

**TEXAS TECH UNIVERSITY
SYSTEM ADMINISTRATION**



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017. 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
Board of Regents**

Officers of the Board

L. Frederick "Rick" Francis, Chairman
Tim Lancaster, Vice Chairman

Members

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

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

Term Expires January 31, 2023

J. Michael Lewis	Dallas, TX
John Steinmetz	Dallas, TX
John Walker	Houston, TX

Term Expires May 31, 2018

Jarat Lujan (Student Regent)	San Angelo, TX
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System Fiscal Officers

Robert L. Duncan	Chancellor
Gary Barnes	Vice Chancellor and Chief Financial Officer

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Statement of Net Position
August 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,390,330.71	\$ 14,992,743.46
Restricted Cash and Cash Equivalents	251,219.41	779,907.46
Legislative Appropriations	434,442.71	541,392.35
Receivables:		
Interest and Dividends	59,072.44	36,490.73
Other Receivables	15,001.99	8,072.09
Prepaid Items	17,848.91	153,250.00
Total Current Assets	<u>26,167,916.17</u>	<u>16,511,856.09</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	222,591,815.36	11,972,450.63
Restricted Investments (Note 3)	963,221.13	1,207,886.79
Investments	38,848,995.96	43,660,696.37
Capital Assets		
Non-Depreciable or Non-Amortizable	314,482.25	11,319,655.68
Depreciable or Amortizable	27,103,946.37	2,350,222.56
Accumulated Depreciation and Amortization	(1,889,043.59)	(1,091,310.78)
Total Non-Current Assets	<u>287,933,417.48</u>	<u>69,419,601.25</u>
Total Assets	<u>314,101,333.65</u>	<u>85,931,457.34</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	62,995,624.85	38,049,967.00
Total Deferred Outflows of Resources	<u>62,995,624.85</u>	<u>38,049,967.00</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	848,340.81	496,225.03
Payroll Payable	1,451,850.81	1,304,066.46
Employees' Compensable Leave	133,783.85	146,604.45
Claims and Judgments	1,491,897.60	2,043,040.50
Short-Term Debt Commercial Paper Notes	43,253,000.00	30,279,000.00
Notes and Loans Payable	0.00	21,817,000.00
Revenue Bonds Payable	65,333,600.75	43,293,472.20
Other Current Liabilities	1,102,184.47	798,100.65
Total Current Liabilities	<u>113,614,658.29</u>	<u>100,177,509.29</u>
Non-Current Liabilities:		
Employees' Compensable Leave	981,081.52	1,075,099.25
Claims and Judgments	6,365,124.40	8,642,317.75
Revenue Bonds Payable	776,362,268.85	532,807,461.05
Net Pension Liability	218,757,231.00	186,671,195.00
Total Non-Current Liabilities	<u>1,002,465,705.77</u>	<u>729,196,073.05</u>
Total Liabilities	<u>1,116,080,364.06</u>	<u>829,373,582.34</u>

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Statement of Net Position
August 31, 2017 and 2016

	2017	Restated 2016
	<u>2017</u>	<u>Restated 2016</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	\$ 27,670,766.00	\$ 31,961,309.00
Total Deferred Inflows of Resources	<u>27,670,766.00</u>	<u>31,961,309.00</u>
NET POSITION		
Net Investment in Capital Assets	(636,963,493.37)	(603,931,146.85)
Restricted:		
Nonexpendable Endowments	499,234.00	478,444.00
Expendable:		
Capital Projects	(567,837.28)	385,767.00
Debt Service	2,990,879.77	813,927.98
Other	222,018.65	312,059.65
Unrestricted	<u>(132,834,973.33)</u>	<u>(135,412,518.78)</u>
Total Net Position	<u>\$ (766,654,171.56)</u>	<u>\$ (737,353,467.00)</u>

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Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2017 and 2016

	2017	2016
Operating Revenues		
Other Sales and Services - Pledged	\$ 700.51	\$ 92,700.00
State Grant Pass-Throughs	0.00	177,289.92
Total Operating Revenues	<u>700.51</u>	<u>269,989.92</u>
Operating Expenses		
Salaries and Wages	14,064,715.05	12,350,483.63
Payroll-Related Costs	10,251,949.92	529,115.48
Professional Fees and Services	1,358,614.83	2,020,703.53
Travel	576,637.53	562,242.13
Materials and Supplies	2,420,797.03	409,428.82
Communications and Utilities	290,944.93	207,164.27
Repairs and Maintenance	213,210.88	211,249.25
Rentals and Leases	890,790.01	749,577.38
Printing and Reproduction	69,234.88	44,057.67
Depreciation and Amortization	808,823.31	188,875.98
Interest	0.00	160.22
Scholarships	1,425.65	1,928.14
Claims and Judgments	0.00	4,112,890.00
Other Operating Expenses	(3,766,762.10)	(184,553.35)
Total Operating Expenses	<u>27,180,381.92</u>	<u>21,203,323.15</u>
Operating Income (Loss)	<u>(27,179,681.41)</u>	<u>(20,933,333.23)</u>
Nonoperating Revenues (Expenses)		
Legislative Revenue	2,895,014.47	2,838,409.27
Investment Income (Expense)	1,433,149.04	75,388.48
Investment Income (Expense) - Pledged	6,580,591.98	5,635,151.66
Interest Expense on Capital Asset Financing	(19,313,327.72)	(17,743,109.65)
Net Increase (Decrease) in Fair Value of Investments	1,173,635.73	(627,100.32)
Other Nonoperating Revenues (Expenses)	(2,067,600.52)	0.00
Other Nonoperating Revenues (Expenses) - Pledged	6.06	12,895.16
Total Nonoperating Revenues (Expenses)	<u>(9,298,530.96)</u>	<u>(9,808,365.40)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	(36,478,212.37)	(30,741,698.63)
Other Revenues, Expenses, Gains, Losses and Transfers		
Lapsed Appropriations	(13,225.79)	0.00
Contributions to Permanent and Term Endowments	19,520.00	2,750.00
Legislative Transfers In from Component Institutions	59,197,582.39	25,995,661.09
Legislative Transfer Out to Other State Agency	(1,123,750.00)	(956,750.00)
Interagency Transfer of Capital Assets - Increase	333,160.45	0.00
Interagency Transfer of Capital Assets - Decrease	(5,687.50)	0.00
Net Transfers In from Texas Tech Foundation, Inc.	2,779,901.44	2,737,368.00
Net Transfers In from (Out to) Component Institutions	(54,009,993.18)	4,896,673.38
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>7,177,507.81</u>	<u>32,675,702.47</u>
Total Change in Net Position	(29,300,704.56)	1,934,003.84
Beginning Net Position, September 1	(737,353,467.00)	(745,362,410.03)
Restatements		6,074,939.19
Beginning Net Position, September 1, as restated	<u>(737,353,467.00)</u>	<u>(739,287,470.84)</u>
Ending Net Position, August 31	<u>\$ (766,654,171.56)</u>	<u>\$ (737,353,467.00)</u>

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Annual Financial Report

Matrix of Operating Expenses by Function
For the Year Ended August 31, 2017 and 2016

Operating Expenses	Functional Classification				Total	Prior Year
	Academic Support	Institutional Support	Operation and Maintenance of Plant	Depreciation and Amortization		
Salaries and Wages	\$ 1,052,688.20	\$ 13,012,026.85	\$	\$	\$ 14,064,715.05	\$ 12,350,483.63
Payroll-Related Costs	299,794.38	9,952,155.54			10,251,949.92	529,115.48
Professional Fees and Services	66,100.41	1,292,514.42			1,358,614.83	2,020,703.53
Travel	9,912.96	566,724.57			576,637.53	562,242.13
Materials and Supplies	15,124.72	281,751.31	2,123,921.00		2,420,797.03	409,428.82
Communications and Utilities	294.20	289,702.55	948.18		290,944.93	207,164.27
Repairs and Maintenance	868.44	207,542.44	4,800.00		213,210.88	211,249.25
Rentals and Leases	1,336.22	889,453.79			890,790.01	749,577.38
Printing and Reproduction	4,009.35	65,054.53	171.00		69,234.88	44,057.67
Depreciation and Amortization				808,823.31	808,823.31	188,875.98
Interest					0.00	160.22
Scholarships		1,425.65			1,425.65	1,928.14
Claims and Judgments					-	4,112,890.00
Other Operating Expenses	(2,076,751.43)	(1,777,933.90)	87,923.23		(3,766,762.10)	(184,553.35)
Total Operating Expenses	\$ (626,622.55)	\$ 24,780,417.75	\$ 2,217,763.41	\$ 808,823.31	\$ 27,180,381.92	\$ 21,203,323.15

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Statement of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Proceeds from Sales and Services	\$ 700.51	\$ 92,700.00
Payments to Suppliers for Goods and Services	(2,703,242.79)	(664,735.74)
Payments to Employees for Salaries	(14,020,220.04)	(12,343,126.41)
Payments to Employees for Benefits	(3,441,854.48)	(2,951,604.72)
Payments for Other Expenses	(2,296,291.56)	(5,673,383.00)
Net Cash Used By Operating Activities	<u>(22,460,908.36)</u>	<u>(21,540,149.87)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	2,988,738.32	2,887,068.37
Proceeds from Gifts	19,520.00	2,750.00
Proceeds from Transfers from Component Institutions	13,384,874.34	12,054,104.49
Proceeds from Transfers from Texas Tech Foundation, Inc	2,779,901.44	2,737,368.00
Proceeds from Agency Transactions	20,260,109.42	5,246,449.49
Proceeds from Other Financing Activities	6.06	12,895.16
Payments for Other Financing Activities	(20,260,109.42)	(5,246,449.49)
Payments for Transfers to Component Institutions	(309,648.07)	(3,659,259.85)
Net Cash Provided by Noncapital Financing Activities	<u>18,863,392.09</u>	<u>14,034,926.17</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt Issuances	462,061,475.45	34,800,000.00
Proceeds from Transfers from Component Institutions	99,305,551.10	65,436,072.96
Proceeds from Other Capital and Related Financing Activities	0.00	35,222.76
Payments for Transfers to Component Institutions	(107,193,188.16)	(42,938,583.13)
Payments for Transfers to Other State Agencies	(1,123,750.00)	(956,750.00)
Payments for Additions to Capital Assets	(12,935,184.93)	(10,184,243.07)
Payments for Principal Paid on Capital Debt	(201,642,092.85)	(43,347,000.00)
Payments for Interest on Capital Debt	(26,540,591.00)	(21,433,885.97)
Payments for Other Costs on Debt Issuance	(2,067,600.52)	0.00
Net Cash (Used)/Provided by Capital and Related Financing Activities	<u>209,864,619.09</u>	<u>(18,589,166.45)</u>
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	21,187,657.13	7,143,925.09
Proceeds from Interest and Investment Income	7,248,859.88	5,718,655.60
Payments to Acquire Investments	(14,215,355.90)	(7,582,283.31)
Net Cash (Used)/Provided by Investing Activities	<u>14,221,161.11</u>	<u>5,280,297.38</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 220,488,263.93</u>	<u>\$ (20,814,092.77)</u>
Beginning Cash & Cash Equivalents, September 1	27,745,101.55	48,559,194.32
Ending Cash & Cash Equivalents, August 31	<u>\$ 248,233,365.48</u>	<u>\$ 27,745,101.55</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (27,179,681.41)	\$ (20,933,333.23)
Adjustments:		
Depreciation and Amortization Expense	808,823.31	188,875.98
Pension Expense	25,483,686.00	15,869,997.00
(Increase) Decrease in Accounts Receivable	(42,405.90)	(3,747.89)
(Increase) Decrease in Deferred Outflows of Resources	(32,238,268.00)	(24,347,849.92)
(Increase) Decrease in Prepaid Items	(17,848.91)	0.00
Increase (Decrease) in Accounts Payable	8,382.78	(110,110.99)
Increase (Decrease) in Salaries Payable	51,424.91	11,105.11
Increase (Decrease) in Benefits Payable	96,359.44	78,170.76
Increase (Decrease) in Due to Other State Agencies	0.00	(177,289.92)
Increase (Decrease) in Employees' Compensable Leave	(106,838.33)	144,613.03
Increase (Decrease) in Claims and Judgments	(2,828,336.25)	2,846,665.00
Increase (Decrease) in Net Pension Liability	0.00	4,665,420.35
Increase (Decrease) in Deferred Inflows of Resources	13,503,794.00	227,334.85
Net Cash Used for Operating Activities	<u>\$ (22,460,908.36)</u>	<u>\$ (21,540,149.87)</u>
Noncash Transactions		
Donation of Capital Assets	\$ 0.00	\$
Net Change in Fair Value of Investments	\$ 1,173,635.73	\$ (627,100.32)
Other	\$ 327,472.95	\$