

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

LUBBOCK, TEXAS

TEXAS TECH UNIVERSITY SYSTEM ADMINISTRATION (768)

FINANCIAL STATEMENTS

Presented herein are the financial statements for Texas Tech University System Administration for the year ended August 31, 2016. These statements have been prepared in compliance with Governmental Accounting Standards Board pronouncements and the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

This document supplements the Combined Annual Financial Report of the Texas Tech University System and provides a historical record of transactions relating to this particular institution.

The Combined Annual Financial Report of the Texas Tech University System includes primary statements as well as supplemental notes and schedules. The numbers therein are presented on a combined System-wide basis.

Texas Tech University System Administration (768)

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Texas Tech University System Administration (768)
Board of Regents

Officers of the Board

Mickey L. Long, Chairman
Debbie Montford, Vice Chairwoman
Ben W. Lock, Secretary

Members

Term Expires January 31, 2017

Larry K. Anders	Dallas, TX
Debbie Montford	San Antonio, TX
John D. Steinmetz	Lubbock, TX

Term Expires January 31, 2019

John Esparza	Austin, TX
L. Frederick "Rick" Francis	El Paso, TX
Tim Lancaster	Abilene, TX

Term Expires January 31, 2021

Mickey L. Long	Midland, TX
Ronnie Hammonds	Houston, TX
Christopher M. Huckabee	Fort Worth, TX

Term Expires May 31, 2017

Jeremy Stewart (Student Regent)	Arlington, TX
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Fiscal Officers

Robert L. Duncan	Chancellor
Jim Brunjes	Vice Chancellor and Chief Financial Officer

Texas Tech University System Administration (768)
Annual Financial Report

Statement of Net Position
August 31, 2016 and 2015

	2016	Restated 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 14,992,743.46	\$ 17,402,561.44
Restricted Cash and Cash Equivalents	779,907.46	1,221,966.34
Legislative Appropriations	541,392.35	588,963.33
Receivables:		
Interest and Dividends	36,490.73	44,606.19
Gift Receivables	0.00	0.00
Accounts Receivable	0.00	1,088.12
Other Receivables	8,072.09	39,546.96
Due From Other Agencies	0.00	0.00
Prepaid Items	153,250.00	0.00
Total Current Assets	<u>16,511,856.09</u>	<u>19,298,732.38</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	11,972,450.63	29,934,666.54
Restricted Investments (Note 3)	1,207,886.79	1,335,020.60
Gift Receivables	0.00	0.00
Loans and Notes Receivable, net	0.00	0.00
Investments	43,660,696.37	43,722,304.66
Capital Assets		
Non-Depreciable or Non-Amortizable	11,319,655.68	831,139.61
Depreciable or Amortizable	2,350,222.56	2,350,222.56
Accumulated Depreciation and Amortization	(1,091,310.78)	(902,434.80)
Total Non-Current Assets	<u>69,419,601.25</u>	<u>77,270,919.17</u>
Total Assets	<u>85,931,457.34</u>	<u>96,569,651.55</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	38,049,967.00	27,389,635.08
Total Deferred Outflows of Resources	<u>38,049,967.00</u>	<u>27,389,635.08</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	496,225.03	148,813.02
Payroll Payable	1,304,066.46	1,214,790.59
Due to Other State Agencies	0.00	177,289.92
Employees' Compensable Leave	146,604.45	129,250.88
Claims and Judgments	2,043,040.50	1,214,997.45
Short-Term Debt Commercial Paper Notes	30,279,000.00	22,483,000.00
Notes and Loans Payable	21,817,000.00	0.00
Revenue Bonds Payable	43,293,472.20	40,884,638.59
Funds Held for Others	0.00	125,901.01
Other Current Liabilities	798,100.65	1,132,027.97
Total Current Liabilities	<u>100,177,509.29</u>	<u>67,510,709.43</u>
Non-Current Liabilities:		
Employees' Compensable Leave	1,075,099.25	947,839.79
Claims and Judgments	8,642,317.75	6,623,695.80
Revenue Bonds Payable	532,807,461.05	582,682,181.84
Net Pension Liability	186,671,195.00	162,030,163.65
Total Non-Current Liabilities	<u>729,196,073.05</u>	<u>752,283,881.08</u>
Total Liabilities	<u>829,373,582.34</u>	<u>819,794,590.51</u>

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Statement of Net Position
August 31, 2016 and 2015

	2016	Restated 2015
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	\$ 31,961,309.00	\$ 49,527,106.15
Total Deferred Inflows of Resources	<u>31,961,309.00</u>	<u>49,527,106.15</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	(585,955,213.60)	(614,284,763.51)
Restricted:		
Nonexpendable Endowments	478,444.00	475,594.01
Expendable:		
Capital Projects	385,767.00	828,651.12
Debt Service	(17,162,005.27)	1,054,844.13
Other	312,059.65	326,005.19
Unrestricted	<u>(135,412,518.78)</u>	<u>(133,762,740.97)</u>
Total Net Position	<u>\$ (737,353,467.00)</u>	<u>\$ (745,362,410.03)</u>

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Texas Tech University System Administration (768)
Annual Financial Report

Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and 2015

	2016	Restated 2015
Operating Revenues		
Other Sales and Services - Pledged	\$ 92,700.00	\$ 0.00
State Grant Pass-Throughs	177,289.92	641,216.96
Total Operating Revenues	<u>269,989.92</u>	<u>641,216.96</u>
Operating Expenses		
Salaries and Wages	12,350,483.63	11,187,896.55
Payroll-Related Costs	529,115.48	3,305,431.25
Professional Fees and Services	2,020,703.53	1,838,570.47
Travel	562,242.13	544,155.59
Materials and Supplies	409,428.82	306,749.01
Communications and Utilities	207,164.27	212,968.23
Repairs and Maintenance	211,249.25	333,409.01
Rentals and Leases	749,577.38	653,410.47
Printing and Reproduction	44,057.67	40,953.07
State Pass-through	0.00	169,552.14
Depreciation and Amortization	188,875.98	189,808.22
Interest	160.22	49.18
Scholarships	1,928.14	0.00
Claims and Judgments	4,112,890.00	0.00
Other Operating Expenses	(184,553.35)	1,327,922.06
Total Operating Expenses	<u>21,203,323.15</u>	<u>20,110,875.25</u>
Operating Income (Loss)	<u>(20,933,333.23)</u>	<u>(19,469,658.29)</u>
Nonoperating Revenues (Expenses)		
Legislative Revenue	2,838,409.27	2,675,210.37
Private Gifts	0.00	5,000.00
Private Gifts - Pledged	0.00	0.00
Investment Income (Expense)	75,388.48	121,028.47
Investment Income (Expense) - Pledged	5,635,151.66	3,523,745.48
Interest Expense on Capital Asset Financing	(17,743,109.65)	(5,785,370.90)
Loss on Sale and Disposal of Capital Assets	0.00	0.00
Net Increase (Decrease) in Fair Value of Investments	(627,100.32)	400,372.37
Other Nonoperating Revenues (Expenses)	0.00	(1,866,018.22)
Other Nonoperating Revenues (Expenses) - Pledged	12,895.16	(269,130.00)
Total Nonoperating Revenues (Expenses)	<u>(9,808,365.40)</u>	<u>(1,195,162.43)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(30,741,698.63)	(20,664,820.72)
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Contributions	0.00	7,500.00
Contributions to Permanent and Term Endowments	2,750.00	6,464.34
Legislative Transfers In from Component Institutions	25,995,661.09	3,636,302.00
Legislative Transfer Out to Other State Agency	(956,750.00)	0.00
Transfer Out to Other State Agency	0.00	(18,217,775.05)
Interagency Transfer of Capital Assets - Decrease	0.00	(2,660.35)
Net Transfers In from Texas Tech Foundation, Inc.	2,737,368.00	2,615,206.00
Net Transfers In from (Out to) Component Institutions	4,896,673.38	(549,243,158.09)
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>32,675,702.47</u>	<u>(561,198,121.15)</u>
Total Change in Net Position	1,934,003.84	(581,862,941.87)
Beginning Net Position, September 1	(745,362,410.03)	(163,499,468.16)
Restatements	6,074,939.19	
Beginning Net Position, September 1, as restated	<u>(739,287,470.84)</u>	
Ending Net Position, August 31	<u>\$ (737,353,467.00)</u>	<u>\$ (745,362,410.03)</u>

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Matrix of Operating Expenses by Function
For the Year Ended August 31, 2016 and 2015

Operating Expenses	Functional Classification					Total	Prior Year
	Public Service	Academic Support	Institutional Support	Operation and Maintenance of Plant	Depreciation and Amortization		
Salaries and Wages	\$	\$ 980,454.18	\$ 11,370,029.45	\$	\$	\$ 12,350,483.63	\$ 11,187,896.55
Payroll-Related Costs		267,889.17	261,226.31			529,115.48	3,305,431.25
Professional Fees and Services	5,000.00	146,085.64	1,869,617.89			2,020,703.53	1,838,570.47
Travel	690.02	11,959.00	549,593.11			562,242.13	544,155.59
Materials and Supplies	33,403.94	23,855.19	351,749.69	420.00		409,428.82	306,749.01
Communications and Utilities		2,188.25	204,976.02			207,164.27	212,968.23
Repairs and Maintenance		16,177.21	179,630.41	15,441.63		211,249.25	333,409.01
Rentals and Leases		2,694.13	746,883.25			749,577.38	653,410.47
Printing and Reproduction		4,477.89	39,579.78			44,057.67	40,953.07
State Grant Pass-through						-	169,552.14
Depreciation and Amortization					188,875.98	188,875.98	189,808.22
Interest			160.22			160.22	49.18
Scholarships			1,928.14			1,928.14	0.00
Claims and Judgments		4,112,890.00				4,112,890.00	0.00
Other Operating Expenses	138,943.98	85,008.93	(408,506.26)			(184,553.35)	1,327,922.06
Total Operating Expenses	\$ 178,037.94	\$ 5,653,679.59	\$ 15,166,868.01	\$ 15,861.63	\$ 188,875.98	\$ 21,203,323.15	\$ 20,110,875.25

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Texas Tech University System Administration (768)
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Statement of Cash Flows
For the Years Ended August 31, 2016 and 2015

	2016	Restated 2015
Cash Flows from Operating Activities		
Proceeds from Grants and Contracts	\$ 0.00	\$ 630,000.00
Proceeds from Sales and Services	92,700.00	0.00
Payments to Suppliers for Goods and Services	(664,735.74)	(681,111.09)
Payments to Employees for Salaries	(12,343,126.41)	(11,139,151.31)
Payments to Employees for Benefits	(2,951,604.72)	(2,663,323.72)
Payments for Other Expenses	(5,673,383.00)	(4,567,087.69)
Net Cash Used By Operating Activities	<u>(21,540,149.87)</u>	<u>(18,420,673.81)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	2,887,068.37	2,597,538.88
Proceeds from Gifts	2,750.00	30,650.00
Proceeds from Transfers from Component Institutions	12,054,104.49	33,472,916.66
Proceeds from Transfers from Texas Tech Foundation, Inc	2,737,368.00	2,615,206.00
Proceeds from Agency Transactions	5,246,449.49	4,234,635.64
Proceeds from Other Financing Activities	12,895.16	91,625.85
Payments for Other Financing Activities	(5,246,449.49)	(1,129,433.70)
Payments for Transfers to Component Institutions	(3,659,259.85)	(354,782.45)
Net Cash Provided by Noncapital Financing Activities	<u>14,034,926.17</u>	<u>41,558,356.88</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt Issuances	34,800,000.00	324,271,809.85
Proceeds from Transfers from Component Institutions	65,436,072.96	4,563,805.45
Proceeds from Other Capital and Related Financing Activities	35,222.76	0.00
Payments for Transfers to Component Institutions	(42,938,583.13)	(15,181,809.30)
Payments for Transfers to Other State Agencies	(956,750.00)	(18,217,775.05)
Payments for Additions to Capital Assets	(10,184,243.07)	(434,476.27)
Payments for Principal Paid on Capital Debt	(43,347,000.00)	(259,095,000.00)
Payments for Interest on Capital Debt	(21,433,885.97)	(7,180,541.89)
Payments for Other Costs on Debt Issuance	0.00	(1,901,240.98)
Net Cash (Used)/ Provided by Capital and Related Financing Activities	<u>(18,589,166.45)</u>	<u>26,824,771.81</u>
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	7,143,925.09	5,295,645.57
Proceeds from Interest and Investment Income	5,718,655.60	3,666,166.99
Payments to Acquire Investments	(7,582,283.31)	(35,037,417.41)
Net Cash (Used)/ Provided by Investing Activities	<u>5,280,297.38</u>	<u>(26,075,604.85)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (20,814,092.77)</u>	<u>\$ 23,886,850.03</u>
Beginning Cash & Cash Equivalents, September 1	48,559,194.32	24,672,344.29
Ending Cash & Cash Equivalents, August 31	<u>\$ 27,745,101.55</u>	<u>\$ 48,559,194.32</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (20,933,333.23)	\$ (19,469,658.29)
Adjustments:		
Depreciation and Amortization Expense	188,875.98	189,808.22
Pension Expense	15,869,997.00	14,978,532.62
(Increase) Decrease in Accounts Receivable	(3,747.89)	1,812.35
(Increase) Decrease in Deferred Outflows of Resources	(24,347,849.92)	(14,208,158.84)
(Increase) Decrease in Prepaid Items	0.00	15,000.00
Increase (Decrease) in Accounts Payable	(110,110.99)	120,203.97
Increase (Decrease) in Salaries Payable	11,105.11	46,932.89
Increase (Decrease) in Benefits Payable	78,170.76	17,879.90
Increase (Decrease) in Due to Other State Agencies	(177,289.92)	(11,216.96)
Increase (Decrease) in Employees' Compensable Leave	144,613.03	44,336.48
Increase (Decrease) in Claims and Judgments	2,846,665.00	0.00
Increase (Decrease) in Net Pension Liability	4,665,420.35	(62,051,485.38)
Increase (Decrease) in Deferred Inflows of Resources	227,334.85	61,905,339.23
Net Cash Used for Operating Activities	<u>(21,540,149.87)</u>	<u>(18,420,673.81)</u>
Noncash Transactions		
Donation of Capital Assets	0.00	7,500.00
Net Change in Fair Value of Investments	(627,100.32)	400,372.37
Other	0.00	(568,104,326.10)
	<u>\$ (627,100.32)</u>	<u>\$ (567,696,453.73)</u>