

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, 2018. 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 the System Administration.

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

Tim Lancaster, Chairman
Christopher M. Huckabee, 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, 2019

Jane Gilmore (Student Regent)	Dallas, TX
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System Fiscal Officers

Tedd L. Mitchell	Chancellor
Gary Barnes	Vice Chancellor and Chief Financial Officer

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Statement of Net Position
August 31, 2018 and 2017

	2018	Restated 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,503,718.85	\$ 25,461,753.61
Restricted Cash and Cash Equivalents	604,469.03	179,314.24
Legislative Appropriations	549,632.29	434,442.71
Receivables:		
Interest and Dividends	57,481.66	59,072.44
Accounts Receivable	3,526.97	0.00
Other Receivables	14,097.41	15,001.99
Prepaid Items	16,671.97	17,848.91
Total Current Assets	<u>26,749,598.18</u>	<u>26,167,433.90</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	130,105,820.83	222,592,297.63
Restricted Investments	771,908.72	784,414.90
Investments	35,922,741.34	39,027,802.19
Capital Assets		
Non-Depreciable or Non-Amortizable	314,482.25	314,482.25
Depreciable or Amortizable	27,371,491.91	27,103,946.37
Accumulated Depreciation and Amortization	(3,397,448.09)	(1,889,043.59)
Total Non-Current Assets	<u>191,088,996.96</u>	<u>287,933,899.75</u>
Total Assets	<u>217,838,595.14</u>	<u>314,101,333.65</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	45,894,061.95	70,884,741.85
Total Deferred Outflows of Resources	<u>45,894,061.95</u>	<u>70,884,741.85</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	79,544.03	848,340.81
Payroll Payable	2,160,913.80	1,451,850.81
Employees' Compensable Leave	150,934.25	133,783.85
Claims and Judgments	1,168,048.67	1,491,897.60
Short-Term Debt Commercial Paper Notes	52,685,000.00	43,253,000.00
Revenue Bonds Payable	64,169,265.10	65,333,600.75
Net OPEB Liability	1,455,923.00	1,748,397.19
Other Current Liabilities	1,119,227.83	1,102,184.47
Total Current Liabilities	<u>122,988,856.68</u>	<u>115,363,055.48</u>
Non-Current Liabilities:		
Employees' Compensable Leave	1,204,199.35	981,081.52
Claims and Judgments	5,790,089.33	6,365,124.40
Revenue Bonds Payable	712,193,003.75	776,362,268.85
Net Pension Liability	184,369,216.00	218,757,231.00
Net OPEB Liability	285,476,285.00	341,074,580.81
Total Non-Current Liabilities	<u>1,189,032,793.43</u>	<u>1,343,540,286.58</u>
Total Liabilities	<u>1,312,021,650.11</u>	<u>1,458,903,342.06</u>

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Statement of Net Position
August 31, 2018 and 2017

	2018	Restated 2017
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	\$ 105,052,981.00	\$ 27,670,766.00
Total Deferred Inflows of Resources	<u>105,052,981.00</u>	<u>27,670,766.00</u>
NET POSITION		
Net Investment in Capital Assets	(674,925,831.48)	(636,963,493.37)
Restricted:		
Nonexpendable Endowments	695,120.59	499,234.00
Expendable:		
Capital Projects	275,121.11	(567,837.28)
Debt Service	590,621.08	2,990,879.77
Other	259,613.66	150,113.48
Unrestricted	<u>(480,236,618.98)</u>	<u>(467,696,929.16)</u>
Total Net Position	<u>\$ (1,153,341,974.02)</u>	<u>\$ (1,101,588,032.56)</u>

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Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2018 and 2017

	2018	Restated 2017
Operating Revenues		
Other Sales and Services - Pledged	\$ 6,905.70	\$ 700.51
Total Operating Revenues	<u>6,905.70</u>	<u>700.51</u>
Operating Expenses		
Salaries and Wages	14,507,126.73	14,064,715.05
Payroll-Related Costs	13,064,319.42	10,251,949.92
Professional Fees and Services	1,205,578.63	1,358,614.83
Travel	553,544.46	576,637.53
Materials and Supplies	336,555.23	2,420,797.03
Communications and Utilities	306,824.65	290,944.93
Repairs and Maintenance	220,822.29	213,210.88
Rentals and Leases	626,834.52	890,790.01
Printing and Reproduction	88,498.69	69,234.88
Depreciation and Amortization	1,522,312.74	808,823.31
Interest	37.01	0.00
Scholarships	1,027.40	1,425.65
Claims and Judgments	136,441.00	0.00
Other Operating Expenses	4,746,199.38	(3,766,762.10)
Total Operating Expenses	<u>37,316,122.15</u>	<u>27,180,381.92</u>
Operating Income (Loss)	<u>(37,309,216.45)</u>	<u>(27,179,681.41)</u>
Nonoperating Revenues (Expenses)		
Legislative Revenue	2,768,642.58	2,895,014.47
Investment Income (Expense)	3,135,887.83	1,433,149.04
Investment Income (Expense) - Pledged	5,877,227.88	6,580,591.98
Interest Expense on Capital Asset Financing	(21,484,659.83)	(19,313,327.72)
Net Increase (Decrease) in Fair Value of Investments	760,744.23	1,173,635.73
Other Nonoperating Revenues (Expenses)	(84,974.35)	(2,067,600.52)
Other Nonoperating Revenues (Expenses) - Pledged	0.00	6.06
Total Nonoperating Revenues (Expenses)	<u>(9,027,131.66)</u>	<u>(9,298,530.96)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(46,336,348.11)</u>	<u>(36,478,212.37)</u>
Other Revenues, Expenses, Gains, Losses and Transfers		
Lapsed Appropriations	0.00	(13,225.79)
Contributions to Permanent and Term Endowments	2,200.00	19,520.00
Legislative Transfers from Component Institutions	61,625,133.08	59,197,582.39
Legislative Transfer to Other State Agency	(1,121,750.00)	(1,123,750.00)
Interagency Transfer of Capital Assets - Increase	0.00	333,160.45
Interagency Transfer of Capital Assets - Decrease	0.00	(5,687.50)
Net Transfers from Texas Tech Foundation, Inc.	2,671,000.00	2,779,901.44
Net Transfers to Component Institutions	(68,594,176.43)	(54,009,993.18)
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>(5,417,593.35)</u>	<u>7,177,507.81</u>
Total Change in Net Position	<u>(51,753,941.46)</u>	<u>(29,300,704.56)</u>
Beginning Net Position, September 1	(766,654,171.56)	(737,353,467.00)
Restatement of Beginning Net Position	<u>(334,933,861.00)</u>	<u>(334,933,861.00)</u>
Beginning Net Position, September 1, as restated	<u>(1,101,588,032.56)</u>	<u>(1,072,287,328.00)</u>
Ending Net Position, August 31	<u>\$ (1,153,341,974.02)</u>	<u>\$ (1,101,588,032.56)</u>

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Statement of Cash Flows
For the Years Ended August 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Proceeds from Sales and Services	\$ 3,378.73	\$ 700.51
Payments to Suppliers for Goods and Services	(645,876.21)	(2,703,242.79)
Payments to Employees for Salaries	(14,031,667.84)	(14,020,220.04)
Payments to Employees for Benefits	(3,185,535.32)	(3,441,854.48)
Payments for Other Expenses	(8,327,566.08)	(2,296,291.56)
Net Cash Provided/(Used) By Operating Activities	<u>(26,187,266.72)</u>	<u>(22,460,908.36)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	2,653,453.00	2,988,738.32
Proceeds from Gifts	2,200.00	19,520.00
Proceeds from Transfers from Component Institutions	12,048,426.15	13,384,874.34
Proceeds from Transfers from Texas Tech Foundation, Inc	2,671,000.00	2,779,901.44
Proceeds from Agency Transactions	63,758,152.34	20,260,109.42
Proceeds from Other Financing Activities	(84,974.35)	6.06
Payments for Other Financing Activities	(63,758,152.34)	(20,260,109.42)
Payments for Transfers to Component Institutions	(689,955.36)	(309,648.07)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>16,600,149.44</u>	<u>18,863,392.09</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt Issuances	30,800,000.00	462,061,475.45
Proceeds from Transfers from Component Institutions	112,286,035.46	99,305,551.10
Payments for Transfers to Component Institutions	(130,613,549.60)	(107,193,188.16)
Payments for Transfers to Other State Agencies	(1,121,750.00)	(1,123,750.00)
Payments for Additions to Capital Assets	(1,082,709.78)	(12,935,184.93)
Payments for Principal Paid on Capital Debt	(84,251,773.30)	(201,642,092.85)
Payments for Interest Paid on Capital Debt	(21,341,510.02)	(26,540,591.00)
Payments for Other Costs on Debt Issuance	0.00	(2,067,600.52)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(95,325,257.24)</u>	<u>209,864,619.09</u>
Cash Flows from Investing Activities		
Proceeds from Investment Sales and Maturities	15,514,514.34	21,187,657.13
Proceeds from Interest and Investment Income	9,388,177.46	7,248,859.88
Payments to Acquire Investments	(12,009,674.05)	(14,215,355.90)
Net Cash Provided/(Used) by Investing Activities	<u>12,893,017.75</u>	<u>14,221,161.11</u>
TOTAL NET CASH FLOWS	<u>\$ (92,019,356.77)</u>	<u>\$ 220,488,263.93</u>
Beginning Cash & Cash Equivalents, September 1	248,233,365.48	27,745,101.55
Ending Cash & Cash Equivalents, August 31	<u>\$ 156,214,008.71</u>	<u>\$ 248,233,365.48</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (37,309,216.45)	\$ (27,179,681.41)
Adjustments:		
Depreciation and Amortization Expense	1,522,312.74	808,823.31
Pension Expense	17,311,355.00	25,483,686.00
OPEB Expense	15,355,484.00	0.00
(Increase) Decrease in Accounts Receivable	(2,622.39)	(42,405.90)
(Increase) Decrease in Deferred Outflows of Resources	5,225,998.00	(32,238,268.00)
(Increase) Decrease in Prepaid Items	1,176.94	(17,848.91)
Increase (Decrease) in Accounts Payable	32,459.22	8,382.78
Increase (Decrease) in Payroll Payable	475,458.89	51,424.91
Increase (Decrease) in Benefits Payable	233,604.10	96,359.44
Increase (Decrease) in Employees' Compensable Leave	240,268.23	(106,838.33)
Increase (Decrease) in Claims and Judgments	(898,884.00)	(2,828,336.25)
Increase (Decrease) in Net Pension Liability	(127,004.00)	0.00
Increase (Decrease) in Net OPEB Liability	(77,624,658.00)	0.00
Increase (Decrease) in Deferred Inflows of Resources	49,377,001.00	13,503,794.00
Net Cash Used for Operating Activities	<u>\$ (26,187,266.72)</u>	<u>\$ (22,460,908.36)</u>
Noncash Transactions		
Net Change in Fair Value of Investments	\$ 760,744.23	\$ 1,173,635.73
Other	\$ 0.00	\$ 327,472.95

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Matrix of Operating Expenses by Function
For the Years Ended August 31, 2018 and 2017

Operating Expenses	Functional Classification				Total	Prior Year
	Academic Support	Institutional Support	Operation and Maintenance of Plant	Depreciation and Amortization		
Salaries and Wages	\$ 1,090,462.37	\$ 13,416,664.36	\$	\$	\$ 14,507,126.73	\$ 14,064,715.05
Payroll-Related Costs	318,759.59	12,745,559.83			13,064,319.42	10,251,949.92
Professional Fees and Services	55,860.48	1,149,718.15			1,205,578.63	1,358,614.83
Travel	12,195.95	541,348.51			553,544.46	576,637.53
Materials and Supplies	13,983.51	275,401.95	47,169.77		336,555.23	2,420,797.03
Communications and Utilities	4,108.70	302,715.95			306,824.65	290,944.93
Repairs and Maintenance	456.66	219,813.63	552.00		220,822.29	213,210.88
Rentals and Leases	815.94	626,018.58			626,834.52	890,790.01
Printing and Reproduction	3,869.75	84,500.94	128.00		88,498.69	69,234.88
Depreciation and Amortization				1,522,312.74	1,522,312.74	808,823.31
Interest		37.01			37.01	0.00
Scholarships		1,027.40			1,027.40	1,425.65
Claims and Judgments	136,441.00				136,441.00	0.00
Other Operating Expenses	1,770.44	4,737,791.32	6,637.62		4,746,199.38	(3,766,762.10)
Total Operating Expenses	\$ 1,638,724.39	\$ 34,100,597.63	\$ 54,487.39	\$ 1,522,312.74	\$ 37,316,122.15	\$ 27,180,381.92