, in Texas.

In 2015, the 84th Texas Legislature reaffirmed its commitment to UNTS and its institutions by increasing funding by more than $70 million dollars for 2016 and 2017 for instruction and operations, infrastructure and capital projects, research, and graduate medical education. Unique strengths of UNT System component institutions are also recognized and funded, including: the UNT Health Science Center's Institute for Patient Safety and Preventable Harm; its forensics program, the most advanced in the country; and the University of North Texas's Texas Academy of Mathematics and Science, an important pipeline for STEM education, and one of the many ways that UNT advances science, math, engineering and technology.

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

Respectfully,

Janet Waldron
Vice Chancellor for Finance, UNT System

cc: Lee F. Jackson, Chancellor
Dr. Neal Smatresk, President UNT
Dr. Michael Williams, President UNTHSC
Robert Mong, President UNT Dallas
Bob Brown, VP Finance and Administration, UNT
Greg Anderson, Interim CFO, UNTHSC
Dan Edelman, CFO, VP of Finance and Administration, UNT Dallas
Tracy Grunig, Chief Internal Auditor, UNT System
Nancy Footer, Vice Chancellor General Counsel, UNT System

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015, 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 an opinion 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 the 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.

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 entity'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.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

As discussed in Note 10 to the financial statements, the System adopted new accounting guidance in 2015 related to the accounting and reporting for pensions. Our opinion is not modified with respect to this matter.

Other matters

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 21, and Required Supplemental Information on pages 67, 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 reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 19, 2016, 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 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 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
August 19, 2016

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

Introduction

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

The System serves the North Texas area, boosting economic activity in the region by over $5 billion annually. Approximately 41,000 students are enrolled in undergraduate, graduate and professional programs. The System awarded more than 9,300 degrees this past academic year, including the largest number of Master's and Doctoral degrees in the region. The System has a network of over 360,000 alumni with more than 237,000 alumni living in the Dallas-Fort Worth region. 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 for the year ended August 31, 2015, with selected comparative information for the year ended August 31, 2014. As discussed in Note 10, *Adjustments to Net Position*, in the Notes to the Consolidated Financial Statements, the beginning net position for the year ended August 31, 2015 was restated. The comparative information provided in the MD&A compares the year ended August 31, 2015 to the year ended August 31, 2014. 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 this MD&A refer to the fiscal years ended August 31.

The System consolidated 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 consolidated 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

- In 2015, the System implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended, which resulted in a restatement reducing the beginning balance of the unrestricted net position by $117.1 million; the establishment of $9.8 million in deferred outflows of resources, and $126.9 million in net pension liability as of August 31, 2014 (See Note 10, *Adjustments to Net Position).* As of August 31, 2015, the net pension liability is reported at $103.4 million.

- Total assets and deferred outflows of resources of the System exceeded its total liabilities and deferred inflows of resources at August 31, 2015, resulting in a net position of $695.5 million. Unrestricted net position, which may be used to meet the System's future obligations, was $142.5 million, or 20.3% of total net position at year end.

- Net position decreased by $100.7 million, in comparison with fiscal year 2014. Major contributing factors related to this change included the $117.1 million reduction in unrestricted net position due to the initial recording of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended, in 2015 offset by an increase in net position of $16.4 million.

- In 2015, the System concluded the fiscal year with a positive change in net position of $16.4 million, compared to a $50.6 million change in 2014. This $34.2 million reduction is accounted for primarily by a $21.0 million decrease in the fair value of investments due to unfavorable market conditions existing in 2015, as well as an $8.6 million increase in depreciation and amortization primarily due to a change in useful life of existing building components.

- Net investment in capital assets increased by $28.0 million, or 6.5%, reflecting significant capital project work to benefit the faculty, staff and students of the System. The "Capital Asset and Debt Administration" section of the MD&A provides more details pertaining to this increase.

Overview of the Financial Statements

These statements are prepared applying the following principles and standards:

- Reporting is on the full accrual basis of accounting. All current year revenues and expenses are recognized when earned or incurred, regardless of when the cash is received or disbursed.

- Depreciation and amortization expense on capital assets is reported as an operating expense on the Statement 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, liabilities, deferred inflows 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.

The following table reflects the Condensed Comparative Statement of Net Position for the System as of August 31, 2015 and 2014:

Condensed Comparative Statement of Net Position
As of August 31, 2015 and 2014
(in thousands of dollars)

	2015	2014	% Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current Assets	$ 498,910	$ 464,722	7.4%
Non-Current Assets:			
Capital Assets, Net	1,004,303	930,893	7.9%
Other Non-Current Assets	223,979	242,983	(7.8%)
Deferred Outflows of Resources	22,298	4,768	367.7%
Total Assets and Deferred Outflows of Resources	**$ 1,749,490**	**$ 1,643,366**	**6.5%**
Liabilities and Deferred Inflows of Resources			
Current Liabilities	$ 376,985	$ 420,347	(10.3%)
Non-Current Liabilities:			
Bonded Indebtedness	362,782	389,737	(6.9%)
Other Non-Current Liabilities	282,173	37,019	662.2%
Deferred Inflows of Resources	32,034	-	100.0%
Total Liabilities and Deferred Inflows of Resources	**1,053,974**	**847,103**	**24.4%**
Net Position			
Net Investment in Capital Assets	457,329	429,303	6.5%
Restricted:			
Funds Held as Permanent Investments:			
Non-Expendable	45,615	44,639	2.2%
Expendable	16,475	21,566	(23.6%)
Other Restricted	33,550	24,463	37.1%
Total Restricted	95,640	90,668	5.5%
Unrestricted	142,547	276,292	(48.4%)
Total Net Position	**695,516**	**796,263**	**(12.7%)**
Total Liabilities and Net Position	**$ 1,749,490**	**$ 1,643,366**	**6.5%**

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 increased $34.1 million, or 7.4%, in 2015 primarily as a result of an overall increase in total cash and cash equivalents of approximately $24.5 million being generated from positive operational results along with a $6.8 million increase in prepaid expenses primarily associated with property insurance and scholarships.

Non-Current Assets: Net Capital Assets

Net capital assets increased $73.4 million, or 7.9%, in 2015 as a result of an increase in capital and intangible assets. This increase was primarily attributable to approximately $140.3 million of capital improvements offset by depreciation and amortization expense of $62.5 million. Major capital projects included $51.6 million in renovation to the Student Union, $27.5 million for Rawlins Hall, $6.5 million for capitalized software costs, $5.9 million for renovation to Marquis Hall, $5.3 million in equipment purchases, $5.1 million for the purchase of campus adjacent property facing I-35, and other additions to depreciable capital assets.

Other Non-Current Assets
The System's other non-current assets decreased by $19.0 million, or 7.8%, primarily due to a reduction in the fair market value of investments resulting from a significant decline in the equity and bond markets.

Deferred Outflows
Deferred outflows increased $17.5 million, or 367.7%, in 2015, primarily due to the recognition of $18.3 million of deferred outflows of resources related to pension obligations required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended.

Total Liabilities and Deferred Inflows
Current Liabilities
The System's current liabilities decreased $43.4 million, or 10.3%, in 2015 primarily due to $70.8 million of short-term commercial paper being reclassified to non-current notes and loans payable that were ultimately refinanced in the 2015 A&B Bond Series issued September 30, 2015. This decrease was offset by $17.6 million of increases in accounts payable related to various ongoing construction projects throughout the System and $16.8 million increase in unearned revenue, primarily related to increased prepayments of tuition and fees, associated with the rise in student enrollment and increases in tuition and fees. There was also a $4.4 million reduction in funds held for others.

Non-Current Liabilities
Non-current liabilities consist primarily of non-current portions of notes and loans payable; revenue bonds payable; net pension liability; employees' compensable leave payable; and capital lease obligations. In total, non-current liabilities increased $218.2 million, or 51.1%, primarily due to a $70.8 million reclassification of short-term commercial paper into non-current notes and loans payable as indicated above, combined with an increase of $66.5 million in private placement debt less $23.4 million in scheduled principle payments on existing revenue bonds. In addition, $103.4 million of net pension liability was recognized in 2015 as required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended.

Deferred Inflows
Deferred inflows increased $32.0 million, or 100%, in 2015 primarily due to the recognition of $31.6 million of deferred inflows of resources related to pension obligations required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended.

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 $100.7 million, or 12.7%, in 2015.

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 $28.0 million, or 6.5%, increase in net investment in capital assets in 2015 primarily resulted from a net increase of $140.3 million of capital additions reduced by $62.5 million of depreciation and amortization offset by a $43.3 million net increase in 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 $5.0 million, or 5.5%, in 2015 primarily

due to increased resources from grants and miscellaneous restricted funds, along with positive fundraising efforts resulting in an increase in restricted contributions across the System.

Unrestricted Net Position

Unrestricted net position decreased by $133.7 million, or 48.4%, primarily due to a $117.1 million negative restatement in net position resulting from the initial recording of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended, in 2015.

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 2015, 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, 2015 and 2014:

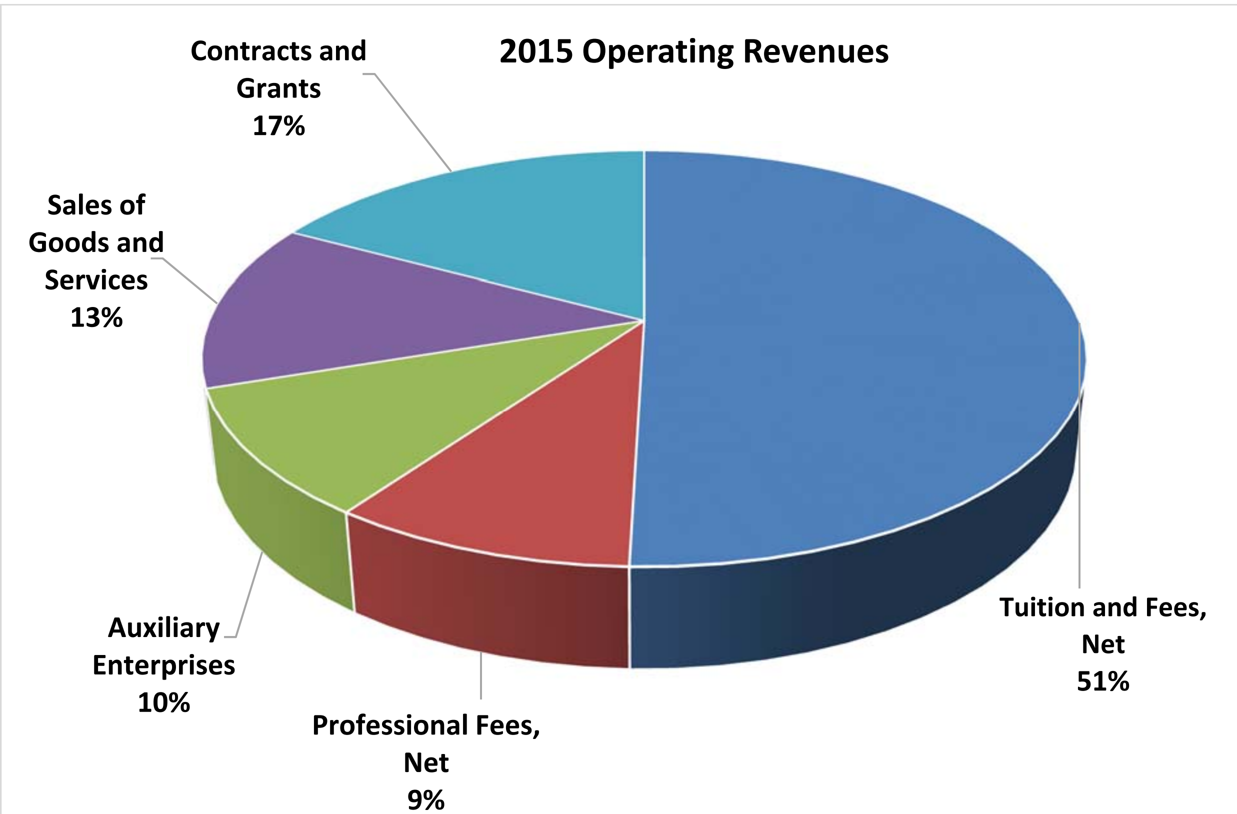
Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended August 31, 2015 and 2014
(in thousands of dollars)

	2015	2014	% Increase (Decrease)
Operating Revenues	$ 600,222	$ 572,322	4.9%
Operating Expenses	887,364	865,342	2.5%
Operating Income (Loss)	**(287,142)**	**(293,020)**	**(2.0%)**
Nonoperating Revenues (Expenses)	269,198	308,526	(12.7%)
Income (Loss) Before Other Revenues, Expenses and Transfers	**(17,944)**	**15,506**	**(215.7%)**
Other Revenues, Expenses and Transfers	34,333	35,131	(2.3%)
Change in Net Position	**16,389**	**50,637**	**(67.6%)**
Net Position, Beginning of Year	796,263	758,458	5.0%
Restatement	(117,136)	(12,832)	812.8%
Restated Net Position, Beginning of Year	679,127	745,626	(8.9%)
Net Position, End of Year	**$ 695,516**	**$ 796,263**	**(12.7%)**

Operating Revenues

Operating revenues totaled $600.2 million for the year ended August 31, 2015, an increase of $27.9 million, or 4.9%, over 2014. The System's primary sources of operating revenues are from tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 51% of operating revenues, are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased $19.4 million, or 6.8%, 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. Federal, state, and local grants also include revenues from contracts with the Federal Bureau of Prisons for clinical activities.

The pie chart below shows operating revenues by major source for the year ended August 31, 2015:



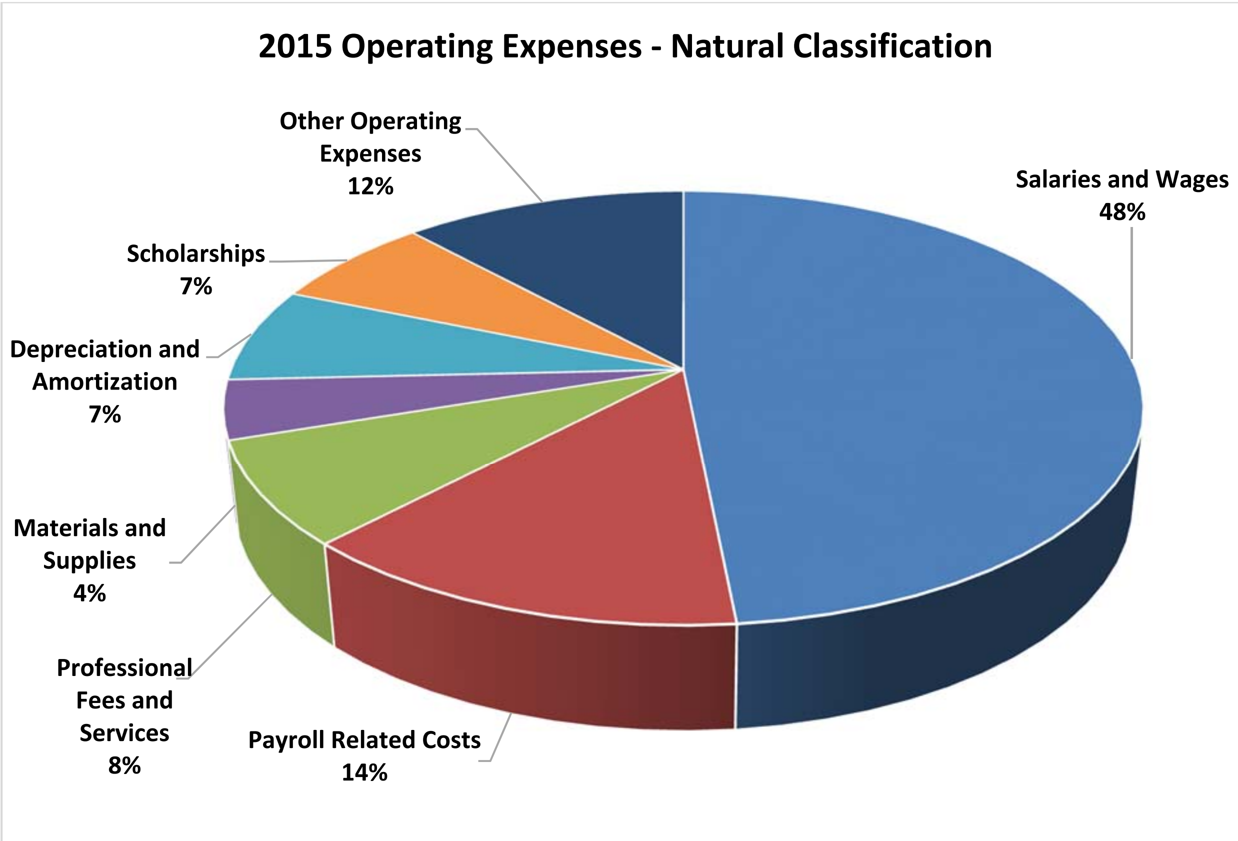
Operating Expenses

Operating expenses totaled $887.4 million for the year ended August 31, 2015, an increase of $22.0 million, or 2.5%, over 2014. The increase is primarily due to a combined $22.7 million increase in employee related compensation costs, including a $11.3 million increase in salaries and wages, primarily due to an increase in pay rates at HSC to align with market rates, as well as increases in headcount across the System, and an $11.3 million increase in payroll related benefit expenses. An additional increase of $8.6 million in depreciation and amortization expense is primarily due to a change in useful life of existing building components. The remaining variance, a decrease of $9.3 million, represents an overall reduction in various other operating expense categories due to a concerted effort at the System level to reduce operating expenses where appropriate.

The table and pie chart below show the amount and percentage change, as well as the percentage of total operating expenses pertaining to each type of operating expense based on natural classification for the year ended August 31, 2015:

Operating Expenses - Natural Classification
For the Years Ended August 31, 2015 and 2014
(in thousands of dollars)

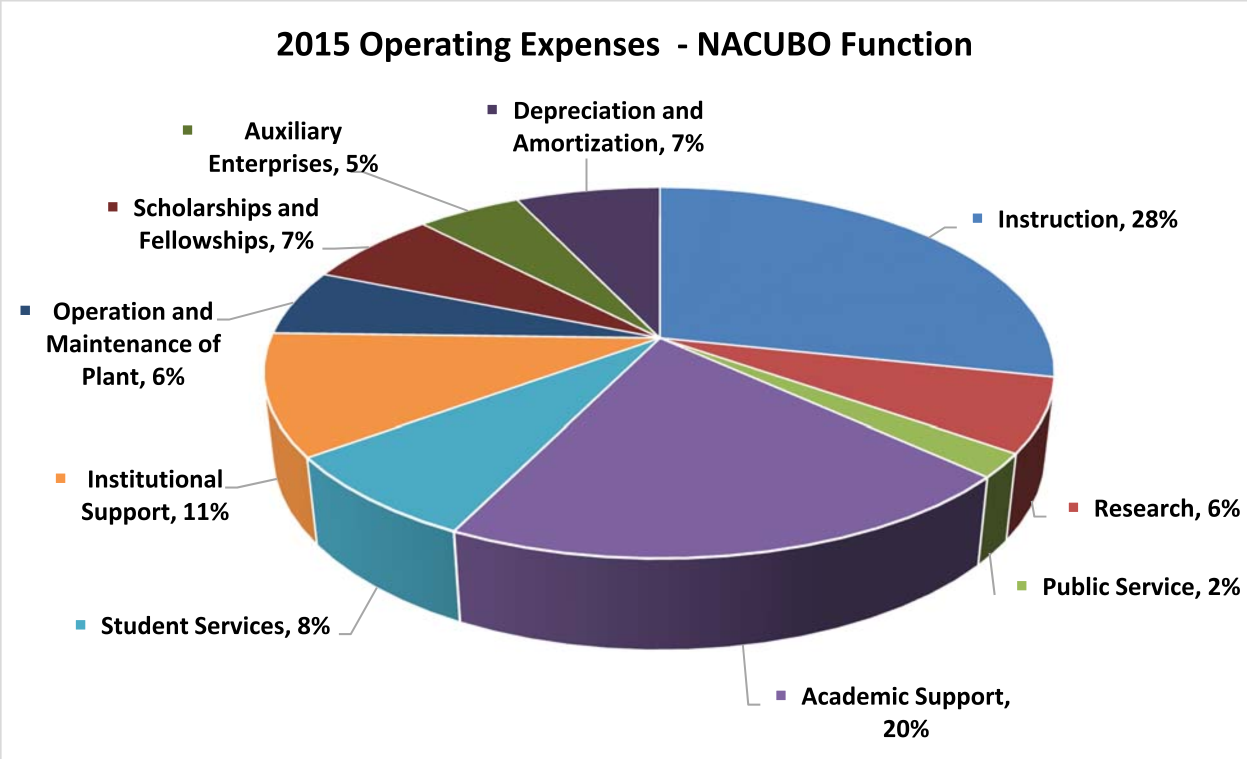
	2015	2014	% Increase (Decrease)
Operating Expenses			
Cost of Goods Sold	$ 5,994	$ 5,767	3.9%
Salaries and Wages	429,971	418,659	2.7%
Payroll Related Costs	121,118	109,765	10.3%
Professional Fees and Services	68,698	62,353	10.2%
Federal Pass-Through Expenses	487	341	42.9%
State Pass-Through Expenses	99	217	(54.5%)
Travel	11,193	12,090	(7.4%)
Materials and Supplies	39,037	44,248	(11.8%)
Communications and Utilities	19,234	21,755	(11.6%)
Repairs and Maintenance	27,564	22,639	21.8%
Rentals and Leases	11,082	9,508	16.6%
Printing and Reproduction	4,307	4,308	(0.0%)
Depreciation and Amortization	62,508	53,867	16.0%
Scholarships	61,004	69,686	(12.5%)
Claims and Losses	3,346	5,021	(33.4%)
Other Operating Expenses	21,722	25,118	(13.5%)
Total Operating Expenses	**$ 887,364**	**$ 865,342**	**2.5%**


2015 Operating Expenses - Natural Classification
Other Operating Expenses 12%
Salaries and Wages 48%
Scholarships 7%
Depreciation and Amortization 7%
Materials and Supplies 4%
Professional Fees and Services 8%
Payroll Related Costs 14%

The table and pie chart below show the amount and percentage change as well as 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, 2015:

Operating Expenses - NACUBO Function
For the Years Ended August 31, 2015 and 2014
(in thousands of dollars)

	2015	2014	% Increase (Decrease)
Operating Expenses			
Instruction	$ 251,692	$ 251,998	(0.1%)
Research	56,830	57,853	(1.8%)
Public Service	18,569	18,461	0.6%
Academic Support	180,992	170,056	6.4%
Student Services	67,672	67,517	0.2%
Institutional Support	93,716	89,627	4.6%
Operation and Maintenance of Plant	51,371	45,626	12.6%
Scholarships and Fellowships	58,799	67,841	(13.3%)
Auxiliary Enterprises	45,215	42,496	6.4%
Depreciation and Amortization	62,508	53,867	16.0%
Total Operating Expenses	**$ 887,364**	**$ 865,342**	**2.5%**



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, and investment income. The System's primary nonoperating expenses are interest expense and fiscal charges, and in 2015, loss on sales of capital assets, and net decrease in fair market value of investments. Legislative and additional appropriations increased $3.2 million, or 1.4%, between 2014 and 2015. The fair value of the System's investments decreased by $21.0 million primarily due to unfavorable market conditions for the Foundation-managed long-term investment pool. Interest expense and fiscal charges on capital asset financings decreased by $1.2 million from $17.3 million in 2014 to $16.1 million in 2015 due to lower weighted-average outstanding debt balances and capitalized interest of $0.6 million in the current year.

Other Revenues, Expenses and Transfers

Other revenues, expenses and transfers is comprised of capital and endowment related additions and transfers. There were no significant changes from the prior year. Higher Education Assistance Funds ("HEAF") comprise the majority of the balance. Annual HEAF-related revenue totaling $36.6 million is reported as capital appropriations rather than operating or nonoperating revenue.

Capital Asset and Debt Administration

Investments in capital asset additions were $140.3 million in 2015. Major capital project activity included:

- Land and Building Acquisitions (UNT) – 1500 I-35E and 1002 Avenue C
- Building Improvements (System Administration) – 1900 Elm Majestic Lofts
- Building Improvements (UNT) – Student Union, Rawlins Hall, Marquis Hall, Bruce Hall, West Hall, Radio, TV, Film and Performing Arts Building, Sycamore Hall, Kerr Hall and Science Research Building
- Building Improvements (HSC) – Research and Education Building, Professional Building and Interdisciplinary Research Building
- Building Improvements (UNTD) – Residence Hall
- Infrastructure Improvements (UNT) – Chiller Addition at Highland Street Parking Garage and Outdoor Lighting System

The System has committed $297.9 million to capital asset additions and improvements which are 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, and the Student Union at UNT. More detailed information regarding the System's capital additions and commitments is provided in Note 2, *Capital Assets*, and Note 11, *Contingencies and Commitments*, in the Notes to the Consolidated Financial Statements.

Revenue bonds payable represents the largest portion of the System's liabilities. Current and non-current revenue bonds payable decreased $26.7 million to $389.4 million at August 31, 2015. 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 4, *Short-Term Debt,* and Note 5, *Long-Term Liabilities*, in the accompanying Notes to the Consolidated Financial Statements.

Economic Outlook

The System's primary sources of revenue are tuition and fees and legislative appropriations. Strong enrollment growth, program expansion, and a successful 84th legislative session contributed to a positive outlook for the System.

For 2016, net tuition and fees revenues are budgeted at an increase of $14.1 million, or 7.8%, over 2015. This revenue increase is the result of modest tuition rate increases and full-time student equivalent enrollment growth. Between fall 2014 and fall 2015, enrollment increased over 5.0% system-wide.

During the 84th Texas Legislative Session, the State renewed its commitment to higher education with $1.35 billion in new funding for 2016 and 2017. Significant investments in institutions included maintaining and enhancing formula rates, funding capital projects, and raising the amount of the constitutional capital appropriation (HEAF). This resulted in a two-year appropriations increase to System institutions of over $80 million.

Fiscal year 2016 budgeted legislative appropriation revenues for the System are $30.3 million, or 11.3%, higher than 2015. Budgeted amounts include new funding for specialized initiatives and unique programs recognized by the 84th Legislature as deserving state support. These areas of excellence include HSC's Institute for Patient Safety and Preventable Harm, HSC's Texas Missing Persons and Human Identification Program, and UNT's Texas Academy of Mathematics and Science. The merger between UNTD and the College of Law was also supported with operations funding to support the incoming second- and third-year law classes.

State appropriation increases will continue into 2017 with an influx of funding to support construction and renovation of facilities for each System institution and other capital expenditures. State-supported construction projects were selected to allow for continued growth, increased research capacity and excellent programs. Planning is underway for a third classroom building at UNTD, an interdisciplinary research building at HSC, a new College of Visual Arts and Design facility at UNT, and renovations of facilities for the College of Law in downtown Dallas.

Financing for these projects should be more readily available after both Fitch and Moody's improved the System's outlook from 'negative' to 'stable' during 2015. Additionally, the System invested significant contributions toward improvements in financial accounting and reporting over the previous two fiscal years with the majority of expenses in 2015. These financial initiatives will start to be fully implemented in 2016, which will reduce cash outlays and free up additional resources to invest in academic initiatives.

Recently completed capital projects at UNT include Rawlins Hall, a 500-bed residence hall that opened in fall 2015, with demand for on-campus housing still exceeding bed capacity, and a new student union, while UNTD has begun construction planning efforts for its first residence hall. Other strategic initiatives for growth and revenue include UNT's plan to establish a footprint in Frisco, Texas, one of the fastest growing high-tech regions in the country. UNT's approximately 30,000 square foot Frisco campus will be able to seat about 500 students at a time, enabling UNT to deliver site-directed workforce development to the Fortune 1,000 companies in the region. Additionally, HSC plans to add a medical school in partnership with Texas Christian University ("TCU"). The joint HSC-TCU medical school plans to accept its first class in 2018 and is expected to increase educational and research opportunities at the two institutions.

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CONSOLIDATED

FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DENTON, TEXAS

August 31, 2015

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED
Statement of Net Position
As of August 31, 2015

		August 31, 2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	$	229,848,495.74
Restricted Cash and Cash Equivalents		17,492,267.19
Legislative Appropriations		76,272,672.68
Receivables From:		
Accounts Receivable		76,970,716.13
Federal		31,768,043.68
Clinical Practice		12,337,157.95
Gifts, Pledges and Donations		2,277,547.37
Other		3,247,733.47
Due From Other Agencies		7,299,754.12
Inventories		2,673,017.97
Loans and Contracts		2,056,394.93
Other Current Assets		36,666,273.70
Total Current Assets	**$**	**498,910,074.93**
Non-Current Assets		
Restricted Investments	$	80,770,325.70
Loans and Contracts		5,449,914.98
Investments		135,366,663.87
Gifts, Pledges and Donations		2,391,768.82
Capital Assets:		
Non-Depreciable or Non-Amortizable		226,584,102.03
Depreciable or Amortizable, Net		777,719,152.46
Total Non-Current Assets	**$**	**1,228,281,927.86**
Total Assets	**$**	**1,727,192,002.79**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	$	22,298,024.40
Total Deferred Outflows of Resources	**$**	**22,298,024.40**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**1,749,490,027.19**

Continued on Next Page

See Accompanying Notes to the Consolidated Financial Statements

		August 31, 2015
LIABILITIES		
Current Liabilities		
Payables From:		
Accounts Payable	$	55,155,059.07
Payroll Payable		45,333,486.93
Other Payables		4,062,488.07
Interest		6,505,108.67
Due To Other Agencies		88,385.06
Unearned Revenue		210,750,445.63
Notes and Loans Payable		5,282,000.00
Revenue Bonds Payable		26,609,803.59
Claims and Judgments		2,760,768.00
Employees' Compensable Leave		4,199,443.80
Capital Lease Obligations		1,179,712.18
Funds Held for Others		15,058,519.01
Total Current Liabilities	**$**	**376,985,220.01**
Non-Current Liabilities		
Notes and Loans Payable	$	152,285,000.00
Revenue Bonds Payable		362,782,145.84
Claims and Judgments		817,464.00
Employees' Compensable Leave		21,941,593.01
Capital Lease Obligations		3,721,487.04
Net Pension Liability		103,405,818.19
Other Non-Current Liabilities		1,361.47
Total Non-Current Liabilities	**$**	**644,954,869.55**
Total Liabilities	**$**	**1,021,940,089.56**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	$	32,033,745.17
Total Deferred Inflows of Resources	**$**	**32,033,745.17**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$**	**1,053,973,834.73**
NET POSITION		
Net Investment in Capital Assets	$	457,329,236.72
Restricted For:		
Funds Held as Permanent Investments		
Non-Expendable		45,614,587.24
Expendable		16,474,812.23
Other Restricted		33,550,299.90
Unrestricted		142,547,256.36
TOTAL NET POSITION	**$**	**695,516,192.46**

Concluded

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Statement of Financial Position

As of August 31, 2015

		August 31, 2015
ASSETS		
Cash and Cash Equivalents	$	13,392,673
Investments		258,474,105
Contributions and Other Receivables		17,258,927
Prepaid Expenses		1,095
Real Property		269,360
Other Assets		7,500
Cash Value - Life Insurance Policies		512,137
Assets Held Under Trust and Annuity Agreements		6,370,781
Total Assets		**296,286,578**
LIABILITIES		
Accounts Payable and Accrued Expenses		1,495,345
Agency Funds		149,050
Trust and Annuity Obligations		2,152,161
Assets Held for Others		167,796,746
Total Liabilities		**171,593,302**
NET ASSETS		
Unrestricted:		
Board designated for reserves		1,272,517
Fair value of endowments below historical cost		(1,088,028)
Undesignated		2,875,193
Total Unresricted		3,059,682
Temporarily restricted		34,796,568
Permanently restricted		86,837,026
Total Net Assets		**124,693,276**
TOTAL LIABILITIES & NET ASSETS	**$**	**296,286,578**

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2015

		August 31, 2015
OPERATING REVENUES		
Tuition and Fees	$	399,290,978.88
Discounts and Allowances		(96,780,937.91)
Professional Fees		129,483,562.69
Discounts and Allowances		(72,872,321.42)
Auxiliary Enterprises		59,620,232.74
Sales of Goods and Services		78,247,493.62
Federal Grant Revenue		45,234,806.68
Federal Pass-Through Revenue		2,709,666.84
State Grant Revenue		3,955,204.06
State Grant Pass-Through Revenue		26,382,084.78
Other Contracts and Grants		24,397,902.80
Other Operating Revenues		553,906.02
Total Operating Revenues	**$**	**600,222,579.78**
OPERATING EXPENSES [1]		
Instruction	$	251,692,526.70
Research		56,829,943.05
Public Service		18,568,670.84
Academic Support		180,991,899.61
Student Services		67,672,555.53
Institutional Support		93,716,060.32
Operation and Maintenance of Plant		51,370,570.67
Scholarships and Fellowships		58,798,897.55
Auxiliary Enterprises		45,215,195.44
Depreciation and Amortization		62,507,964.37
Total Operating Expenses	**$**	**887,364,284.08**
Operating Loss	**$**	**(287,141,704.30)**
NONOPERATING REVENUES (EXPENSES)		
Legislative Appropriations (GR)	$	188,377,894.00
Additional Appropriations (GR)		49,837,010.56
Federal Revenue		50,973,874.84
Gifts		15,818,247.42
Investment Income		7,744,080.02
Interest Expense and Fiscal Charges		(16,091,748.65)
Loss on Sale of Capital Assets		(3,935,259.98)
Net Decrease in Fair Value of Investments		(20,988,158.80)
Other Nonoperating Revenues		104,694.59
Other Nonoperating Expenses		(2,643,254.60)
Total Nonoperating Revenues (Expenses)	**$**	**269,197,379.40**
Loss Before Other Revenues, Expenses and Transfers	**$**	**(17,944,324.90)**
OTHER REVENUES, (EXPENSES) AND TRANSFERS		
Capital Contributions	$	534,771.32
Capital Appropriations (HEAF)		36,617,741.00
Contributions To Permanent and Term Endowments		75,255.75
Transfers To Other State Agencies		(6,309,213.92)
Transfers From Other State Agencies		714,504.00
Legislative Transfers In		2,700,000.00
Legislative Appropriation Lapses		(6.38)
Total Other Revenues, Expenses and Transfers	**$**	**34,333,051.77**
CHANGE IN NET POSITION	**$**	**16,388,726.87**
Beginning Net Position	$	796,262,792.47
Restatement		(117,135,326.88)
Beginning Net Position, as Restated	**$**	**679,127,465.59**
ENDING NET POSITION	**$**	**695,516,192.46**

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

See Accompanying Notes to the Consolidated Financial Statements

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Activities
For the Fiscal Year Ended August 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended August 31, 2015 Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	$ -	$ 3,123,354	$ 5,397,285	$ 8,520,639
Investment income (loss)	(49,413)	2,520,099	-	2,470,686
Management fee income	1,586,624	-	-	1,586,624
Other income	-	341,564	-	341,564
Realized and unrealized gain on market value of investments	-	(10,150,760)	9,703	(10,141,057)
Actuarial loss on annuity obligations	-	-	(253,387)	(253,387)
Increase in cash value - life insurance	-	-	47,879	47,879
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**1,537,211**	**(4,165,743)**	**5,201,480**	**2,572,948**
Net assets released from restrictions	7,308,572	(7,253,277)	(55,295)	-
Transfers/changes in donor restrictions	(560,327)	(65,176)	625,503	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS/TRANSFERS	**6,748,245**	**(7,318,453)**	**570,208**	**-**
PROGRAM SERVICES:				
Internal management fee	1,112,283	-	-	1,112,283
Scholarships and awards	1,467,374	-	-	1,467,374
Expense reimbursement	5,643	-	-	5,643
Services for programs	331,911	-	-	331,911
Distributions to UNT	4,290,547	-	-	4,290,547
Grant to University President	41,110	-	-	41,110
Distributions to other Institutions	29,900	-	-	29,900
Life insurance premiums	29,804	-	-	29,804
Total Program Services	**7,308,572**	**-**	**-**	**7,308,572**
MANAGEMENT & GENERAL EXPENSES:				
Salaries and benefits	943,015	-	-	943,015
Consulting fees	72,074	-	-	72,074
Professional services	37,607	-	-	37,607
Travel	12,036	-	-	12,036
Administrative and other	214,642	-	-	214,642
Bank and credit card charges	6,460	-	-	6,460
Office and computer equipment	37,605	-	-	37,605
Insurance	19,534	-	-	19,534
Professional development and memberships	13,838	-	-	13,838
Strategic planning	7,369	-	-	7,369
Total Management & General Expenses	**1,364,180**	**-**	**-**	**1,364,180**
TOTAL PROGRAM SERVICES AND EXPENSES	**8,672,752**	**-**	**-**	**8,672,752**
CHANGE IN NET ASSETS	(387,296)	(11,484,196)	5,771,688	(6,099,804)
Net Assets, Beginning of Year	**3,446,978**	**46,280,764**	**81,065,338**	**130,793,080**
NET ASSETS END OF PERIOD	**$ 3,059,682**	**$ 34,796,568**	**$ 86,837,026**	**$ 124,693,276**

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED
Statement of Cash Flows
For the Year Ended August 31, 2015

		August 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Customers	$	134,376,958.69
Proceeds from Tuition and Fees		317,732,470.90
Proceeds from Research Grants and Contracts		104,129,801.64
Proceeds from Auxiliaries		59,861,973.41
Proceeds from Other Revenues		1,092,446.46
Payments to Suppliers for Goods and Services		(220,428,598.81)
Payments to Employees		(484,810,515.97)
Payments for Loans Provided		(814,153.15)
Payments for Other Expenses		(68,049,135.98)
Net Cash Provided (Used) by Operating Activities	$	(156,908,752.81)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations	$	177,012,186.34
Proceeds from Gifts		16,189,420.14
Proceeds from Endowments		454,687.37
Proceeds from Transfers from Other Agencies		4,634.00
Proceeds from Legislative Transfers		2,700,000.00
Proceeds from Grant Receipts		50,973,874.84
Payments for Transfers to Other Agencies		(7,161,469.72)
Payments for Transfers to Other Components		(35,411.96)
Payments for Other Uses		(2,917,991.63)
Net Cash Provided (Used) by Noncapital Financing Activities	$	237,219,929.38
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	$	113,499.04
Proceeds from State Appropriations		37,275,067.19
Proceeds from Debt Issuance		104,765,000.00
Payments for Additions to Capital Assets		(121,727,357.76)
Payments of Principal on Debt Issuance		(61,280,000.00)
Payments of Other Costs of Debt Issuance		(2,616,762.64)
Payments for Capital Leases		(1,463,670.15)
Payments of Interest on Debt Issuance		(16,722,525.71)
Net Cash Provided (Used) by Capital and Related Financing Activities	$	(61,656,750.03)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	$	3,460,372.63
Proceeds from Interest and Investment Income		7,584,466.44
Payments to Acquire Investments		(3,719,825.33)
Net Cash Provided (Used) by Investing Activities	$	7,325,013.74
Net Increase (Decrease) in Cash and Cash Equivalents	$	25,979,440.28
Cash and Cash Equivalents, September 1, 2014	$	221,361,322.65
Cash and Cash Equivalents, August 31, 2015	$	247,340,762.93
Cash and Cash Equivalents	$	229,848,495.74
Restricted Cash and Cash Equivalents		17,492,267.19
	$	247,340,762.93

See Accompanying Notes to the Consolidated Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM - CONSOLIDATED
Statement of Cash Flows
For the Year Ended August 31, 2015

		August 31, 2015
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$	(287,141,704.30)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization		62,507,964.37
Pension Expense		(415,924.17)
Employee Benefits Paid by State		61,289,520.49
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		79,815.86
(Increase) Decrease in Inventories		(234,263.77)
(Increase) Decrease in Loans and Contracts		(814,153.15)
(Increase) Decrease in Prepaid Expenses		(8,284,359.41)
Increase (Decrease) in Payables		3,181,756.39
Increase (Decrease) in Unearned Revenue		16,863,243.49
Increase (Decrease) in Other Liabilities		(3,940,648.61)
Total Adjustments	$	130,232,951.49
Net Cash Provided (Used) by Operating Activities	$	(156,908,752.81)
NON-CASH TRANSACTIONS		
Net Change in Fair Value of Investments	$	(20,988,158.80)
Donation of Capital Assets		534,771.32
Borrowing Under Capital Lease Purchase		6,186,401.44
Gain (Loss) on Sales/Disposals of Capital Assets		(3,935,259.98)
Amortization of Bond Premiums		3,705,783.39
Amortization of Deferred Outflows from Refunding Bonds		(867,143.66)
Capital Assets Acquired with Payables		20,471,110.43

See Accompanying Notes to the Consolidated Financial Statements

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NOTES TO THE

FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DENTON, TEXAS

For the year ended August 31, 2015

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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").

The consolidated 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 ("UNTD"). 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.

Basis of Accounting

The 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 Governmental Accounting Standards Board ("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.

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. The Legislature meets every odd-numbered year and approves 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 Assistance Funds ("HEAF funds") are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects. As of August 31, 2015, the unexpended amount was $66,513,933.31.

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 $28.4 million of the outstanding accounts receivable balance at August 31, 2015, or 6.65% on average of each year's billings. 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.

Clinical Practice receivables are presented net of allowances for contractual discounts and bad debts. The bad debt allowance on clinical receivables was approximately $16 million as of August 31, 2015. 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, 2015 was as follows:

	August 31, 2015 (Gross)
County Hospital	14%
Medicaid	28%
Medicare	20%
Commercial	14%
Self-Pay	14%
Other	10%
Total	**100%**

Gift receivables include amounts pledged to the System by donors, net of allowances. The allowance for gift pledges is approximately $125 thousand at August 31, 2015. 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.

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, 2015 is approximately $4.7 million.

Other Current Assets
Other current assets include prepaid scholarship expenses that pertain to the fall term of the following fiscal year and other prepaid items.

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 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 refunding of debt and pensions.

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 Plan (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 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.

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 $199 million of tuition revenue related to the semesters that have not been completed as of August 31, 2015. 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 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 11, *Contingencies and Commitments*, and Note 13, *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.

Deferred Inflows of Resources

Deferred inflows of resources relate to unamortized gains on refunding of debt and pensions.

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.

- 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.

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.

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 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 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. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The statement defines fair value, provides guidance for determining a fair value measurement, and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement will be implemented in 2016. System management has not yet completed the review, but no significant changes are expected.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, is intended to aid in decision making by improving the usefulness of information about pensions included in financial statements of state and local governments. The standard is the result of a review of all existing standards related to postemployment benefits with a focus on the effectiveness of providing useful decision-making information, supporting accountability, and improving transparency. This statement will be implemented in 2017. System management expects minimal impact to the financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* also has the same objective as Statement No's. 73 and 74; however, this statement 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 OPEB. Because this statement addresses the employer's portion of OPEB, System management does anticipate a significant impact to the financial statements. The statement will be implemented in 2018. System management will await guidance from the State Comptroller's Office as to how to implement and at what agency level this will be reported.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is meant to reduce variations in reporting of state and local governments, which will improve the usefulness and comparability of financial statements. This statement identifies the hierarchy of GAAP, supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and will be implemented in 2016. System management does not expect any impact to the financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, amends the blending requirements for component units that are not-for-profit corporations, where the primary government is the sole corporate member. The statement will be implemented in 2017. The System is still evaluating whether this will apply to any component and therefore impact the 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 will be implemented in 2018. The System has not yet evaluated the impact this will have to the financial statements.

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 will be implemented in 2018. The System will await guidance and reporting requirements provided by the state, but minimal to no impact to the financial statements is expected.

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2015 is presented below:

	Balance September 1, 2014	Adjustments	Reclassification of Completed Construction In Progress	Additions	Deletions	Balance August 31, 2015
Non-Depreciable or Non-Amortizable Assets:						
Land and Land Improvements	$ 72,471,338.11	$ (457,229.63)	$ 198,201.02	$ 5,611,115.39	$ -	$ 77,823,424.89
Infrastructure	-	-	-	-	-	-
Construction in Progress	89,416,911.70	-	(78,189,391.82)	112,461,391.65	-	123,688,911.53
Other Tangible Capital Assets	24,948,021.89	-	-	123,743.72	-	25,071,765.61
Land Use Rights	-	-	-	-	-	-
Other Intangible Capital Assets	-	-	-	-	-	-
Total Non-Depreciable or Non-Amortizable Assets:	**$ 186,836,271.70**	**(457,229.63)**	**$ (77,991,190.80)**	**$ 118,196,250.76**	**$ -**	**$ 226,584,102.03**
Depreciable Assets:						
Buildings and Building Improvements	$ 903,513,274.17	457,229.63	$ 76,067,920.62	$ 2,418,965.50	$ (14,043,086.13)	$ 968,414,303.79
Infrastructure	64,291,450.07	-	928,066.54	-	-	65,219,516.61
Facilities and Other Improvements	125,838,581.01	(410,199.12)	287,602.95	89,203.58	-	125,805,188.42
Furniture and Equipment	135,345,406.78	(11,266.30)	707,600.69	13,127,127.97	(4,947,737.60)	144,229,026.54
Vehicles, Boats and Aircraft	12,269,068.64	-	-	866,067.59	(533,334.88)	12,601,801.35
Other Capital Assets	91,407,942.89	11,266.30	-	5,127,638.08	(3,437,326.23)	93,109,521.04
Total Depreciable Assets:	**$ 1,332,665,723.56**	**47,030.51**	**$ 77,991,190.80**	**$ 21,629,002.72**	**$ (22,961,484.84)**	**$ 1,409,379,357.75**
Less Accumulated Depreciation for:						
Buildings and Building Improvements	$ (402,640,207.35)	(5,875,611.58)	$ -	$ (33,434,486.91)	$ 11,972,477.51	$ (429,977,828.33)
Infrastructure	(13,817,299.48)	-	-	(2,283,820.68)	-	(16,101,120.16)
Facilities and Other Improvements	(20,606,370.90)	-	-	(3,716,969.25)	-	(24,323,340.15)
Furniture and Equipment	(93,166,609.30)	8,370.09	-	(11,614,956.71)	4,677,665.50	(100,103,425.42)
Vehicles, Boats and Aircraft	(7,264,765.99)	-	-	(979,296.19)	470,271.85	(7,773,790.33)
Other Capital Assets	(51,881,407.43)	58,727.43	-	(4,243,754.28)	1,736,165.44	(54,330,268.84)
Total Accumulated Depreciation	**$ (589,376,660.45)**	**(5,808,514.06)**	**$ -**	**$ (56,273,284.02)**	**$ 18,856,580.30**	**$ (632,609,773.23)**
Depreciable Assets, Net	**$ 743,289,063.11**	**(5,761,483.55)**	**$ 77,991,190.80**	**$ (34,644,281.30)**	**$ (4,104,904.54)**	**$ 776,769,584.52**
Amortizable Assets - Intangible:						
Land Use Rights	-	-	-	-	-	-
Computer Software	$ 22,792,786.98	-	$ -	$ 507,368.60	$ (2,733,274.82)	$ 20,566,880.76
Other Intangible Capital Assets	-	-	-	-	-	-
Total Amortizable Assets - Intangibles	**$ 22,792,786.98**	**-**	**$ -**	**$ 507,368.60**	**$ (2,733,274.82)**	**$ 20,566,880.76**
Less Accumulated Amortization for:						
Land Use Rights	-	-	-	-	-	-
Computer Software	$ (22,024,912.36)	-	$ -	$ (325,675.28)	$ 2,733,274.82	$ (19,617,312.82)
Other Intangible Capital Assets	-	-	-	-	-	-
Total Accumulated Amortization	**$ (22,024,912.36)**	**-**	**$ -**	**$ (325,675.28)**	**$ 2,733,274.82**	**$ (19,617,312.82)**
Amortizable Assets - Intangibles, Net	**$ 767,874.62**	**-**	**$ -**	**$ 181,693.32**	**$ -**	**$ 949,567.94**
Total	**$ 930,893,209.43**	**$ (6,218,713.18)**	**$ -**	**$ 83,733,662.78**	**$ (4,104,904.54)**	**$ 1,004,303,254.49**

Note 3: Cash, Cash Equivalents and Investments

Deposits of Cash in Bank

As of August 31, 2015, the carrying amount of deposits was $53,053,246.16 as presented below.

Cash In Bank- Carrying Value	$	53,053,246.16
Cash in Bank per Statement of Net Position	**$**	**53,053,246.16**
Proprietary Funds Current Assets Cash in Bank	$	42,997,877.66
Proprietary Funds Current Assets Restricted Cash in Bank		10,055,368.50
Cash in Bank per Statement of Net Position	**$**	**53,053,246.16**

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 $181,200,957.17 that is invested in cash equivalents. The remainder of the cash and cash equivalents balance of $13,086,559.60 is comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury.

As of August 31, 2015, the total bank balance was $57,667,817.69.

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, 2015, 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 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, 2015, the fair values of investments are presented below. Included in this amount is $181,200,957.17 classified as cash equivalents.

Investment	**Fair Value**
Repurchase Agreement	$ 18,116,848.32
Fixed Income Money Market and Bond Mutual Funds	71,803,889.65
Other Commingled Funds	61,400,549.36
Other Commingled Funds (TexPool)	29,967,121.92
Externally Managed Investments – Domestic (1)	215,693,897.65
Miscellaneous (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	355,639.84
Total Investments	**$ 397,337,946.74**

(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, 2015, the System's credit quality distribution for securities with credit risk exposure was as follows:

			Standard and Poor's		
Fund Type	**GAAP Fund**	**Investment Type**	**AAA**	**Unrated**	**Total**
05	0001	Repurchase Agreement	$ -	$ 18,116,848.32	$ 18,116,848.32
05	0001	Fixed Income Money Market and Bond Mutual Funds	-	71,803,889.65	71,803,889.65
05	0001	Other Commingled Funds	61,400,549.36	-	61,400,549.36
05	0001	Other Commingled Funds (TexPool)	29,967,121.92	-	29,967,121.92
05	0001	Externally Managed Investments - Domestic	-	215,693,897.65	215,693,897.65
05	0001	Miscellaneous	-	355,639.84	355,639.84
05	0001	**Total**	**$ 91,367,671.28**	**$ 305,970,275.46**	**$ 397,337,946.74**

Concentration of Credit Risk

As of August 31, 2015, 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.

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, 2015, 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, 2015, the System investments subject to interest rate risk – commingled funds, repurchase agreements, fixed income money market and bond mutual funds – have an average maturity of less than one year. The System is also exposed to certain redemption risks pertaining to its investments in the Foundation-managed long-term investment pool. See the "Alternative Investments" discussion below for information regarding those redemption risks.

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, 2015, 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 and fixed income 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, 2015, total investments in the Pool, including the System portion, consisted of the following investment types:

Investment	Fair Value
Common Stock	$ 12,143,419.46
Equity Mutual Funds	140,796,352.20
Alternative Investments	48,054,199.53
Fixed Income Money Market and Bond Mutual Funds	57,480,133.81
Total Investments	**$ 258,474,105.00**

The System's unitized portion of the Pool's investments as of August 31, 2015 is $165,100,031.84.

As of August 31, 2015, the System's investments in the Pool consisted of the following investment types:

Common Stock

Common stocks are units of ownership in publicly-held corporations. Shareholders typically have rights to vote and to receive dividends. Claims of common stock holders are subordinate to claims of creditors, bond holders, and preferred stock holders.

Equity Mutual Funds

Equity and stock mutual funds are mutual funds that invest primarily in stocks, although at times they might hold some fixed-income and money market securities.

Alternative Investments

Alternative investments consist of hedge funds, real estate, private equity, and other pooled funds that are not registered with the Securities and Exchange Commission (the "SEC").

Fixed Income and Bond Mutual Funds
Fixed income and bond mutual funds are mutual funds that, by policy, invest in the fixed-income sector.

Fixed Income Money Market 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.

The Pool's investments are not rated by Standard & Poor's. As of August 31, 2015, 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 subject to interest rate risk – commingled funds and fixed income money market and bond mutual funds – have an average maturity of less than one year.

Note 4: Short-Term Debt

Commercial Paper
According to the Master Resolution establishing the UNT System Revenue Financing System Commercial Paper Program, the issuance of commercial paper notes may not exceed, in aggregate, the principal amount of $100,000,000 of which $25,000,000 may be used as taxable notes. 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, 2015 is as follows:

	September 1, 2014	Additions	Reductions	Other Adjustments (1)	August 31, 2015
Commercial Paper	$ 76,067,000.00	$ -	$ -	$(74,260,000.00)	$ 1,807,000.00

(1) This amount was reclassified to long-term liabilities.

The outstanding balance of commercial paper at August 31, 2015 was $76,067,000. In September 2015, the System refunded $74,260,000 of commercial paper into long-term bonds. See Note 12, *Subsequent Events,* for more information on this refunding. As a result of the refunding, the System considers $74,260,000 of the commercial paper balance to be long-term debt as of August 31, 2015, and the remaining balance of $1,807,000 to be short-term debt. Interest rates range from .05% to .30% with an average interest rate of .22% for the outstanding issues. Interest rates are determined by the investor and broker in the arrangement, where the investor dictates the maturity. Average commercial paper maturity during the year ended August 31, 2015 was approximately 31 days. The System will provide liquidity support for $100,000,000 in 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 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.

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended August 31, 2015:

	September 1, 2014	Additions	Reductions	Other Adjustments (1)	August 31, 2015	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:							
Revenue Bonds Payable	$ 391,915,000.00	$ 38,265,000.00	$ 61,280,000.00	$ -	$ 368,900,000.00	$ 24,010,000.00	$ 344,890,000.00
Unamortized Net Premiums	24,197,732.82	-	3,705,783.39	-	20,491,949.43	2,599,803.59	17,892,145.84
Total Bonds Payable	416,112,732.82	38,265,000.00	64,985,783.39	-	389,391,949.43	26,609,803.59	362,782,145.84
Loans Payable	15,000,000.00	66,500,000.00	-	74,260,000.00	155,760,000.00	3,475,000.00	152,285,000.00
Capital Lease Obligations	178,467.93	6,186,401.44	1,463,670.15	-	4,901,199.22	1,179,712.18	3,721,487.04
Claims and Judgments	5,845,946.84	3,578,232.00	5,845,946.84	-	3,578,232.00	2,760,768.00	817,464.00
Net Pension Liability	-	117,135,326.88	13,729,508.69	-	103,405,818.19	-	103,405,818.19
Compensable Leave	22,722,323.12	5,917,842.94	2,499,129.25	-	26,141,036.81	4,199,443.80	21,941,593.01
Total Long-Term Liabilities	**$ 459,859,470.71**	**$ 237,582,803.26**	**$ 88,524,038.32**	**$ 74,260,000.00**	**$ 683,178,235.65**	**$ 38,224,727.57**	**$ 644,953,508.08**

(1) This amount was reclassified from short-term liabilities.
(2) Other Non-Current Liabilities of $1,361.47 (see Statement of Net Position) are not included in the table above.

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2015 are as follows:

Year	Principal	Interest	Total
2016	$ 24,010,000.00	$ 16,723,212.20	$ 40,733,212.20
2017	24,910,000.00	15,796,747.50	40,706,747.50
2018	23,560,000.00	14,873,925.00	38,433,925.00
2019	24,510,000.00	13,930,532.50	38,440,532.50
2020	22,685,000.00	12,948,357.50	35,633,357.50
2021-2025	101,870,000.00	49,407,290.00	151,277,290.00
2026-2030	71,345,000.00	28,645,237.50	99,990,237.50
2031-2035	47,145,000.00	13,605,285.00	60,750,285.00
2036-2040	28,865,000.00	4,093,875.00	32,958,875.00
Total	**$368,900,000.00**	**$170,024,462.20**	**$538,924,462.20**

Total interest and fiscal charges incurred for the year ended August 31, 2015 was $19,024,903.53. Of this total, the System capitalized $583,722.31 associated with financing capital projects during the construction phase. In addition, the System recorded $2,349,432.57 as a reduction to this balance relating to the amortization of premiums and deferred outflows of resources resulting from losses on bond refundings. The remaining amount of $16,091,748.65 was reported as interest expense and fiscal charges for the year ended August 31, 2015.

Notes and Loans Payable

On June 18, 2014, the System entered into a Private Placement Bond Purchase Agreement (the "Bond Purchase Agreement") with J.P. Morgan for installment deliveries of bonds ("Authorized Installments") up to $120 million that matures in 2016. Draw requests are submitted to the bond purchaser and the System's bond counsel, and the bond purchaser's obligation to purchase each Authorized Installment is conditioned upon fulfillment of specified conditions, which include that all of the opinions, letters, certificates, instruments and other documents described in the Bond Purchase Agreement are deemed to be in compliance with the provisions set forth therein and that they are in form and substance satisfactory to the bond purchaser and bond counsel. Such provisions include the requirement for the System to maintain a debt-to-capitalization ratio of sixty percent (60%) or less.

As of August 31, 2015, the System had arranged for $81.5 million in Authorized Installment deliveries and made total interest payments of $263,793.56. The bonds are secured by the System's pledged revenues. Principal is not due until maturity on June 30, 2016. Interest is at a variable rate and is calculated using a formula rate of 67% of the one month London Interbank Offered Rate ("LIBOR") on the reset date plus .48%. The variable interest rate at August 31, 2015 was .6063%. Interest is reset monthly. In September 2015, the System refunded the entire outstanding amount into long-term bonds. See Note 12, *Subsequent Events* for more information on this refunding.

Capital Lease Obligations

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

Claims and Judgments

As of August 31, 2015, there was one outstanding material claim for which a liability accrual has been recognized. According to authoritative GASB guidance, liabilities should be recognized when the possibility of loss is probable and the amount of loss is reasonably estimable. See Note 11, *Contingencies and Commitments*, for more information on the claims and judgments against the System.

Net Pension Liability

The net pension liability addition relates to the 2015 restatement for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended. Refer to Notes 1, 8 and 10.

Employees' Compensable Leave

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

Note 6: Bonded Indebtedness

At August 31, 2015, the System had principal outstanding related to revenue bonds of $368,900,000. 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, 2015, is summarized in the following table:

Bond	Purpose	Issue Date	Interest Rate	Amount Issued	Total Principal Outstanding as of 8/31/15
RFS Bonds, Series 2007	To provide funds for the purposes of refunding a portion of the Board's outstanding commercial paper notes, for constructing and equipping two residence halls, for paying a portion of accrued interest, and for paying certain costs of bond issuance	1/1/2007	4.0000% - 5.0000%	$ 56,050,000.00	$ 46,960,000.00
RFS Bonds, Series 2009	To provide funds for the purposes of refunding a portion ($18.175 million par value) of the Board's outstanding commercial paper notes; constructing and equipping a Public Health Education Building; paying a portion of the interest accruing on the bonds; and paying certain costs of issuing the bonds	2/19/2009	3.0000% - 5.2500%	38,650,000.00	27,050,000.00
RFS Bonds, Series 2009A	To provide funds for the purposes of constructing and equipping the Business Leadership Building, for constructing and equipping Apogee Stadium, for paying a portion of accrued interest and for paying certain costs of bond issuance	12/2/2009	3.0000% - 5.0000%	159,310,000.00	134,425,000.00
RFS Refunding Bonds, Series 2009B	To provide funds for the purposes of refunding outstanding Consolidated University Revenue Bonds Series 1994, Revenue Financing System Bonds Series 1999A, and Revenue Financing System Bonds Series 2001 and for paying costs of bond issuance	12/2/2009	3.0000% - 4.7500%	15,800,000.00	8,880,000.00
RFS Refunding Bonds, Series 2010	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2001, Revenue Financing System Bonds Series 2002, and Revenue Financing System Bonds Series 2002A	7/23/2010	3.0000% - 5.0000%	57,625,000.00	43,190,000.00
RFS Refunding and Improvement Bonds, Series 2012A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003A, for refunding a portion of the Board's outstanding commercial paper notes and for purchasing, constructing, improving, renovating, enlarging, and equipping property, buildings, structures, facilities, roads, or infrastructure related to the UNT ESCO project and the Woodhill Square acquisition	6/1/2012	2.0000% - 5.0000%	75,890,000.00	65,720,000.00
RFS Refunding Bonds, Taxable Series 2012B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003B	6/1/2012	0.5500% - 3.2000%	4,820,000.00	4,410,000.00
RFS Refunding Bonds, Series 2015	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003A, Revenue Financing System Bonds Series 2005, and for paying costs of bond issuance	4/30/2015	1.9500% - 1.9500%	38,265,000.00	38,265,000.00
			Total	$446,410,000.00	$ 368,900,000.00

Early Extinguishments in 2015

RFS Refunding Bonds, Series 2015 were issued on April 30, 2015 to current refund the RFS Refunding Bonds, Series 2003A principal amount of $4,375,000, the RFS Refunding and Improvement Bonds, Series 2005 principal amount of $33,510,000, and to pay the related costs of issuance.

- The Series 2015 Bonds were issued at par with a face value of $38,265,000. The proceeds were used to pay the costs of issuance of $125,496.42 and to deposit $38,131,175.07 in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds.
- The refunded bonds are considered fully defeased and are no longer outstanding, and the liability for these bonds has been removed from the Statement of Net Position.
- An economic gain from the transaction resulted in a net present value savings of $4,387,934.75 between the old and new debt service payments.
- An accounting loss of $135,442.86 resulted from the transaction, as the reacquisition price of $38,131,175.07 exceeded the net carrying amount of $37,995,732.21 on the refunded bonds. The carrying value on the refunded debt consisted of $37,885,000 par value, $80,274.49 accrued interest, $791,086.06 unamortized premiums, less $760,628.34 unamortized deferred losses.

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 on deposit in the Interest and Sinking Fund and the Reserve Fund. 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 HEAF reserves and Health and Loan Reserves at HSC 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	$ 538,924,462.20
Term of Commitment Year Ending 8/31	2040
Percentage of Pledged Revenue	100%
Current Year Pledged Revenue	$ 744,097,458.40
Current Year Principal and Interest Paid	$ 42,416,270.00

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 $3,649,048.20 in 2015. 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, 2015 were as follows:

Year	Lease Payments
2016	$ 2,881,092.46
2017	1,590,192.36
2018	1,052,843.88
2019	548,875.05
2020	352,193.26
2021 and beyond	1,789,613.10
Total Minimum Lease Payments	**$ 8,214,810.11**

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, 2015 were as follows:

Assets Leased	2015
Buildings:	
Cost	$ 10,736,710.54
Less: Accumulated Depreciation	(2,688,127.05)
Carrying Value	8,048,583.49
Parking Garage:	
Cost	10,655,156.80
Less: Accumulated Depreciation	(5,223,149.54)
Carrying Value	5,432,007.26
Total Carrying Value	**$ 13,480,590.75**

There were no contingent rentals for the period ended August 31, 2015. Future minimum lease income under non-cancelable operating leases as of August 31, 2015, was as follows:

Year	Lease Income
2016	$ 248,571.10
2017	175,933.52
2018	128,861.00
2019	73,187.26
2020	15,580.00
2021 and beyond	15,580.00
Total Minimum Lease Income	**$ 657,712.88**

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, 2015, is presented below:

Assets Under Capital Lease	August 31, 2015
Equipment:	
Cost	$ 6,653,349.24
Less: Accumulated Depreciation	(1,215,359.20)
Carrying Value	5,437,990.04
Vehicles:	
Cost	111,031.30
Less: Accumulated Depreciation	(7,402.00)
Carrying Value	103,629.30
Total Carrying Value	**$ 5,541,619.34**

Capital lease obligations are due in monthly, quarterly or annual installments through 2020. Future minimum lease payments for assets under capital lease at August 31, 2015 were as follows:

Year	Principal	Interest
2016	$ 1,179,712.18	$ 247,844.58
2017	1,175,973.87	185,900.89
2018	1,234,969.00	126,905.76
2019	1,296,850.27	65,024.49
2020	13,693.90	220.34
Total Minimum Lease Payments	**$4,901,199.22**	**$625,896.06**

Note 8: Pension Plans & Employee Retirement System

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 Teacher Retirement System of Texas ("TRS") Plan (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 16, 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 on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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 employed in a TRS-eligible position on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS 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 16, 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.

Contributions by employees were 6.7% of gross earnings for 2015. 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 2015.

The System's contributions to TRS for the year ended August 31, 2015, were as follows:

TRS Participation		
Member Contributions	$	15,780,905.34
State On-Behalf Contributions	$	6,041,528.95
Employer Contributions		9,975,054.31
Total	**$**	**31,797,488.60**

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

At August 31, 2015, the System reported a liability of $103,405,818.19 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, 2014 (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 0.3870437%. 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, 2013 through August 31, 2014 (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 $13,508,261.87. The State recognized $40,082,328.32 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 0.1500265%.

For the year ended August 31, 2015, the System recognized pension expense of $9,559,130.10. At August 31, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Contributions subsequent to the measurement date	$	9,975,054.31	$	-
Changes of assumptions		6,720,122.05		-
Difference between expected and actual experience		1,598,878.21		-
Change in proportion and contribution difference		-		9,045.38
Net difference between projected and actual investment return		-		31,598,593.71
Total	$	18,294,054.57	$	31,607,639.09

The $9,975,054.31 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 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year		Expense
2016	$	(6,500,807.43)
2017		(6,500,807.43)
2018		(6,500,807.43)
2019		(6,500,807.43)
2020		1,398,841.00
Thereafter		1,315,749.89
Total	$	(23,288,638.83)

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, 2014 measurement date:

Actuarial Methods and Assumptions	**TRS Plan**
Actuarial Valuation Date	August 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Actuarial Assumptions:	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	3.00%
Salary Increase	4.25% to 7.25% including inflation
Mortality:	
Active	1994 Group Annuity Mortality Table set back 6 years for males and females
Post-Retirement	Client specific tables multiplied by 80%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the methods and assumptions are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees have decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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	**100.0%**	

There have been no changes to the benefit and contribution 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 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 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%)
$ 184,763,328.67	$ 103,405,818.19	$ 42,565,553.33

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 2015 plus any local supplement for a maximum 8.50% of annual compensation) for the year ended August 31, 2015, is provided in the following table:

ORP Participation		
Member Contributions	$	9,382,385.11
Employer Contributions		10,101,785.18
Total	**$**	**19,484,170.29**

Employee Retirement System

The Employee Retirement System (ERS) provides healthcare and survivor benefits for both active and retired employees. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit healthcare plan. UNTS employees that work at least 20 hours but less than 35 hours per week are eligible for partial health benefits under ERS. UNTS employees that work 35 or more hours are eligible for full health benefits under ERS. Benefits vest after five years of credited service. 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. Contributions to ERS for the year ended August 31, 2015 was as follows:

ERS Participation		
Member Contributions	$	19,067,918.77
State On-Behalf Contributions		29,606,826.00
Employer Contributions		26,386,624.96
Total	**$**	**75,061,369.73**

Additional information can be obtained from the separately issued ERS *Comprehensive Annual Financial Report* at http://www.ers.state.tx.us/home.aspx.

Note 9: 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 statement. There were no balances in interagency receivable and payable at August 31, 2015.

Note 10: Adjustments to Net Position

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, was effective for the System in 2015. The implementation of Statements No. 68, as amended and 71 resulted in a restatement of beginning net position for fiscal year 2015, as follows:

	Total
Net Position at August 31, 2014 as Previously Reported	$ 796,262,792.47
Adjustments due to implementation of GASB 68 and 71 (1)	(117,135,326.88)
Total Restatement	**(117,135,326.88)**
Net Position at August 31, 2014 as Restated	**$ 679,127,465.59**

(1) Includes recognition of deferred outflows of resources related to pensions of $9,812,632.74 and recognition of net pension liability of $126,947,959.62, as of August 31, 2014.

Note 11: 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.

Contingencies

Medicaid Texas Health Steps Program

UNT System Office of General Counsel conducted a healthcare compliance investigation related to reimbursement received by HSC from the Texas Health Steps Medicaid program. The investigation covered whether medical record documentation was sufficient to support billing for professional fees in connection with the immunization program. In December of 2015, HSC voluntarily refunded $1,910,248 to the Medicaid program. In July of 2016, HSC voluntarily refunded an additional $1,022,072 to the Medicaid program. UNT System Office of General Counsel's compliance investigation of this matter is complete.

Upper Payment Limits Audit

The U.S. Department of Health and Human Services, Office of Inspector General (the "OIG") conducted an audit of the Texas Upper Payment Limits ("UPL") program and the methodology Texas Health and Human Services Commission ("Texas HHSC") used for calculating reimbursements to Texas medical schools' clinical practices under the UPL program. In completing this audit, the OIG recommended to the federal Centers for Medicare and Medicaid Services (the "CMS") that HSC refund a federal share of UPL payments in the total amount of $746,461. This amount is attributable to two separate issues: (1) billing for which OIG did not have documentation of the providers' eligibility; and (2) the methodology used to calculate reimbursements to HSC under the UPL program. Texas HHSC and HSC have responded to each of these issues as explained below.

As part of its response to the OIG audit, the Texas HHSC, with HSC's concurrence, agreed that any fees paid for services performed by ineligible providers should be refunded and the Texas HHSC and HSC will work together to determine what amounts are attributable to eligible providers or to ineligible providers. The CMS accepted the OIG's determination of amount attributable to ineligible providers, and Texas HHSC requested that HSC refund the overpayment amount of $261,738. This amount was refunded and accrued as a liability by HSC in 2014.

As part of its response to the OIG audit, the Texas HHSC, with HSC's concurrence, disagreed with the OIG finding related to methodology and asserted that reimbursements were calculated in accordance with the methodology approved by CMS at the time the billing was submitted. Texas HHSC worked with the OIG and CMS to resolve the methodology issue, and in November 2015 Texas HHSC requested that HSC refund a federal share of $484,723. This amount was refunded by HSC in December 2015.

Commitments

The System continues to implement capital improvements to upgrade facilities. Approximately $297.9 million in capital commitments have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion and 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, and the Student Union at UNT.

Note 12: Subsequent Events

Short and Long-Term Debt

On September 2, 2015, the System drew an additional $15 million under the Bond Purchase Agreement. On September 30, 2015, the System issued the $105,130,000 RFS Refunding and Improvement Bonds, Series 2015A and the $73,035,000 RFS Refunding Bonds, Taxable Series 2015B. Proceeds from the debt were used to refund the outstanding balance of the Series 2014 Bond Purchase Agreement, refund outstanding commercial paper, and fund construction and renovation of the Student Union building and Rawlins Hall. See Note 4, *Short-Term Debt* and Note 5, *Long-Term Liabilities*, for more information about the Bond Purchase Agreement. In addition, on October 6, 2015, the Board of Regents approved the issuance of the $45,865,000 RFS Refunding Bonds, Series 2015C. On March 1, 2016 the System closed on the Series 2015C Refunding Bonds. The proceeds refunded the Series 2007 Bonds. On June 6, 2016 the System made a cash defeasance of $4,535,000 of certain maturities of the Series 2012A Bonds. On May 20, 2016 the System entered into a Purchase Agreement with JPMorgan to forward refund certain maturities of the Series 2009 Bonds. For more information on the redeemed maturities for the Series 2009 and 2012A Bonds, see the System's continuing disclosures filed on June 7, 2016 through the Electronic Municipal Market Access ("EMMA") website.

Contingencies

Construction Manager-at-Risk Agreement

In March 2013, UNT System entered into a Construction Manager-at-Risk Agreement with Beck Warrior, under which Beck Warrior was to perform pre-construction and construction management services for the UNT Student Union renovation and expansion project. Beck Warrior was to achieve substantial completion of the Union by August 20, 2015; however, substantial completion was not achieved until November 5, 2015. Beck Warrior has submitted, to date, eleven claim letters against UNT System pursuant to Chapter 2260, Texas Government Code. Incurrence of a loss is reasonably possible. The amount of loss for UNT System is within a range of $0 to $6,633,591, plus interest, and no best estimate of loss within this range can be determined at this time.

UNT Foundation

A significant pledge made to the University of North Texas Foundation in 2011 stated terms that the pledge was to be paid in full by December 31, 2015. The pledge was recorded as a receivable and included at its estimated net realizable value of $16.2 million in the FY15 University of North Texas Foundation, Inc. audited financial report issued on February 22, 2016. The pledge payment was not received by December 31, 2015, nor by a subsequent payment renewal date of March 31, 2016. As the ultimate timing and realization of the pledge are no longer reasonably estimable, the Foundation has taken steps in FY16 to systematically reduce the receivable to zero by the close of its current fiscal year, unless new information or events dictate otherwise.

Note 13: 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 11, *Contingencies and Commitments*. The System did not have any losses or settlements that exceeded insurance policy limits within the last three years.

Self-Insurance Arrangements

Medical Professional Liability Self-Insurance Plan

HSC manages a medical malpractice self-insurance plan for its physicians. As of August 31, 2015, HSC had sufficient self-insurance reserves for known claims against its health care professionals. 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, 2015:

	August 31, 2014	Additions	Reductions	August 31, 2015
Incurred But Not Reported Self-Insurance Claims (HSC) (1)	$ 918,046.00	867,786.00	117,848.00	$ 1,667,984.00

(1) The estimated claims payable for medical malpractice IBNR includes estimates of allocated loss adjustment expenses. IBNR is included in Current and Non-current Claims and Judgements on the Statement of Net Position.

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 2015 was $320,000. For the year ended August 31, 2015, 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, 2015, 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 $100,000 deductible per insured individual for EPL, a $50,000 deductible per insured individual for D&O, a $50,000 deductible for the entity, and a $25,000 deductible for volunteers.

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 $30,000/$60,000 for bodily injury and $25,000 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.

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. There is a maximum per incident limit of $250,000 and an aggregate limit of $500,000 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 $1,000,000,000 shared limit through the State's state-wide property insurance program.

A property claim was filed in 2014 for hail damage to most buildings at UNT, including the Discovery Park campus. Currently, the estimated loss is between $7.0 million and $9.0 million, all of which is covered under the policy.

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, 2015, the System maintains one policy for an out-of-state employee.

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, 2015.

The System maintains reserves for unemployment compensation and workers' compensation payments made for all claims and settlements not eligible for state funding. There were no material outstanding claims pending as of August 31, 2015. 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, and student professional liability.

Note 14: Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2015, the following table represents operating expenses for both natural and functional classifications for the System:

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	$ 26,694.31	$ -	$ -	$ 274,729.85	$ 194,389.66
Salaries and Wages	176,077,190.13	28,720,941.29	9,875,035.33	94,673,267.18	32,700,621.85
Payroll Related Costs	54,933,785.69	6,677,701.49	2,571,966.61	22,315,908.54	8,739,664.05
Professional Fees and Services	2,391,183.44	7,917,182.73	3,855,994.81	34,818,207.29	4,829,541.99
Federal Pass-Through Expenses	10,071.88	477,083.67	-	-	-
State Pass-Through Expenses	-	88,731.86	10,137.03	-	-
Travel	2,162,293.93	1,781,694.08	328,352.56	2,816,663.94	2,995,744.08
Materials and Supplies	6,463,173.37	6,827,704.54	937,387.08	8,717,893.16	6,029,014.01
Communications and Utilities	1,315,440.47	163,236.81	43,466.84	92,227.25	1,639,864.59
Repairs and Maintenance	600,990.19	909,162.54	75,104.66	4,432,271.93	1,313,743.19
Rentals and Leases	2,376,457.53	377,209.87	364,062.23	3,768,036.07	1,673,367.21
Printing and Reproduction	1,017,303.65	123,132.21	121,079.76	791,666.88	845,828.70
Depreciation and Amortization	-	-	-	-	-
Scholarships	1,637,796.76	935,750.64	196,164.69	28,494.87	41,301.70
Claims and Losses	-	-	-	3,333,118.00	4,950.00
Other Operating Expenses	2,680,145.35	1,830,411.32	189,919.24	4,929,414.65	6,664,524.50
Total Operating Expenses	**$ 251,692,526.70**	**$ 56,829,943.05**	**$ 18,568,670.84**	**$ 180,991,899.61**	**$ 67,672,555.53**

Note 14: Matrix of Operating Expenses Reported by Function (Continued)

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
$ 499,819.10	$ (12,026.03)	$ -	$ 5,010,173.83	$ -	$ 5,993,780.72
53,907,730.60	15,387,386.31	654,864.08	17,973,469.70	-	429,970,506.47
13,819,516.48	5,724,083.45	125,088.40	6,210,705.01	-	121,118,419.72
10,241,259.93	3,012,673.94	53,653.86	1,578,521.61	-	68,698,219.60
-	-	-	-	-	487,155.55
-	-	-	-	-	98,868.89
810,869.49	78,623.29	97,247.43	121,243.55	-	11,192,732.35
4,077,295.15	4,116,580.16	24,843.53	1,842,834.68	-	39,036,725.68
461,025.67	10,555,459.56	186.70	4,963,263.80	-	19,234,171.69
3,675,436.93	11,612,882.48	2,729.99	4,941,863.16	-	27,564,185.07
1,839,821.26	186,935.53	3,118.18	493,395.58	-	11,082,403.46
1,063,205.42	18,372.12	40,940.24	285,568.07	-	4,307,097.05
-	-	-	-	62,507,964.37	62,507,964.37
344,967.37	153,502.78	57,664,942.80	1,172.15	-	61,004,093.76
8,365.17	-	-	-	-	3,346,433.17
2,966,747.75	536,097.08	131,282.34	1,792,984.30	-	21,721,526.53
$ 93,716,060.32	**$ 51,370,570.67**	**$ 58,798,897.55**	**$ 45,215,195.44**	**$ 62,507,964.37**	**$ 887,364,284.08**

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, 2015, 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. (the "Foundation") is reported as a discrete component unit. 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 for the benefit of the University of North Texas. 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 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, 2015 related to pass-through grants were $26,382,084.78 and $98,868.89 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 year.

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 4% 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 distribution 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 quarterly distribution is based on an endowment management model developed by the AICPA. 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	$ 6,317,834.45	Restricted Expendable

(1) There was a negative fair value adjustment totaling ($4,288,036.95) for 2015 related to true endowments. As of August 31, 2015, the System 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, 2015 is presented below:

	Total
Deferred Outflows of Resources	
Unamortized Losses on Refunding of Debt	$ 4,003,969.83
Deferred Outflows of Resources Related to Pensions (1)	18,294,054.57
Total Deferred Outflows of Resources	**$ 22,298,024.40**
Deferred Inflows of Resources	
Unamortized Gains on Refunding of Debt	$ 426,106.08
Deferred Inflows of Resources Related to Pensions (1)	31,607,639.09
Total Deferred Inflows of Resources	**$ 32,033,745.17**

(1) See Note 1, *Summary of Significant Accounting Policies* and Note 8, *Pension Plans,* for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding and pensions.

Required Supplementary Information (RSI)

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

RSI - Pension Proportionate Share

	2015
System's proportion of the net pension liability	0.39%
System's proportionate share of the net pension liability	$ 103,405,818.19
System's covered payroll (1)	$ 222,501,101.49
System's proportionate share of the net pension liability as a % of its covered payroll	46.47%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

(1) Covered payroll is for 2014 because the System's net pension liability as of August 31, 2015 is based on a measurement date of August 31, 2014.

Schedule of the System's Contributions

RSI - Pension Contributions

	2015	2014
Statutorily required contributions	$ 16,016,583.26	$ 15,130,074.90
Contributions in relation to the statutorily required contributions	9,975,054.31	9,812,632.74
Contribution deficiency (excess)	$ 6,041,528.95	$ 5,317,442.16
System's covered-employee payroll	$ 235,537,989.10	$ 222,501,101.49
Contributions as a percentage of covered-employee payroll	4.24%	4.41%

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NOTES TO THE

FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS
FOUNDATION, INC.

DENTON, TEXAS

For the years ended August 31, 2014 and 2015

Note 1: Purpose and Summary of Significant Accounting Policies

Purpose

The University of North Texas Foundation, Inc. (Foundation) is a not-for-profit organization established for the purpose of providing financial support to the University of North Texas. This purpose is accomplished by the Foundation's receipt and management of donations (cash and non-cash) from individuals and organizations.

The Foundation is a not-for-profit 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 net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their 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, 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, 2015 and 2014, there was $5,055,592 and $7,273,320, respectively, of cash equivalents in the Foundation's investment accounts awaiting investment.

Investments

The Foundation carries investments in marketable securities and other common stocks 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 mutual funds are carried at their fair value based on published per share 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 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 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 February 22, 2016, which is the date the financial statements were available to be issued.

Note 2: Investments

Investment securities consisted of the following at August 31, 2015 and 2014:

	August 31, 2015		August 31, 2014	
	Cost	Fair Value	Cost	Fair Value
U.S. and International Stocks and Equity Mutual Funds	$ 135,470,026	$ 153,283,746	$ 120,953,761	$ 152,843,338
U.S. and International Fixed Income Securities and Mutual Funds	58,662,437	57,136,159	61,937,198	63,603,402
Real Estate Investment Trust and Mutual Funds	6,935,080	5,869,622	6,404,972	6,269,780
Natural Resource Exchange Traded Fund/Global Hard Assets Mutual Fund	20,495,743	17,799,538	17,478,565	23,032,042
Hedge Funds of Funds/Loan Funds/Mutual Funds	26,556,594	24,385,040	31,784,678	34,421,390
	$ 248,119,880	**$ 258,474,105**	**$ 238,559,174**	**$ 280,169,952**

Investment income consists of interest and dividends on investment securities and is shown net of investment fees and expenses of $62,603 and $63,599 for the years ended August 31, 2015 and 2014, 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 financials statements, carrying values approximate fair value.

Note 4: Fair Value Measurements

Fair value of assets measured on a recurring basis at August 31, 2015 and 2014 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observalbe Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2015:				
Securities/Mutual Funds	$ 247,261,877	$ 12,055,356	$ 235,206,521	$ -
Real Estate Investment Trust	404,820	-	-	404,820
Hedge Funds of Funds	5,630,059	-	-	5,630,059
Loan Fund	5,177,349	-	-	5,177,349
Total	**$ 258,474,105**	**$ 12,055,356**	**$ 235,206,521**	**$ 11,212,228**
August 31, 2014:				
Securities/Mutual Funds	$ 268,852,142	$ 12,491,087	$ 256,361,055	$ -
Real Estate Investment Trust	670,599	-	-	670,599
Hedge Funds of Funds	5,477,340	-	-	5,477,340
Loan Fund	5,169,871	-	-	5,169,871
Total	**$ 280,169,952**	**$ 12,491,087**	**$ 256,361,055**	**$ 11,317,810**

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

	Real Estate Investment Trust	Hedge Funds Mutual Funds	Loan Fund	Total
August 31, 2013	$ 625,646	$ 8,288,236	$ -	$ 8,913,882
Total gains (losses) (realized/unrealized)	44,953	483,509	169,871	698,333
Purchases, issuance, and settlements	-	(3,294,405)	5,000,000	1,705,595
August 31, 2014	$ 670,599	$ 5,477,340	$ 5,169,871	$ 11,317,810
Total gains (losses) (realized/unrealized)	(65,829)	289,226	7,478	230,875
Purchases, issuance, and settlements	(199,950)	(136,507)	-	(336,457)
August 31, 2015	$ 404,820	$ 5,630,059	$ 5,177,349	$ 11,212,228

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 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 2015 or 2014.

Note 5: Contributions and Other Receivables

Contributions and other receivables as of August 31, 2015 and 2014 are as follows:

	August 31, 2015	August 31, 2014
Contributions Receivable in less than one year	$ 23,861,550	$ 1,781,869
Contributions Receivable in one to five years	1,924,875	23,644,108
Contributions Receivable in six to ten years	291,245	410,850
Contributions Receivable in over ten years	-	55,000
Total Contributions Receivable	26,077,670	25,891,827
Less discounts to net present value	(423,421)	(2,630,602)
Less allowance for uncollectible amounts	(8,398,177)	(6,011,920)
Net Contributions Receivable	17,256,072	17,249,305
Other amounts receivable	2,855	2,423
Total Contributions and Other Receivables	**$ 17,258,927**	**$ 17,251,728**

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent. Contributions receivable in less than one year include one promise to give of $22,000,000 from a single donor. The contribution is expected to be collected by March 31, 2016, and has been recorded at a net realizable value of $14,009,590.

Note 6: Unrestricted Net Assets

Unrestricted net assets at August 31, 2015 and 2014 include $1,272,517 and $1,271,885, 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 who have specified certain programs or scholarships within the University of North Texas. Temporarily restricted net assets also include income from endowment funds that are available for distribution upon satisfaction of the specific program restriction stated in the endowment agreement.

Included in temporarily restricted net assets is $14,009,590 resulting from the 2011 promise to give from one significant donor (see Note 5). As of August 31, 2015, the Foundation, the University of North Texas, and the donor were working to determine the wishes of the donor as to the various ways the donor’s gift will be used. It is anticipated that some portion of the gift will be designated for several permanent endowments to support programs within the University of North Texas. As these designations are finalized, these net assets will be reclassified as permanently restricted.

Note 8: Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at August 31, 2015 and 2014:

	August 31, 2015		August 31, 2014	
Endowments to support various programs, scholarships, and other activities of the University of North Texas	$	86,324,889	$	80,597,090
Cash value of life insurance policies that will provide proceeds, upon the death of the insured, for endowments		512,137		468,248
Total	**$**	**86,837,026**	**$**	**81,065,338**

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, 2015 and 2014, there were a total of 26 and 24 such policies, respectively, with death benefits totaling $3,434,842 and $1,687,240 respectively, and cash values totaling $512,137 and $468,240 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. The Foundation contributes 8.5% of eligible employees' compensation to the plan, and employees are required to contribute a minimum of 6.65% of compensation to the plan. Employees may make voluntary contributions in addition to the required contribution, up to the limits prescribed by the Internal Revenue Code. All employer and employee contributions are fully vested when made. The expense to the Foundation for retirement plan contributions for the year ended August 31, 2015 and 2014 were $60,898 and $54,020 respectively.

Note 12: Assets Held Under Split Interest Agreements

The Foundation is the Trustee or Co-Trustee of various charitable remainder trusts and administers numerous 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

Two trusts for which the Foundation serves as Trustee currently name the Foundation as the remainder beneficiary, however, the donors have retained the right to change the remainder beneficiary to other charitable organizations. As a result, the Foundation has recorded the assets held under these trusts as 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, 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 calculated on a 20 quarter rolling average unit value. The initial annually renewable agreement was replaced on November 1, 2014 by a new agreement that can be terminated by either party upon written notice to the other party.

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 endowments. The initial term of the agreement ended August 31, 2013, with a provision to automatically renew annually thereafter.

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. The Foundation does not have ownership of any of the UNTS or UNT assets, therefore, neither the principal nor income generated by these assets is included in the amount of net assets of the Foundation.

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 $474,340 and $439,828 respectively during the year ended August 31, 2015 and 2014, respectively for its services.

A summary of the assets held for others is as follows:

	August 31, 2015	August 31, 2014
UNTS long-term assets managed by Foundation	125,423,568	140,443,804
UNT endowment assets managed by Foundation	39,676,464	44,253,072
Trusts for which beneficiary can be changed	2,696,714	2,687,973
Assets Held for Others	**$ 167,796,746**	**$ 187,384,849**

Note 14: Concentrations of Credit Risk

The Foundation maintains cash balances in excess of $250,000 in its depository bank, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Foundation's depository bank, Wells Fargo Bank N.A., has pledged government backed securities with a par value of $5,999,276 at August 31, 2015 to secure Foundation deposits in excess of $250,000. The pledged securities are held by a third-part safekeeping bank under a pledged collateral agreement. The market value of the pledged securities at August 31, 2015 and 2014 was $6,174,246 and $6,760,806, respectively. The total amount of checking account deposits with Wells Fargo Bank N.A. as of August 31, 2015 and 2014 was $572,175 and $472,332, respectively. In addition to the checking account balances, the Foundation had cash balances of $3,812,649 and $4,605,259 at August 31, 2015 and 2014, respectively, invested with Wells Fargo Bank N.A. under a fully collateralized repurchase agreement. The Foundation also had $4,000,000 invested as of August 31, 2015 in a fully collateralized repurchase agreement with Texas Capital Bank.

The Foundation also maintains short-term cash investments in money-market mutual funds, which are not insured. The amount held in money market mutual funds was $5,223,196 and $11,715,150 at August 31, 2015 and 2014, respectively.