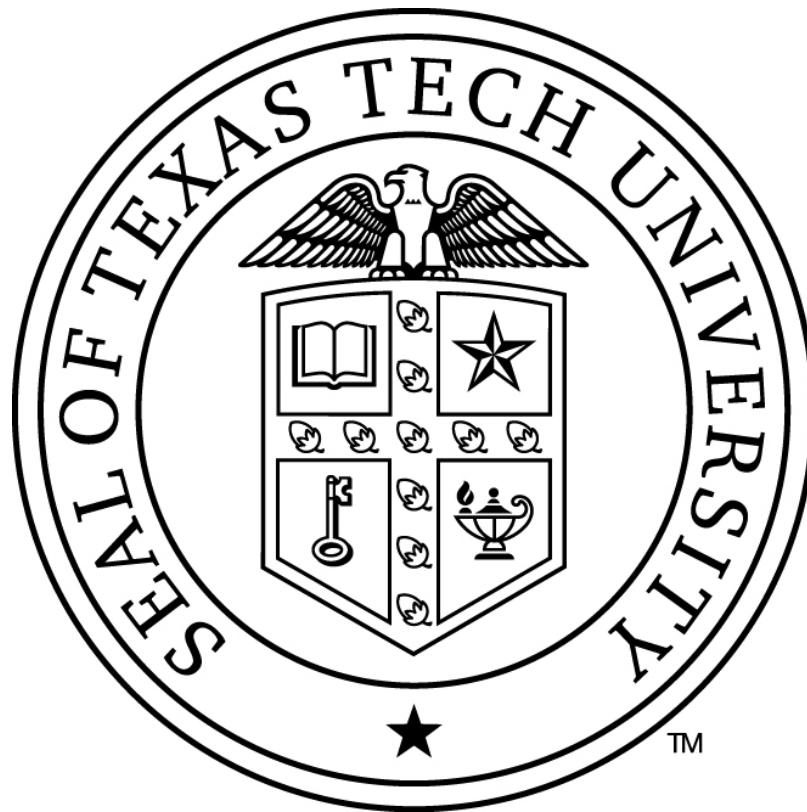


# TEXAS TECH UNIVERSITY



## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

**LUBBOCK, TEXAS**

## **Texas Tech University (733) Financial Statements**

Presented herein are the financial statements for Texas Tech University 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 (733)**  
**Table of Contents**

Organizational Data .....	1
Statement of Net Position.....	2
Statement of Revenues, Expenses and Changes in Net Position .....	4
Matrix of Operating Expenses by Function .....	6
Statement of Cash Flows.....	8

**Texas Tech University (733)  
Organizational Data**

**Board of Regents**

**Officers of the Board**

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

**Members**

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*Term Expires January 31, 2017*

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

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*Term Expires January 31, 2019*

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

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*Term Expires January 31, 2021*

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

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*Term Expires May 31, 2017*

Jeremy Stewart (Student Regent)	Arlington, TX
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**Fiscal Officers**

Lawrence Schovanec	President
Noel Sloan	CFO and Vice President for Administration & Finance
Sharon Williamson	Assistant Vice President and Controller
Simone Barnhill	Managing Director, Accounting Services

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**Texas Tech University (733)**  
**Statement of Net Position**  
**August 31, 2016 and 2015**

	<u>2016</u>	<u>Restated 2015</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 89,665,215.03	\$ 66,260,617.12
Restricted Cash and Cash Equivalents	28,960,261.06	19,205,069.79
Legislative Appropriations	84,393,676.14	64,325,267.87
Receivables:		
Federal	13,386,347.35	11,475,156.81
Student	5,438,228.82	5,409,208.21
Accounts	6,676,228.93	6,051,789.98
Interest and Dividends	545,258.13	484,235.02
Gifts	4,290,673.26	3,696,019.01
Other	8,789,448.40	2,084,968.19
Due From Other State Agencies	30,477,965.86	28,437,852.22
Inventories	2,607,707.80	2,702,071.43
Prepaid Items	39,641,797.77	36,628,553.12
Loans and Contracts	629,165.44	778,350.49
Other Current Assets	450,000.00	450,000.00
Total Current Assets	<u>315,951,973.99</u>	<u>247,989,159.26</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	10,150,249.24	8,828,313.89
Restricted Investments	258,082,860.34	257,212,634.47
Gift Receivables	10,533,832.42	14,013,249.24
Loans and Notes Receivable	958,169.39	1,155,900.11
Investments	482,136,209.56	435,709,637.29
Capital Assets:		
Non-Depreciable or Non-Amortizable	116,032,857.55	95,497,760.27
Depreciable or Amortizable	1,973,276,528.97	1,898,176,037.79
Accumulated Depreciation and Amortization	<u>(1,054,506,253.31)</u>	<u>(988,383,667.40)</u>
Total Non-Current Assets	<u>1,796,664,454.16</u>	<u>1,722,209,865.66</u>
Total Assets	<u>\$ 2,112,616,428.15</u>	<u>\$ 1,970,199,024.92</u>

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**Texas Tech University (733)**  
**Statement of Net Position**  
**August 31, 2016 and 2015**

	<u>2016</u>	<u>Restated 2015</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 23,132,958.38	\$ 20,727,362.71
Payroll Payable	32,672,375.85	29,129,902.82
Unearned Revenue	154,458,610.71	146,520,240.04
Due to Other State Agencies	1,536,688.87	1,754,167.30
Employees' Compensable Leave	1,585,243.80	1,532,094.73
Funds Held for Others	19,754,257.13	19,681,134.19
Other Current Liabilities	3,435,222.33	3,428,217.72
Total Current Liabilities	<u>236,575,357.07</u>	<u>222,773,119.51</u>
Non-Current Liabilities:		
Employees' Compensable Leave	11,625,121.15	11,235,361.31
Pollution Remediation Obligation	1,022,641.50	0.00
Total Non-Current Liabilities	<u>12,647,762.65</u>	<u>11,235,361.31</u>
Total Liabilities	<u>249,223,119.72</u>	<u>234,008,480.82</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	1,034,803,133.21	1,005,290,130.66
Restricted:		
Nonexpendable:		
Endowments	75,103,343.53	74,357,739.19
Expendable:		
Capital Projects	18,493,011.15	20,744,190.50
Higher Education Assistance Fund	58,046,147.93	40,488,533.77
Debt Service	49,856,836.59	29,675,195.76
Other	136,445,592.11	136,326,383.58
Unrestricted	490,645,243.91	429,308,370.64
Total Net Position	<u>\$ 1,863,393,308.43</u>	<u>\$ 1,736,190,544.10</u>

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**Texas Tech University (733)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended August 31, 2016 and 2015**

	2016	Restated 2015
Operating Revenues		
Tuition and Fees	\$ 6,518,328.11	\$ 10,745,405.16
Tuition and Fees - Pledged	394,302,057.23	369,053,500.62
Less Discounts and Allowances	(93,438,686.27)	(85,760,376.80)
Sales and Services of Auxiliary Enterprises - Pledged	148,558,704.08	142,406,285.59
Other Sales and Services	4,827,445.65	5,177,625.46
Other Sales and Services - Pledged	7,969,381.21	7,999,117.50
Federal Grants and Contracts	37,108,034.52	36,646,704.62
Federal Grants Pass-Throughs from Other State Agencies	2,674,171.17	3,153,731.66
State Grants and Contracts	356,213.52	250,267.75
State Grant Pass-Throughs from Other State Agencies	50,477,545.99	22,573,868.47
Local Governmental Grants and Contracts	595,076.81	690,604.88
Nongovernmental Grants and Contracts	13,338,579.82	8,343,826.98
Total Operating Revenues	573,286,851.84	521,280,561.89
Operating Expenses		
Cost of Goods Sold	14,063,314.57	15,151,338.09
Salaries and Wages	356,601,681.81	343,485,231.77
Payroll Related Costs	90,525,971.22	86,282,058.80
Professional Fees and Services	10,330,705.10	7,613,068.21
Travel	24,075,767.87	22,083,752.43
Materials and Supplies	31,649,966.47	32,877,559.46
Communications and Utilities	29,355,357.22	29,743,960.47
Repairs and Maintenance	21,768,113.64	20,899,438.71
Rentals and Leases	10,485,627.53	7,892,767.22
Printing and Reproduction	2,934,109.09	2,724,065.11
Federal Grant Pass-Through Expense	1,271,275.02	1,106,523.50
State Grant Pass-Through Expense	130,782.03	85,616.96
Depreciation and Amortization	81,631,902.56	87,263,057.51
Bad Debt Expense	1,651.51	56,523.40
Interest	9,236.70	5,823.79
Scholarships	53,078,089.69	50,555,865.98
Net Change in Pollution Remediation Obligation	1,022,641.50	0.00
Claims and Judgements	38,693.83	99,074.20
Other Operating Expenses	64,267,620.10	59,488,487.71
Total Operating Expenses	793,242,507.46	767,414,213.32
Operating Income (Loss)	\$ (219,955,655.62)	\$ (246,133,651.43)

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**Texas Tech University (733)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended August 31, 2016 and 2015**

	2016	Restated 2015
Nonoperating Revenues (Expenses)		
Legislative Revenue	\$ 190,945,777.78	\$ 178,822,411.44
Federal Grants and Contracts	34,465,531.00	34,712,873.00
Private Gifts	10,183,491.14	12,671,764.37
Private Gifts - Pledged	849,109.75	2,764,759.74
Investment Income (Expense)	6,395,406.75	5,935,514.09
Investment Income (Expense) - Pledged	13,820,226.97	9,984,083.44
Interest Expense on Capital Asset Financing	0.00	(12,284,087.94)
Gain (Loss) on Sale and Disposal of Capital Assets	(1,121,913.21)	(1,113,606.50)
Net Increase (Decrease) in Fair Value of Investments	(2,832,584.35)	(21,336,408.89)
Other Nonoperating Revenues (Expenses)	1,117,657.99	2,115,514.27
Other Nonoperating Revenues (Expenses) - Pledged	1,858,677.68	3,485,538.16
Total Nonoperating Revenues (Expenses)	255,681,381.50	215,758,355.18
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	35,725,725.88	(30,375,296.25)
Other Revenues, Expenses, Gains, Losses, and Transfers		
Capital Appropriations (HEAF)	32,817,206.00	23,936,088.00
Capital Contributions	2,594,822.97	2,541,971.44
Lapsed Appropriations	(7,532.55)	(274,738.48)
Contributions to Permanent and Term Endowments	439,009.31	777,827.49
Legislative Transfers In (Out)	(7,896,343.45)	(1,753,337.00)
Interagency Transfers of Capital Assets - Increase	797,462.69	431,848.42
Interagency Transfers of Capital Assets - Decrease	(45,571.08)	(65,113.78)
Net Transfers from (to) Texas Tech Foundation, Inc.	49,704,973.82	43,122,144.33
Net Transfers from (to) Other State Agencies	13,073,010.74	420,789,666.09
Net Other Revenues, Expenses, Gains, Losses, and Transfers	91,477,038.45	489,506,356.51
Total Change in Net Position	127,202,764.33	459,131,060.26
Beginning Net Position (September 1)	1,736,190,544.10	1,286,510,486.91
Restatements	0.00	(9,451,003.07)
Ending Net Position (August 31)	\$ 1,863,393,308.43	\$ 1,736,190,544.10



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**Texas Tech University (733)**  
**Matrix of Operating Expenses by Function**  
**For the Years Ended August 31, 2016 and 2015**

Natural Classification	Functional Classification					
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Cost of Goods Sold	\$ 120,305.89	\$ 285.00	\$ 26,134.30	\$ 5,819.47	\$ 219.38	\$ 975,232.83
Salaries and Wages	129,277,640.80	84,665,110.63	6,144,214.69	47,861,549.00	17,319,381.76	20,350,722.52
Payroll Related Costs	32,692,594.04	19,469,701.50	1,524,138.45	13,248,869.39	4,664,317.56	6,108,009.79
Professional Fees and Services	752,269.78	2,122,654.37	406,159.35	1,322,538.97	746,044.31	3,557,683.83
Travel	4,931,872.98	4,806,776.51	605,103.12	3,300,128.08	2,139,470.31	439,032.52
Materials and Supplies	5,350,607.93	8,160,322.65	700,838.40	4,393,884.10	2,091,313.96	833,847.79
Communications and Utilities	762,745.23	1,795,275.98	151,500.92	1,683,973.54	1,000,829.68	1,076,507.16
Repairs and Maintenance	798,249.87	2,165,520.09	263,933.47	1,920,550.71	402,915.24	280,178.54
Rentals and Leases	1,438,834.03	859,242.21	547,433.32	2,739,365.40	1,190,394.94	729,281.69
Printing and Reproduction	312,086.85	233,328.69	108,950.62	622,248.74	677,132.79	213,992.83
Federal Grant Pass-Through Expense	18,302.07	731,340.75	521,632.20			
State Grant Pass-Through Expense		130,782.03				
Depreciation and Amortization						
Bad Debt Expense		(125.82)				1,777.33
Interest	662.49	1,517.65	867.50	1,398.60	373.44	792.35
Scholarships	5,008,222.03	7,182,999.03	149,402.24	475,797.40	164,394.55	7,651.17
Net Change in Pollution Remediation Obligation						
Claims and Judgements				3,518.15		35,175.68
Other Operating Expenses	2,388,408.26	7,895,790.89	1,957,928.52	6,356,171.62	9,918,881.31	8,846,892.03
<b>Total Operating Expenses</b>	<b>\$ 183,852,802.25</b>	<b>\$ 140,220,522.16</b>	<b>\$ 13,108,237.10</b>	<b>\$ 83,935,813.17</b>	<b>\$ 40,315,669.23</b>	<b>\$ 43,456,778.06</b>

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**Texas Tech University (733)**  
**Matrix of Operating Expenses by Function**  
**For the Years Ended August 31, 2016 and 2015**

Natural Classification	Functional Classification				Total	Prior Year
	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization		
Cost of Goods Sold	\$ -	\$ -	\$ 12,935,317.70	\$ -	\$ 14,063,314.57	\$ 15,151,338.09
Salaries and Wages	6,784,848.93	70,752.12	44,127,461.36	-	356,601,681.81	343,485,231.77
Payroll Related Costs	1,896,353.48	2,697.87	10,919,289.14	-	90,525,971.22	86,282,058.80
Professional Fees and Services	393,922.77	-	1,029,431.72	-	10,330,705.10	7,613,068.21
Travel	36,867.14	3,026.31	7,813,490.90	-	24,075,767.87	22,083,752.43
Materials and Supplies	3,401,928.25	-	6,717,223.39	-	31,649,966.47	32,877,559.46
Communications and Utilities	14,815,581.51	-	8,068,943.20	-	29,355,357.22	29,743,960.47
Repairs and Maintenance	9,911,197.54	-	6,025,568.18	-	21,768,113.64	20,899,438.71
Rentals and Leases	266,121.35	-	2,714,954.59	-	10,485,627.53	7,892,767.22
Printing and Reproduction	9,514.58	-	756,853.99	-	2,934,109.09	2,724,065.11
Federal Grant Pass-Through Expense	-	-	-	-	1,271,275.02	1,106,523.50
State Grant Pass-Through Expense	-	-	-	-	130,782.03	85,616.96
Depreciation and Amortization	-	-	-	81,631,902.56	81,631,902.56	87,263,057.51
Bad Debt Expense	-	-	-	-	1,651.51	56,523.40
Interest	2,416.02	-	1,208.65	-	9,236.70	5,823.79
Scholarships	-	40,048,897.17	40,726.10	-	53,078,089.69	50,555,865.98
Net Change in Pollution Remediation Obligation	1,022,641.50	-	-	-	1,022,641.50	0.00
Claims and Judgements	-	-	-	-	38,693.83	99,074.20
Other Operating Expenses	6,606,370.29	6,000.00	20,291,177.18	-	64,267,620.10	59,488,487.71
Total Operating Expenses	\$ 45,147,763.36	\$ 40,131,373.47	\$ 121,441,646.10	\$ 81,631,902.56	\$ 793,242,507.46	\$ 767,414,213.32

UNAUDITED

**Texas Tech University (733)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2016 and 2015**

	<b>2016</b>	Restated <b>2015</b>
<b>Cash Flows from Operating Activities</b>		
Proceeds from Customers	\$ 12,486,879.70	\$ 13,550,925.27
Proceeds from Tuition and Fees	302,528,340.40	300,216,336.33
Proceeds from Grants and Contracts	109,166,460.28	73,267,186.14
Proceeds from Sales and Services of Auxiliary Enterprises	149,596,683.83	139,988,307.79
Proceeds from Collection of Loans to Students	1,061,204.32	1,573,765.23
Payments to Suppliers for Goods and Services	(56,040,429.35)	(56,534,481.40)
Payments to Employees for Salaries	(355,723,240.68)	(342,656,239.68)
Payments to Employees for Benefits	(87,861,939.32)	(85,830,678.87)
Payments for Loans Issued to Students	(714,288.55)	(1,797,967.49)
Payments for Other Expenses	(206,081,081.90)	(194,786,119.43)
Net Cash Used By Operating Activities	(131,581,411.27)	(153,008,966.11)
 <b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from State Appropriations	188,178,849.46	176,879,357.53
Proceeds from Gifts	14,356,372.77	21,180,829.90
Proceeds from Nonoperating Grants and Contracts	34,082,739.26	34,637,602.88
Proceeds from Other Financing Activities	2,249,599.32	4,850,150.23
Proceeds from Agency Transactions	169,293,836.51	167,433,444.98
Proceeds from Transfers from Component Institutions	790,618.37	641,463.25
Proceeds from Transfers from Texas Tech Foundation, Inc.	49,750,588.86	43,172,318.03
Proceeds from Transfers from Other State Agencies	9,137,337.21	3,872,610.43
Payments for Transfers to Component Institutions	(5,607,664.80)	(6,462,488.92)
Payments for Transfers to Texas Tech Foundation, Inc.	(45,615.04)	(50,173.70)
Payments for Transfers to Other State Agencies	0.00	(4,408,230.90)
Payments for Other Uses	(170,718,687.76)	(168,292,945.79)
Net Cash Provided by Noncapital Financing Activities	291,467,974.16	273,453,937.92
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	446,338.00	0.00
Proceeds from Capital Debt Issuances	0.00	22,671,363.78
Proceeds from Capital Appropriations	15,698,857.02	20,533,677.26
Proceeds from Transfers from Component Institutions	42,000,556.20	14,054,164.60
Payments for Transfers to Component Institutions	(43,523,793.59)	(4,128,417.05)
Payments for Additions to Capital Assets	(109,702,297.15)	(112,697,943.81)
Payments for Principal Paid on Capital Debt	0.00	(34,295,018.12)
Payments for Interest Paid on Capital Debt	(350,221.16)	(13,561,906.92)
Net Cash Used by Capital and Related Financing Activities	\$ (95,430,560.68)	\$ (107,424,080.26)

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**Texas Tech University (733)**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2016 and 2015**

	<u>2016</u>	<u>Restated 2015</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Investment Sales and Maturities	\$ 120,685,116.22	\$ 99,136,288.69
Proceeds from Interest and Investment Income	19,992,967.49	19,250,618.47
Payments to Acquire Investments	<u>(170,652,361.39)</u>	<u>(205,728,566.06)</u>
Net Cash Used by Investing Activities	<u>(29,974,277.68)</u>	<u>(87,341,658.90)</u>
TOTAL NET CASH FLOWS	<u>\$ 34,481,724.53</u>	<u>\$ (74,320,767.35)</u>
Beginning Cash & Cash Equivalents (September 1)	\$ 94,294,000.80	\$ 168,614,768.15
Ending Cash & Cash Equivalents (August 31)	<u>\$ 128,775,725.33</u>	<u>\$ 94,294,000.80</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating Loss	\$ (219,955,655.62)	\$ (246,133,651.43)
Adjustments:		
Depreciation and Amortization Expense	81,631,902.56	87,263,057.51
Bad Debt Expense	1,651.51	56,523.40
(Increase) Decrease in Accounts Receivable	(7,371,603.08)	(886,829.69)
(Increase) Decrease in Loans and Notes Receivable	346,915.77	(224,202.26)
(Increase) Decrease in Inventories	94,363.63	17,792.45
(Increase) Decrease in Due From Other State Agencies	138,772.49	552,369.97
(Increase) Decrease in Prepaid Items	(2,418,912.35)	(3,767,071.35)
Increase (Decrease) in Accounts Payable	3,189,117.72	2,424,725.78
Increase (Decrease) in Payroll Payable	878,441.13	828,992.09
Increase (Decrease) in Unearned Revenue	7,941,821.39	5,753,983.54
Increase (Decrease) in Employees' Compensable Leave	442,908.91	733,831.38
Increase (Decrease) in Due to Other State Agencies	(217,478.43)	322,669.82
Increase (Decrease) in Benefits Payable	2,664,031.90	451,379.93
Increase (Decrease) in Pollution Remediation Obligation	1,022,641.50	0.00
Increase (Decrease) in Other Liabilities	<u>29,669.70</u>	<u>(402,537.25)</u>
Net Cash Used for Operating Activities	<u>(131,581,411.27)</u>	<u>(153,008,966.11)</u>
Noncash Transactions		
Donation of Capital Assets	2,594,822.97	2,541,971.44
Net Increase (Decrease) in Fair Value of Investments	(2,832,584.35)	(21,336,408.89)
Other	<u>(72,594.76)</u>	<u>409,327,800.84</u>
Total Noncash Transactions	<u>\$ (310,356.14)</u>	<u>\$ 390,533,363.39</u>