



Telling Your Story Through Financial Statements

2023 Annual Financial Reporting (AFR) Workshop

TERESA EDWARDS, CPA

CONTROLLER

TEXAS A&M UNIVERSITY SYSTEM OFFICE



Telling Your Story

- Accountant's Goals
 - Complies with GAAP
 - Complies with Rules
 - Departments spent funding as expected and according to the rules
 - Clearing audit concerns from prior years
- What is the impact of our financial statements?

Purpose of Financial Statements

- A financial statement provides a clear picture of an entity's growth and financial performance
- A financial statement helps management identify trends and make better decisions
- A financial statement also reveals liquid assets that an entity can use to pay its liabilities, especially the highest-cost debts
- Used by bond rating agencies to determine a borrowing rate
- Ensure transactions balance for statewide ACFR reporting

Poll the Audience

- How many attendees have issued AFRs for a higher education agency?
 - For a city or county?
 - For a company?
- Who has worked for a CPA firm?
- Discuss the experience
 - Any discussions with management?
 - Any questions from the budget team?
 - Any audit findings?



MY **BIGGEST** **FINANCIAL** **MISTAKE**

THAT COST ME THOUSANDS!

...ARE YOU MAKING
THE SAME ONE?



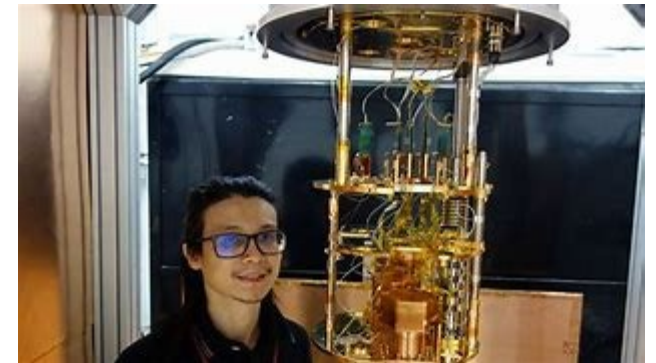
DEBT FREE HAPPENS

Who is the Texas A&M University System?

- Educated over 152,000 students in FY 2022
- Agencies provided research, public service, and instruction to benefit the state
- Outreach to 24 million educational contacts through service and outreach programs
- Over 25,000 full-time faculty and staff plus over 26,000 part-time employees...totaling over \$51,000
- Physical and programmatic presence in 250 Texas counties..TFS, Ag Ext, TDEM
- Real property holdings...over 63,000 surface acres and 64,000 mineral acres

Who is the Texas A&M University System?

- Overall Net Position \$7.8 billion
- Reserve of Net Position is over 3 months
- Revenues and Expenses in line with budget projects
- AAA, AAA, Aaa ratings for the new bonds and affirmation of ratings on existing debt from S&P, Fitch, and Moody's, respectively
 - Provide approximately \$51.4 million for eligible construction projects and refunding approximately \$167.8 million of outstanding commercial paper notes
 - Interest rate was 4.29% for RFS 2022 Bonds
 - Between 33-39% of our RFS debt is paid with help from State Funds



FY 2022 for Texas A&M University System

- In 2022, we faced some significant hurdles...supply chain disruptions, a spike in inflation, increased construction costs, Federal interest rate hikes, uncertainty and unprecedented volatility in the investment markets, etc. which negatively impacted our financial reports
- However, as an agency of the State of Texas...we are in a good position, and with the financial assistance provided by our state legislature we will make our way out and continue to make a positive difference in our state

Each Member is important to the Texas A&M University System

- Attend workshops and conferences
- Your institution and agency are making an impact
- Your management is making good decisions
 - They need **accurate** reports to make these decisions
 - Budget and Actuals are critical
 - Campus/Agency capital planning
 - Overall debt management





What is happening around the nation?

- As of August 4, 2023, at least 43 public or nonprofit colleges have closed, merged, or announced closures since March 2020
- Campus closures peaked in the years leading up to the pandemic, driven by private for-profit college closures
 - Nearly 80% of colleges closed between 2004-2020 were for-profit schools
- Just over half of students who experienced a college closure did not re-enroll (52.9%)
- 7 in 10 students impacted by a college closure experienced an abrupt closure
- For-profit colleges are far more likely to close abruptly than public and nonprofit colleges

What is happening in Texas?



- Midwestern State joined Texas Tech System in 2022
- Stephen F. Austin joined the UT System in 2023
- We do not hear of shut downs in Texas...why?
- [Texas Population Passes the 30-Million Mark in 2022 \(census.gov\)](#)
 - Texas is now one of only two U.S. states with a population of 30 million or more: the nation's second-most-populous state reached a population milestone by passing the 30-million threshold
- [THECB-Enrollment Forecast 2021-2035 Texas Institutions of Higher Education - January 2021](#)

The Enrollment Forecast

The enrollment forecast concludes that if current patterns persist, Texas public and independent two-year and four-year institutions will grow from the 1.49 million enrollees in fall 2020 to 1.62 million in 2025. The 2025 projection is nearly 153,000 more students than in 2015 and over 190,000 more students than in 2010. This report also estimates enrollments through 2035, which are predicted to be almost 1.8million (Tables 1 and 2).

Table 1. Fall Headcount Enrollment Forecasts, Texas Institutions of Higher Education

	Actual 2010	Actual 2015	Actual Prelim. 2020	Total Projections		
				2025	2030	2035
Public Universities	557,550	619,175	667,072	718,441	756,218	800,892
Public Two-Year Colleges	743,252	718,547	699,573	770,104	809,950	863,783
Independent Universities	124,585	125,635	126,450	127,325	127,968	128,729
Total	1,425,387	1,463,357	1,493,095	1,615,870	1,694,136	1,793,404

Source: THECB CBM001; Texas Demographic Center Population Projections, 2018



Job Postings

- Increase in Job Postings
- Competing with companies
- Tele-work options (requirements)
- More jobs are available
 - Unemployment rate 4.1%

What Members CANNOT Control

- Depends on the Actuary and our Employee population
 - TAMUS Non-General Revenue **OPEB liability** increased \$310 million to 2022 reported liability of \$2.700 billion from 2021 \$2.390 billion
 - TAMUS Pension liability decreased by \$367 million from **\$712 million** to \$345 million based upon TRS actuary reports with increase in investment returns and change in pension assumptions
- Investments-they are managed by our Treasury Team
 - Excellent investment managers
 - Demand excellence



What Can Members and Departments Control?



- Revenues
 - Tuition Revenue, ensuring students continue to stay with us and graduate
 - Professors and Grant teams help diversity our revenue streams
- Expenses
 - Ensuring our staff is receiving increased compensation
 - Controlling costs when possible
 - Reviewing the fiscal year..is the expense attributable to this year or next year?
- Budgets
 - Review for deficits
- Reserves
 - Any reserves or restrictions placed on the ending net position
 - Residual funds to help with the future



What Can Members and Fiscal Offices Control?

- Balance Sheet is accurate
 - Accounts Receivables,
 - Prior year entries removed
 - New accruals posted
 - Missing any? This impacts our revenue
 - Accounts Payable
 - Prior year entries removed
 - New accruals posted
 - Missing any? This impacts our expenses
- Do revenues and expenses ‘match’?
 - If not...is an accrual needed?



Importance of the Balance Sheet

- Departments often do not review the Balance Sheet...accounting expertise is needed
- Clearing accounts...where should they be placed on the AFR?
- Reconciliations
 - Consider the impact...is this really a reconciliation item or should an entry be revised
 - Book value vs. Bank Value

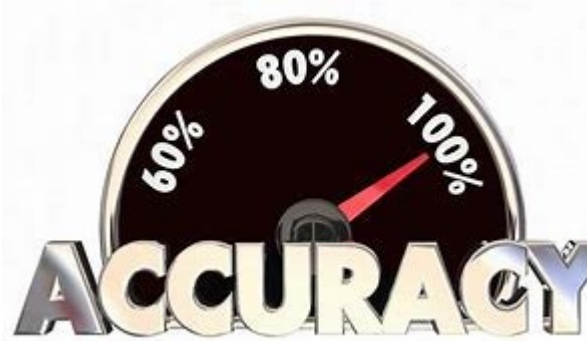


What Can Members and Fiscal Offices Control?

- Fluctuation Analysis-when compared to last year, does it tell the story?
 - Explain what happened
 - Flooding in a building, repairing a dorm, building a new lab space
 - Escalating fluxes which need management's attention on the department's attention
- Budget vs. Actuals-are we living within our means?
- Line items are accurate
 - Purchase and Travel expenses are coded correctly
 - Capital vs. non-capital cost

NACUBO Function on Operating Expenses

- Used by higher education rating entities to rank institutions
- Defines the type of expense and this is identified when an account is setup
 - Ensure the function is correct
 - Ask questions
- Refer to System Office Financial Reporting manual
- Refer to NACUBO FARM Manual
- This is a challenge...one code for a FAMIS account



What is happening?



- Investment market is improving
- Federal funding
 - HEERF funds are decreasing or gone
 - Pell grants increasing
 - Research funding increasing
- The cost of everything is increasing
- Prime rate increased to 8.5%
 - State of Texas prompt pay interest is at 9.25%
- Supply chain causing delays and cost increases
- Still need to spend state funding according to the timelines

Technology Changing our Culture

- Artificial Intelligence changing our world
 - Creating PowerPoint slides, selecting pictures for us
- Teaching us to
 - How to play the guitar
 - How to drive a car
- Our management researches how they can remain relevant and successful
 - Our institutions must find a way to ensure students understand why college is important...how it can change their lives
 - Our agencies must figure out how to teach the every-changing public about nutrition, food, agriculture, improving structures, chip manufacturing, use of drones, etc.



Balance Sheet			
	Agency A	Agency B	Agency C
Assets			
Cash	\$ 100	\$ 100	\$ (500)
Accounts Receivable	1,000	1,000	1,000
Total Assets	1,100	1,100	500
Liabilities			
Accounts Payable/Debt	\$ 500	\$ 20,000	\$ 500
Net Position/Fund Balance	\$ 600	\$ (18,900)	\$ 0
Debt to Asset Ratio >.5	2.20	0.06	1.00

Operating Statement			
	Agency A	Agency B	Agency C
Revenue			
Tuition Revenue (net)	\$ 200	\$ 200	\$ 175
Federal Research Revenue	100	50	100
Total Revenues	300	250	275
Expenses			
Instruction	90	50	400
Research	10	150	120
Depreciation	5	5	5
Total Expenses	105	205	525
Operating (Loss)	\$ 195	\$ 45	\$ (250)
Operating Margin >15%	65%	18%	-91%



We need your help

- Accurate and Compliant
- Tells the Story for your institution or agency
- Each story builds to the consolidated story



Closing Comments and Questions

- Do your best
- All Questions are welcome
- We are glad to research topics with your team
- Questions
- **Introduce Janet Killion**

