

Audit & Business Committee  
December 4, 2025





## FY2024-25 Unaudited Statement of Revenues, Expenses, and Changes in Net Position

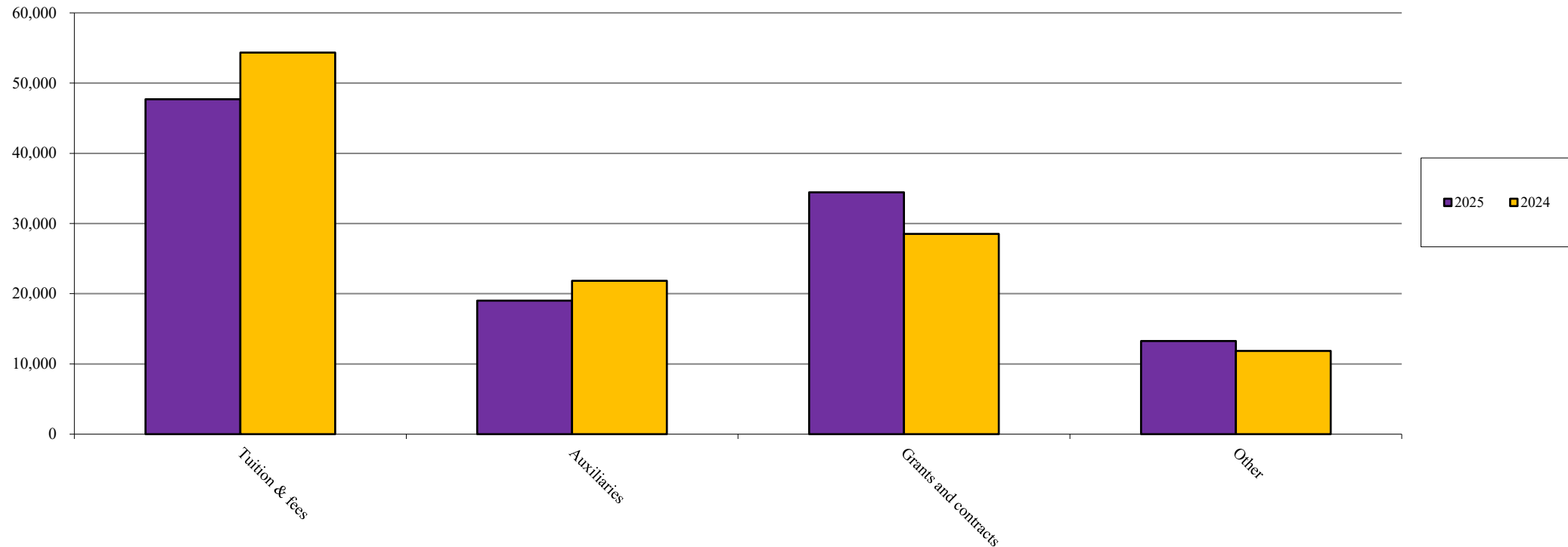


**Statement of Revenues, Expenses, and Changes in Net Position**  
**For Year Ended June 30, 2025 (unaudited)**  
(in thousands of dollars)

	2025	2024
Operating revenues	\$ 114,450	\$ 116,521
Operating expenses	251,529	241,661
Operating loss	(137,079)	(125,140)
Nonoperating revenues and expenses	158,558	152,311
<b>Income (loss) before other revenues, expenses, gains or losses</b>	<b>21,479</b>	<b>27,171</b>
Other revenues, expenses, gains or losses	14,765	46,231
<b>Increase (decrease) in net position</b>	<b>\$ 36,244</b>	<b>\$ 73,402</b>
Net position at beginning of year	\$ 527,491	\$ 454,089
Cumulative effect of change in accounting principle	0	0
Net position - beginning of year restated	\$ 527,491	\$ 454,089
Adjustment for accounting change/error correction	(23,963)	0
<b>Net position at end of year</b>	<b>\$ 539,772</b>	<b>\$ 527,491</b>



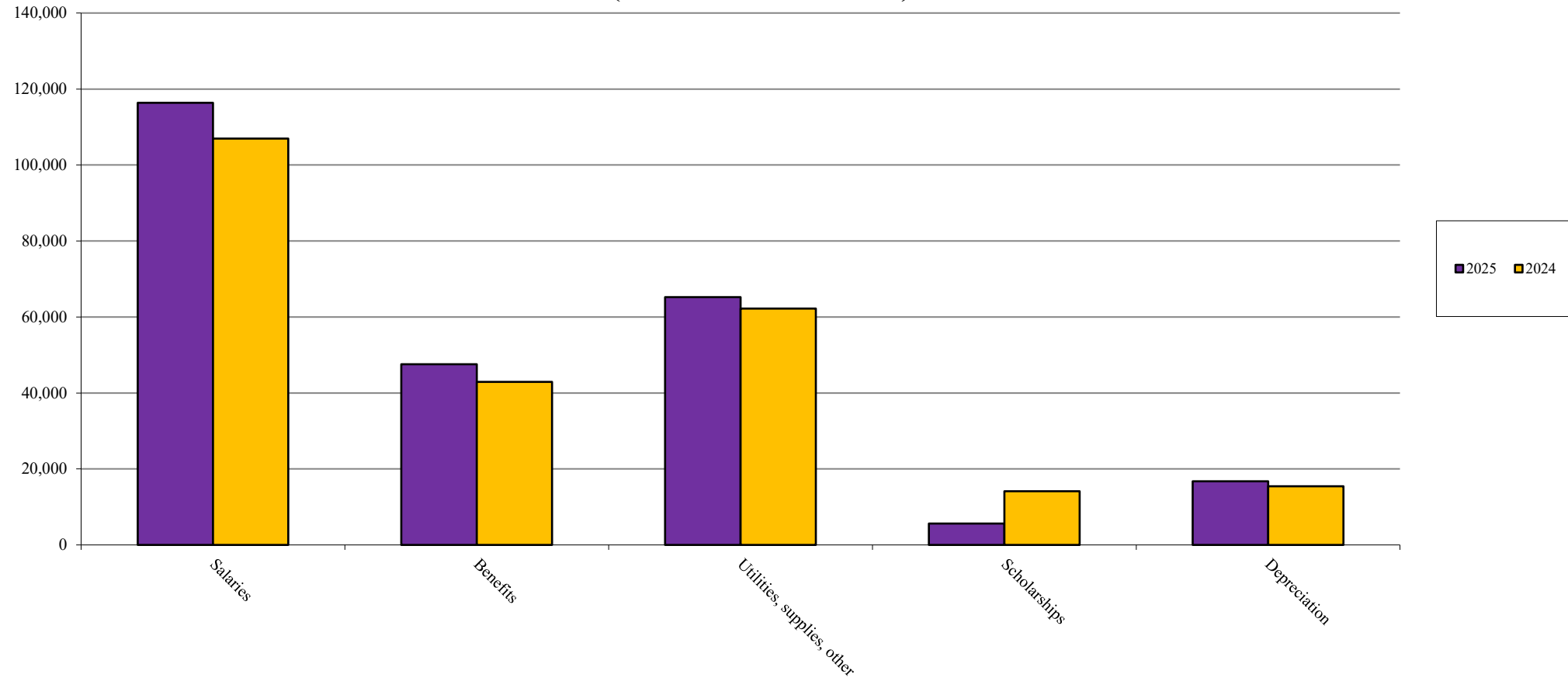
## Operating Revenues by Source Comparison of FY2025 to FY2024 (in thousands of dollars)



Most research grants and contracts are shown above as operating grants and contracts to the extent expenses have been incurred. Grants and contracts increased \$5.9 million (20.8%) largely due to the university's success in research. Revenues received from external agencies to support student scholarships are shown as nonoperating grants and contracts.



## Operating Expenses Comparison of FY2025 to FY2024 (in thousands of dollars)



- Salary expense increased by \$9.4 million (8.8%) which was largely due to university wide salary increases resulting from a comprehensive compensation plan study that included bringing salaries closer to market for all employee types.
- Scholarship expense decreased by \$8.5 million (60.4%) primarily due to a prescribed change for calculating and reporting tuition discounting as directed by a published advisory statement from the National Association of College and University Business Officers (NACUBO).



**Nonoperating Revenues and Expenses (unaudited)**  
**Comparison of FY2025 to FY2024**  
(in thousands of dollars)

	2025	2024
State appropriations	\$ 93,698	\$ 94,197
Gifts	2,452	3,357
Grants and contracts	53,634	45,701
Investment income	11,374	11,512
Interest on capital asset debt	(2,533)	(2,429)
Other	(67)	(27)
	<u>\$ 158,558</u>	<u>\$ 152,311</u>

Certain revenue sources that the university relies on to provide funding for operations, including state appropriations, certain gifts and grants, and investment income, are defined by the Governmental Accounting Standards Board as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets.

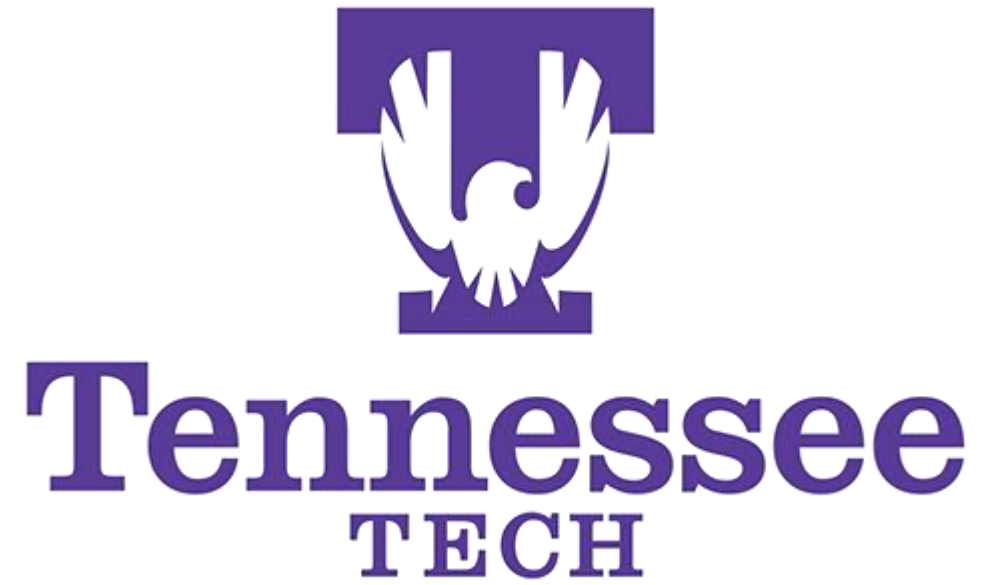


**Other Revenues (unaudited)**  
**Comparison of FY2025 to FY2024**  
(in thousands of dollars)

	2025	2024
Capital appropriations	\$ 7,749	\$ 41,966
Capital grants and gifts	7,016	4,263
Addition to endowments	0	2
	\$ 14,765	\$ 46,231

This category is composed of State appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments.





## FY2024-25 Capital Asset and Debt





**Capital Assets (unaudited)**  
**Comparison of FY2025 to FY2024**  
(in thousands of dollars)

	2025	2024
Land	\$ 11,202	\$ 11,202
Land improvements & infrastructure	20,286	20,526
Buildings	333,166	271,303
Equipment	17,342	16,739
Library holdings	313	359
Art & historical collections	885	882
Intangible assets		
Software	4	29
Right-to-use – infrastructure	0	153
Right-to-use – equipment	485	392
SBITA asset – software	4,869	6,023
Subscription asset – development in progress	11,160	2,413
Projects in progress	36,444	86,132
<b>Total Capital Assets, Net of Depreciation</b>	<b>\$ 436,156</b>	<b>\$ 416,153</b>

Tennessee Technological University had \$436.1 million invested in capital assets, net of accumulated depreciation of \$206.1 million at June 30, 2025; and \$416.2 million invested in capital assets, net of accumulated depreciation of \$192.3 million at June 30, 2024. Depreciation charges totaled \$16.8 million and \$15.4 million for the years ended June 30, 2025, and June 30, 2024, respectively.

The university is involved in various renovation, new construction, and other projects on campus that increased capital assets by \$20.0 million during FY2025. Construction on the new football stadium and the purchase of the Crossville Research Center were the largest projects during FY2025.

At June 30, 2025, outstanding commitments under construction contracts totaled \$157.7 million for a new residential hall building, a new football stadium, a new engineering building, roof replacements, and various other renovations and upgrades of which \$96.4 million will be funded by future state capital outlay appropriations.



## Capital Assets - Commitments as of June 30, 2025

Capital Project Name	TOTAL Outstanding Commitments Under Construction	Amount Funded by Future State Capital Outlay	Amount Expected to be Funded by the University
ACME Engineering Building	\$ 60,749,146.81	\$ 55,757,146.81	\$ 4,992,000.00
Johnson Hall Renovation	\$ 32,286,508.43	\$ 30,782,108.43	\$ 1,504,400.00
Ashraf Islam Engineering Building	\$ 674,927.14	\$ -	\$ 674,927.14
Tucker Stadium West	\$ 12,698,116.10	\$ -	\$ 12,698,116.10
J.J. Oakley Innovation Center and Residence Hall	\$ 27,668,115.79	\$ -	\$ 27,668,115.79
Roof replacements, other renovations, and upgrades	\$ 23,578,546.82	\$ 9,818,388.93	\$ 13,760,157.89
TOTALS	\$ 157,655,361.09	\$ 96,357,644.17	\$ 61,297,716.92

At June 30, 2025, outstanding commitments under construction contracts totaled \$157.7 million for a new residential hall, a new football stadium, a new engineering building, roof replacements, and various other renovations and upgrades of which \$96.4 million will be funded by future state capital outlay appropriations.



**Debt (unaudited)**  
**Comparison of FY2025 to FY2024**  
(in thousands of dollars)

<b>Debt Instrument</b>	<u>2025</u>	<u>2024</u>
Bonds payable	\$ 73,833	\$ 73,820
Unamortized bond premium	11,357	12,510
Revolving credit facility/comm paper	<u>0</u>	<u>0</u>
Total outstanding debt	\$ <u><u>85,190</u></u>	\$ <u><u>86,330</u></u>

The university had \$85.2 million and \$86.3 million in debt outstanding at June 30, 2025, and June 30, 2024, respectively. The table above summarizes these amounts by type of debt instrument.

The TSSBA issued bonds with interest rates ranging from 0.339% to 5.83% due serially until November 2049 on behalf of Tennessee Technological University. The university is responsible for the debt service of these bonds. The current portion of the \$85.2 million outstanding at June 30, 2025, is \$6.3 million. Unexpended debt proceeds related to the new football stadium bond were \$36,019,645.42 at June 30, 2025.



# Major Metrics to Measure and Monitor Financial Health

Strategic Risk Question	Related Ratio
1. Overall – What is the institution’s overall financial health?	Composite Financial Index (CFI)
2. Liquidity – Does the institution have sufficient liquidity in the near and medium term?	Primary reserve ratio
3. Viability – Is debt managed strategically?	Viability ratio
4. Return on Assets – Does the institution have adequate return on all assets?	Return on net assets ratio
5. Net Operating Revenues – Is the institution generating adequate resources in excess of its operational costs?	Net operating revenue ratio

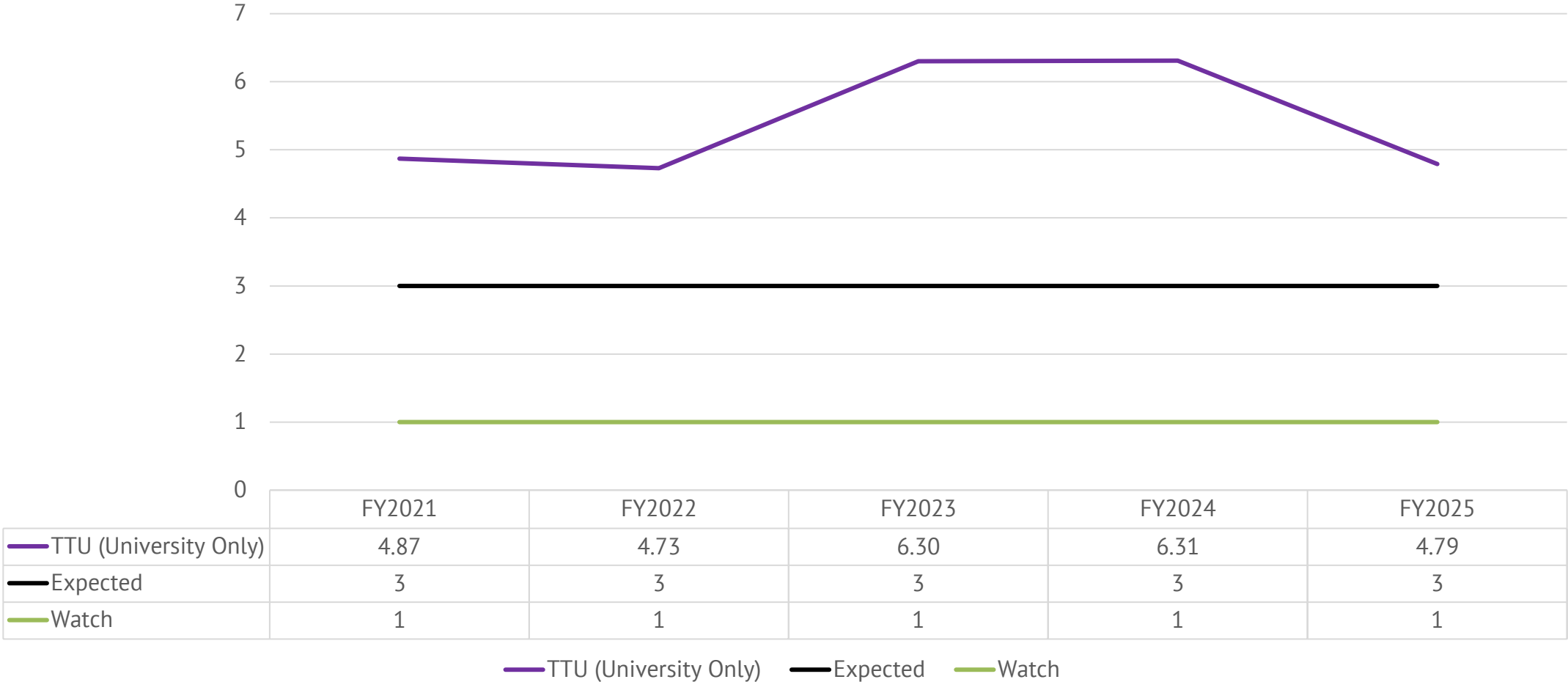


# Composite Financial Index (CFI)

- Four ratios weighted and scored on a scale to create a single score of financial health.
  - Primary reserve ratio
  - Viability ratio
  - Return on assets ratio
  - Net operating revenues ratio
- Single weighted score allows weakness in one ratio to be offset by strength in another ratio
- Expected value is a national comparison (both public and private universities).  
(KPMG – Prager, Sealy & Co., LLC)
- Excludes assets of Foundation



# Composite Financial Index (CFI)



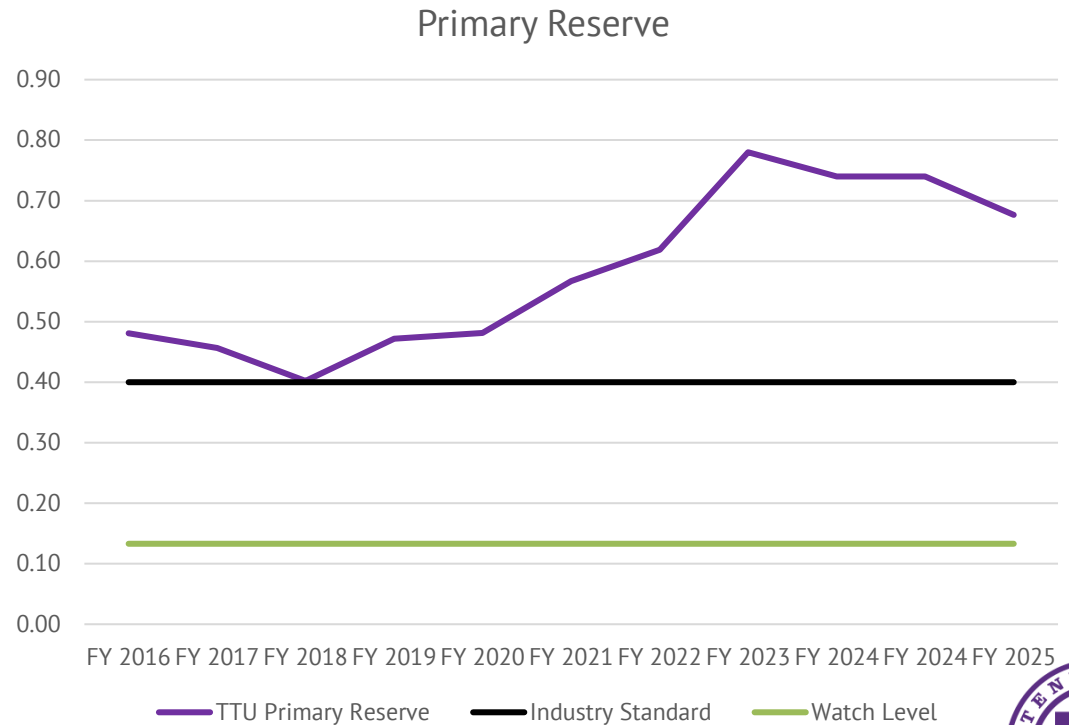
# Components of CFI

## Primary Reserve Ratio

Indicates the sufficiency of resources and their flexibility.

- Calculated as:
  - $\text{Expendable Fund Balance} / \text{Total Expenditures}$
- Industry standard of .40 represents about 5 months of expenses
- At this level a reasonable level of facilities maintenance can be expected
- Watch level – A ratio of .133 (less than 1.5 months of expenses in ready assets) or less
  - Less flexibility to meet unexpected demands

## 10-Year Trend

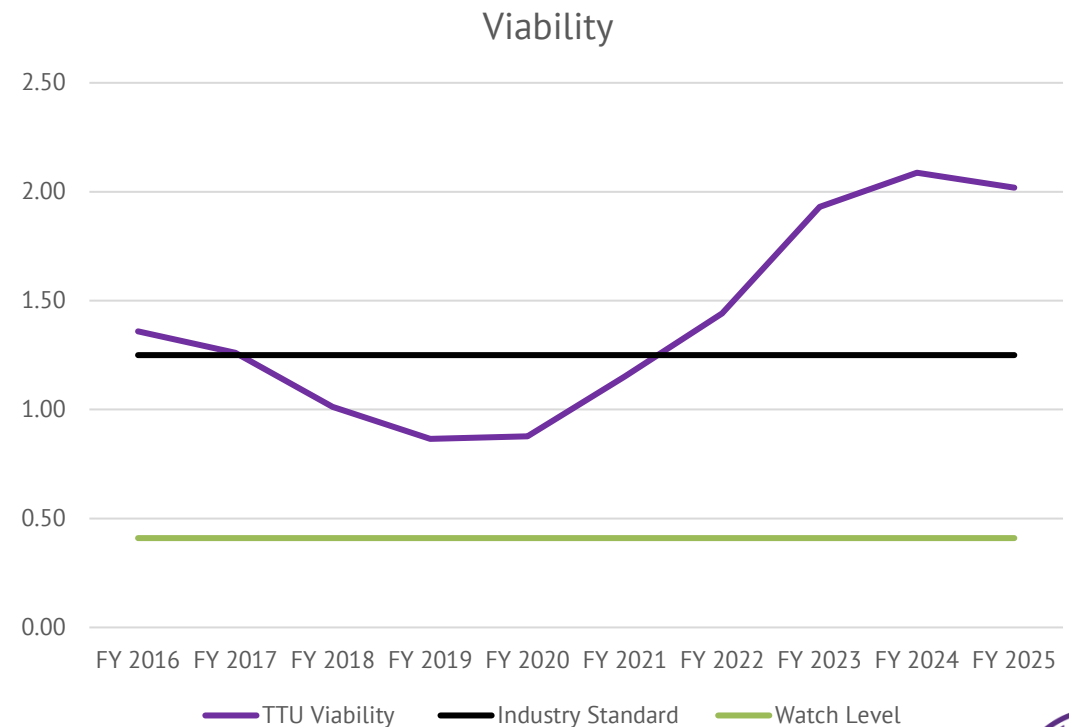


# Components of CFI

## Viability Ratio

- Indicates the capacity to repay debt through reserves.
  - Calculated as:
    - $\text{Expendable Fund Balance} / \text{Total Plant Debt}$
  - Industry standard is 1.25 or greater
  - Ratio of expendable net assets over plant debt – coverage of plant debt with expendable assets
  - Watch level – a ratio of .41 or less
    - Decreased flexibility to respond to unforeseen events or opportunities

## 10-Year Trend





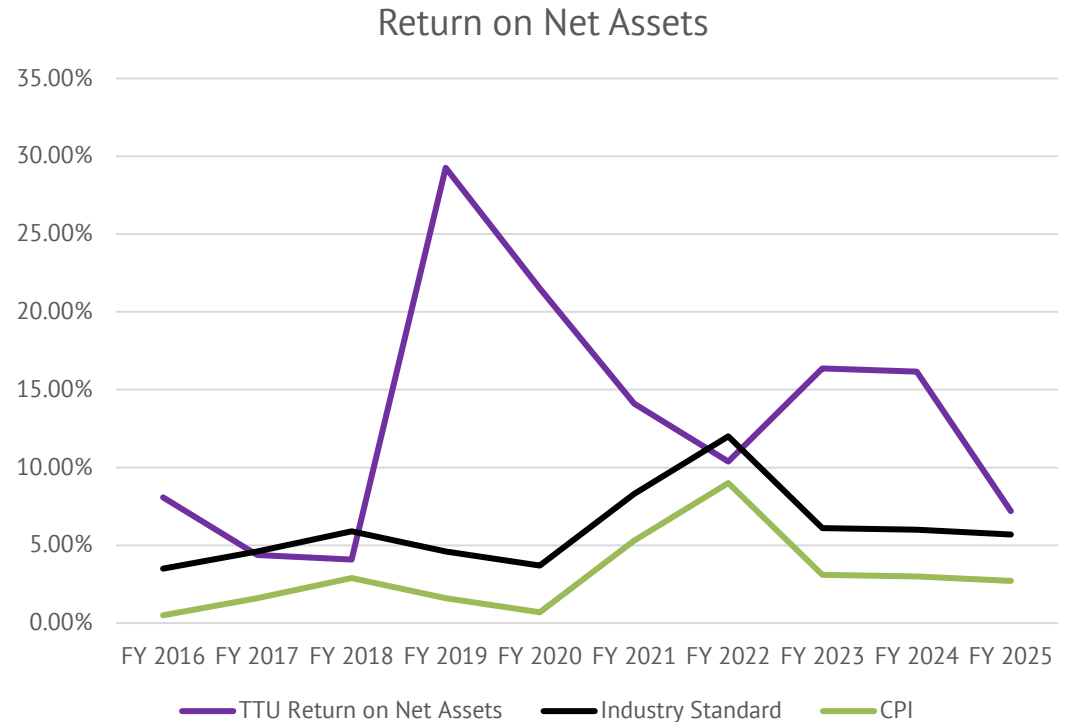
# Components of CFI

## Return on Net Assets Ratio

Measure of total economic return similar to ROE.

- Calculated as:
  - $\text{Change in Net Assets} / \text{Beginning Net Assets}$
- Industry standard is 3% above CPI
- Are we better off this year? Strategic direction correct?
- Watch level – anything below rate of inflation is reduction of the institution's asset base in real dollars

## 10-Year Trend



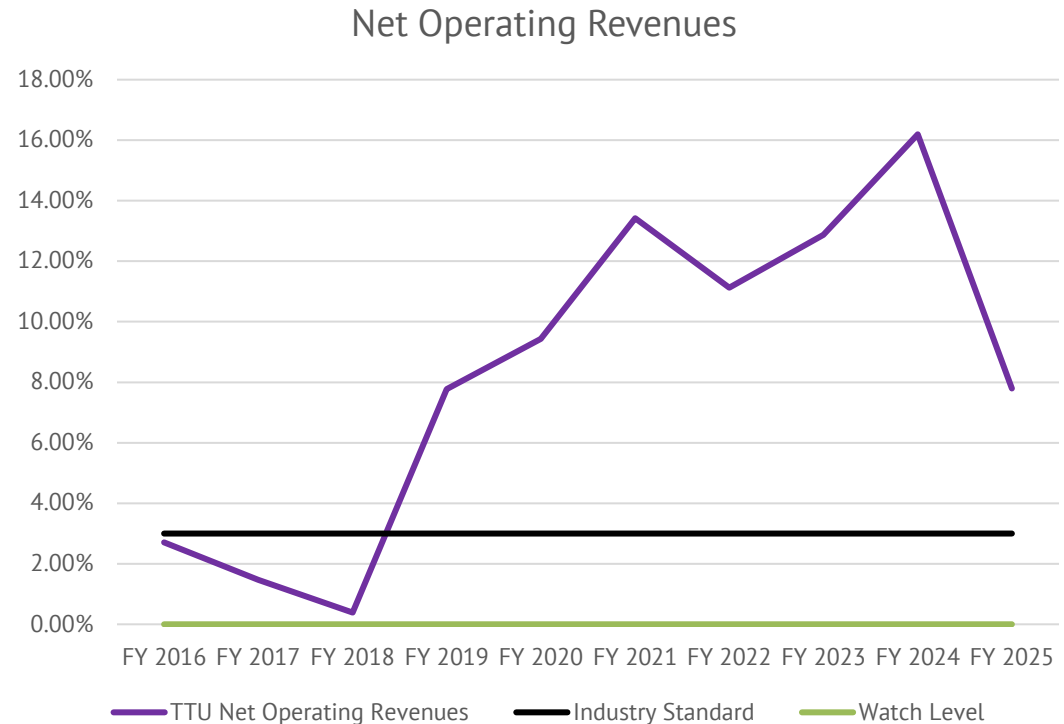
# Components of CFI

## Net Operating Revenues Ratio

Indicates whether institution is living within available resources.

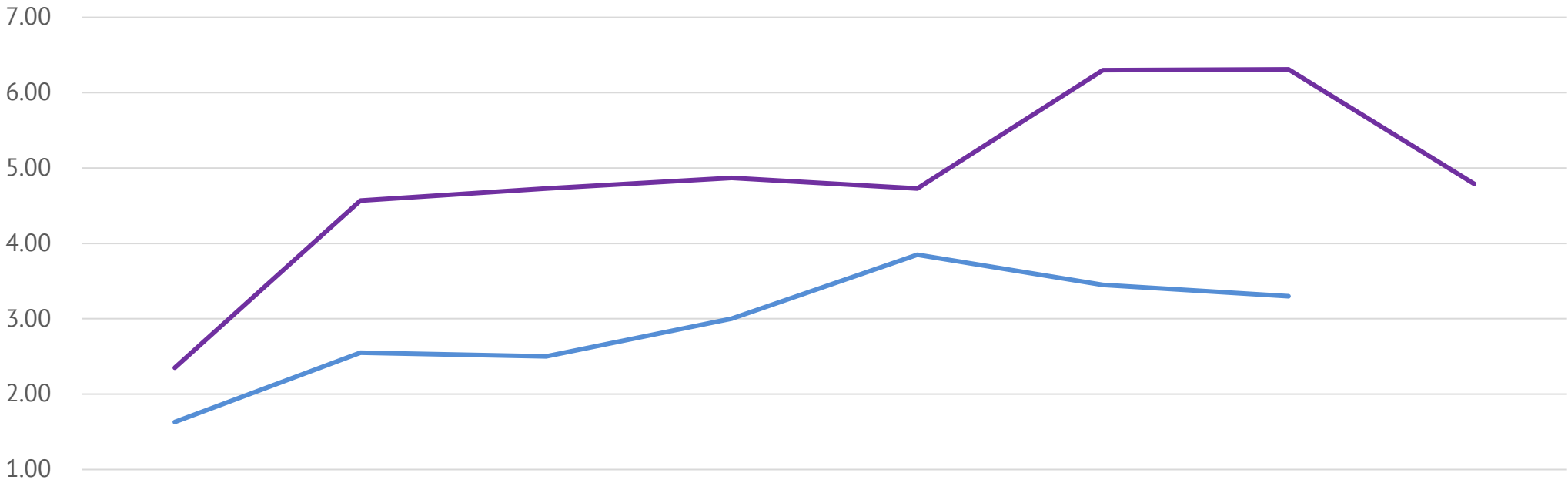
- Calculated as:
  - $(\text{Net operating result} + \text{all other revenues} - \text{expenses including interest expense}) / \text{All gross revenues}$
- Industry standard is 2% to 4%
- Did we balance operating expenses with available resources?
- Watch level – Consistently below zero
  - Deficits for one year not an issue. Deficits over several years suggest the institution's mission can't be sustained.

## 10-Year Trend



# CFI Comparison to other LGIs

LGI Universities without their Foundations

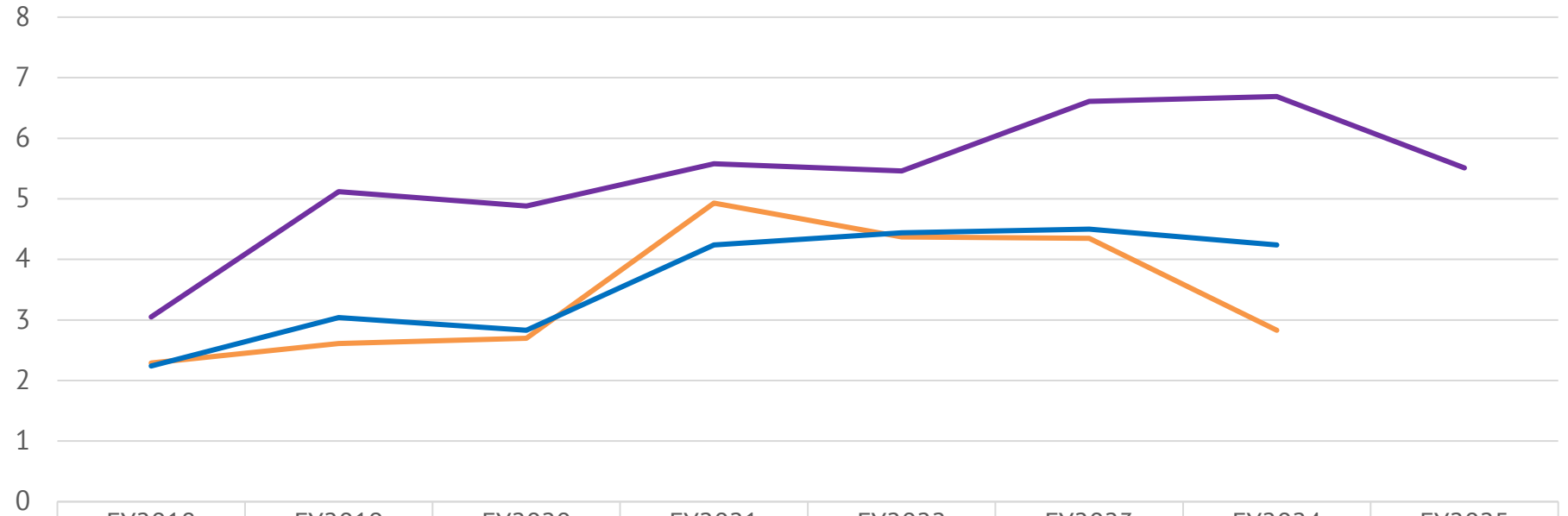


	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
TTU	2.35	4.57	4.73	4.87	4.73	6.30	6.31	4.79
LGIs AVG	1.63	2.55	2.50	3.00	3.85	3.45	3.30	



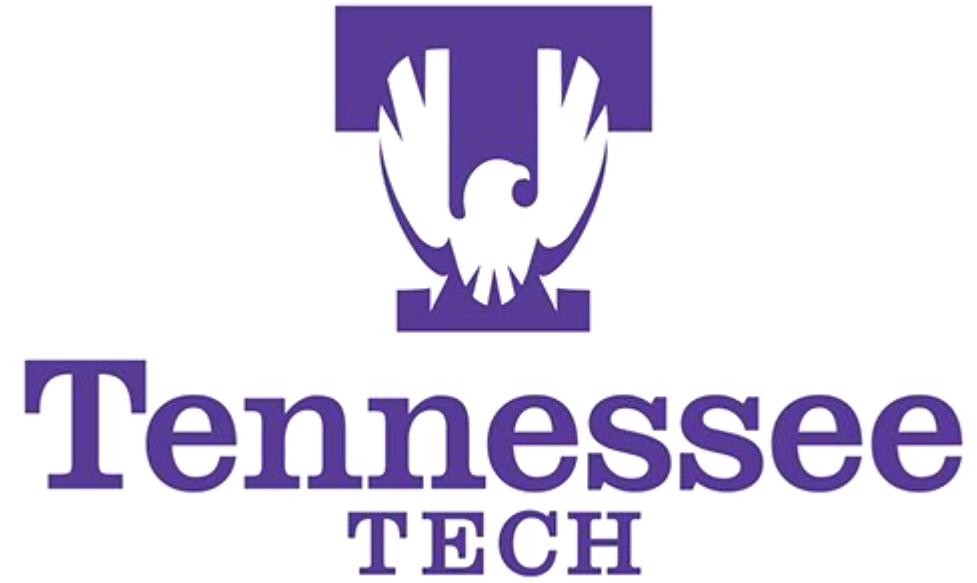
# CFI Comparison to other LGIs and UT

Including all Universities and their Foundations



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
TTU w/Foundation	3.05	5.12	4.88	5.58	5.46	6.61	6.69	5.51
UT AVG w/Foundation	2.29	2.61	2.70	4.93	4.37	4.35	2.83	
LGIs AVG w/Foundation	2.24	3.04	2.83	4.24	4.44	4.5	4.24	





## FY2025-26 Revised Budget/Organizational Chart



# Reconciliation of Changes in E&G Revenues

	Proposed Budget FY2025-26	Revised Budget FY2025-26	Difference	% Change
Tuition and Fees	\$116,985,600	\$120,787,900	\$3,802,300	3.25%
State Appropriations	\$89,295,300	\$89,970,600	\$675,300	0.8%
Other Activities	\$14,485,500	\$15,012,500	\$527,000	3.6%
<b>Total Revenues</b>	<b>\$220,766,400</b>	<b>\$225,771,000</b>	<b>\$5,004,600</b>	<b>2.27%</b>



# Proposed vs Revised E&G Reconciliation of Changes in Revenues FY2025-26

- Tuition and Fees \$3,802,300
  - Tuition enrollment changes based on Fall census \$687,000
  - Tuition increase \$3,018,800
  - Summer Revenue \$582,750
  - Out-of-state tuition decrease (\$458,750) based on actual fall enrollment of international students
  - Out-of-state tuition increase \$14,500 based on actual fall enrollment of domestic students
  - Fee decreases (\$42,000)
- State Appropriations \$675,300
  - Adjustments for OPEB, TCRS, Risk Management, and Health Insurance \$675,300
- Other Revenue \$527,000
  - Indirect Cost \$183,100
  - Athletics \$282,600
  - Other \$ 61,300



# Change in Natural Classification Expenses

	Proposed Budget FY2025-26	Revised Budget FY2025-26	Difference
Salary and Wages	\$101,507,800	\$108,665,900	\$7,158,100
Fringe Benefits	\$40,070,600	\$41,012,500	\$941,900
Travel	\$2,179,400	\$2,944,300	\$764,900
Operating & Utilities	\$37,804,400	\$65,807,600	\$28,003,200
Scholarships & Fellowships	\$25,082,100	\$26,460,600	\$1,378,500
Capital	<u>\$186,500</u>	<u>\$292,000</u>	<u>\$105,500</u>
<b>Total E&amp;G</b>	\$206,830,800	\$245,182,900	\$38,352,100

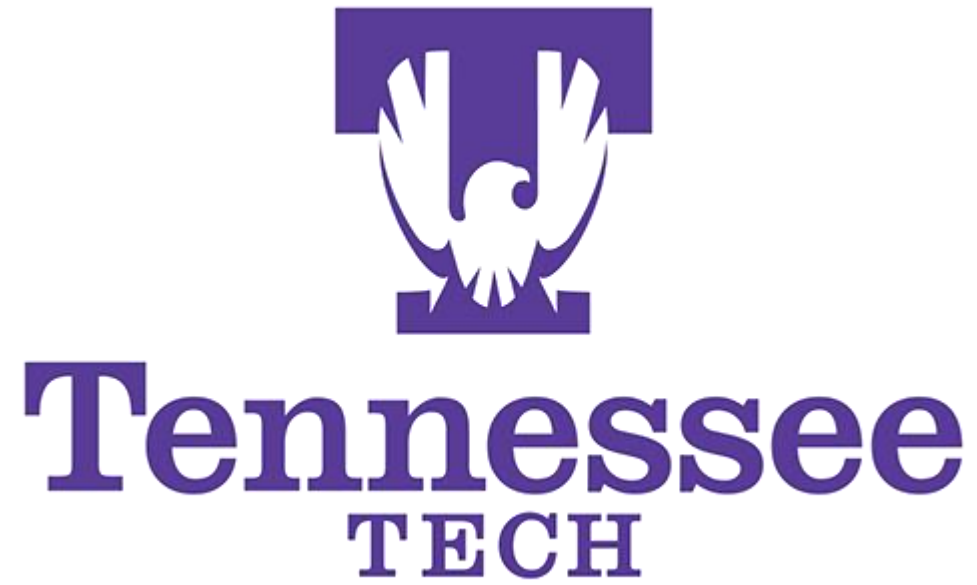




# Proposed vs Revised Reconciliation of Change in Natural Expenses FY2025-26

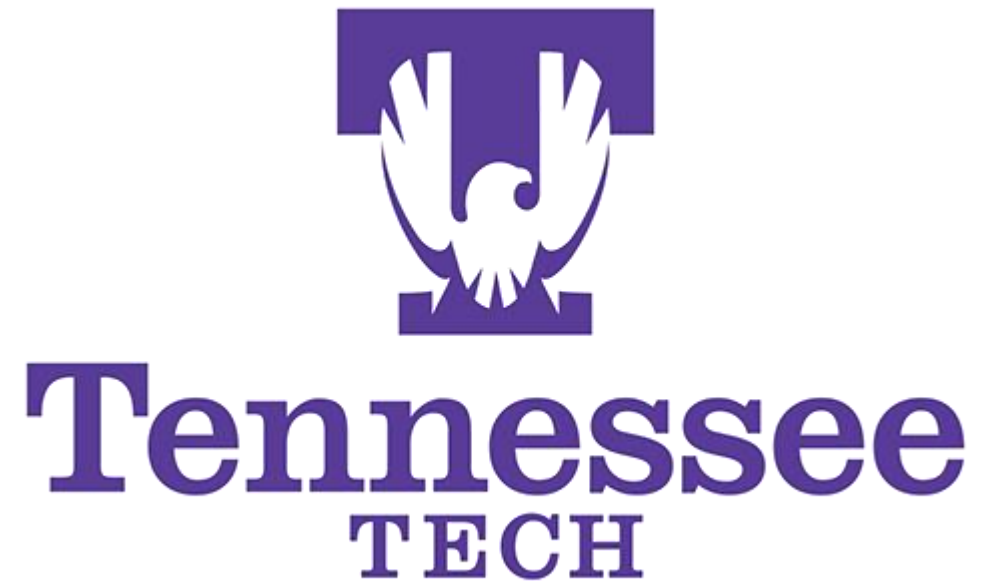
- **Salary and Wages**
  - University Funded Merit Raise, Phase 2 Comp Adjustments, FLSA Adjustments of \$2,665,000
  - Faculty Promotions \$288,000
  - New Positions \$1,372,640
  - Critical Salary Adjustments, Degree Adjustments \$658,000
  - Units transfer funds from operating to salary & wages \$1,958,000
- **Fringe Benefits**
  - Increase State funding-TCRS, Risk Mgmt. insurance, OPEB \$675,300
  - Benefits budgeted for new positions \$266,600
- **Travel**
  - Funds transferred to travel by units \$764,900
- **Operating & Utilities**
  - Re-budget of carryforward amounts \$22,928,277
    - Revenue Generating \$1,071,758
    - Faculty Research & Indirect Cost \$4,001,359
    - Special State Appropriations \$2,734,473
    - Mandatory Fees \$1,285,040
    - Non-mandatory Fees \$4,380,251
    - Department requests \$ 1,098,904
    - Purchase Orders \$133,867
    - Summer School (\$281,201)
    - University Future Commitments \$6,370,350
    - Lapse Pool \$2,093,940
    - Governor's School \$75,092
  - FY25 Indirect Cost Revenue Distribution \$664,000
  - Software Contracts \$589,000
  - Campus Visitations, publications, and Marketing \$1,565,600
  - Athletics \$3,995,000
  - College Town Kickoff and Week of Welcome \$329,260
  - Academic Affairs - \$500,000
  - Quality Enhancement Plan (QEP) \$260,920
  - Units transfer funds from operating to Temp Salaries, Travel, capital and transfers (\$2,828,000)
- **Scholarships**
  - Departmental Carryover \$18,388
  - Presidential Scholars Scholarship \$210,000
  - State Mandated Scholarships \$1,160,000
  - Athletic Scholarships \$200,144
- **Capital**
  - Units transfer funds from operating to Capital \$105,500





## Tuition Transparency Act Report (T.C.A. §49-7-1604)

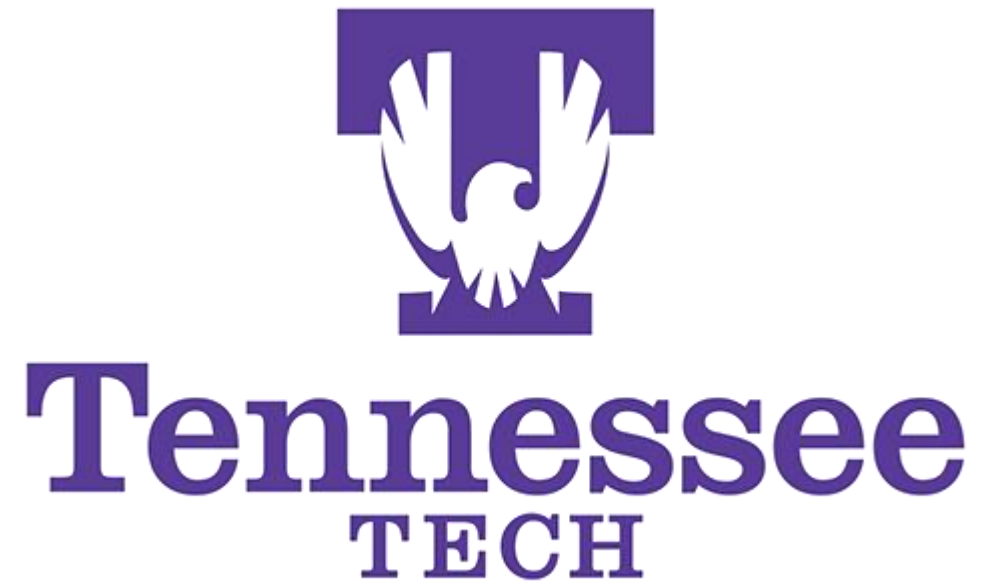




## Master Plan







## Disclosed Projects





# Disclosed Projects

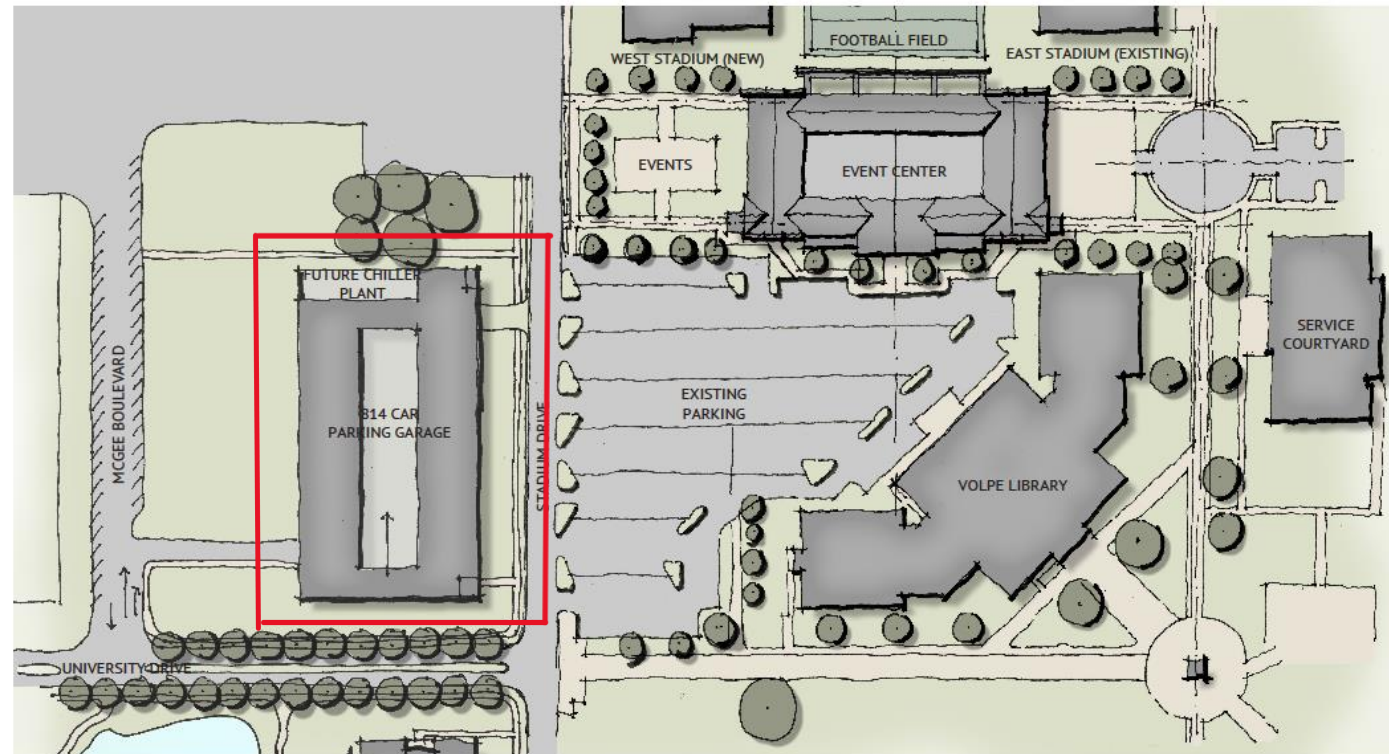
FY	Project	Project Cost	Project Description
2025-26	CRC Wind Tunnel	\$6,390,000	Demolish the existing warehouse and construct an addition to the Crossville Research Center to house and support a wind tunnel.
2025-26	Tennis Complex	\$7,650,000	Construct a tennis complex containing twelve tennis courts (six for competition), clubhouse, scoreboard, bleacher seating, restrooms, concessions, four sand volleyball courts, and all related work.
2026-27	Parking Garage	\$38,840,000	Construct a parking garage for approximately 800 cars that also contains shell space for a satellite chiller plant.



# Tennis Complex



# Parking Garage



NORTH CAMPUS PARKING GARAGE

PROPOSED SITE PLAN



TENNESSEE TECH UNIVERSITY 2025 PARKING GARAGE STUDY 03



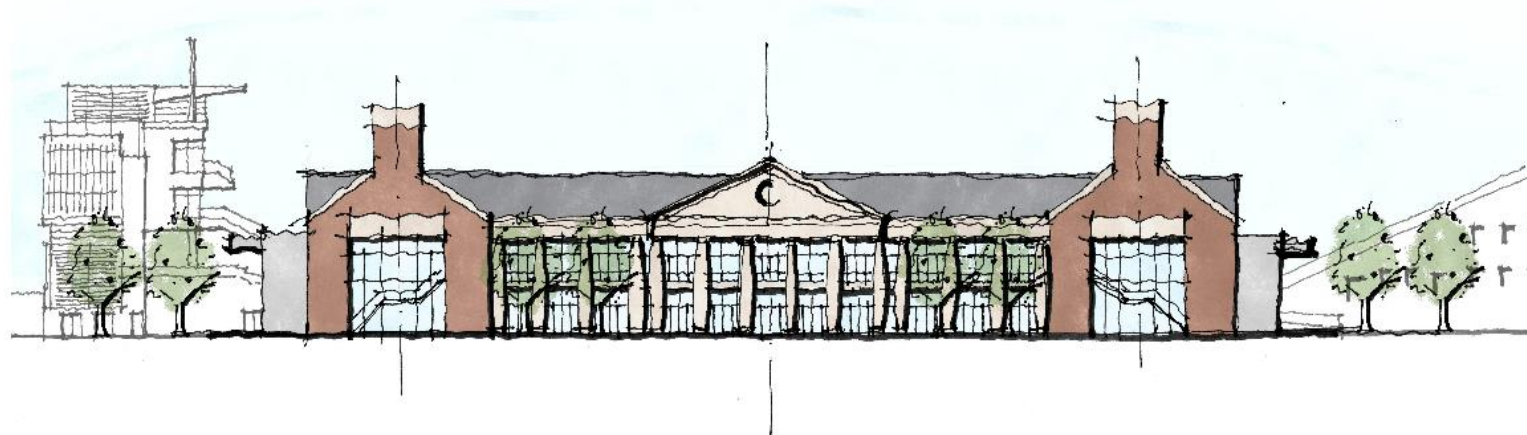


# Disclosed Project Modification

Fiscal Year	Project	Project Cost	Project Description
<b>Original Disclosure</b>			
2023	Student Event Center	\$41,000,000	Student Event Center will house welcome center, university bookstore, dedicated banquet hall space and satellite food court.
<b>Revised Disclosure</b>			
2025	Student Event Center & Spirit Commons	\$63,770,000	Student Event Center will house the university bookstore, food service venues, banquet hall, conference rooms, student government space, large gathering spaces, stadium seating, and all related work.



# Student Event & Spirit Commons



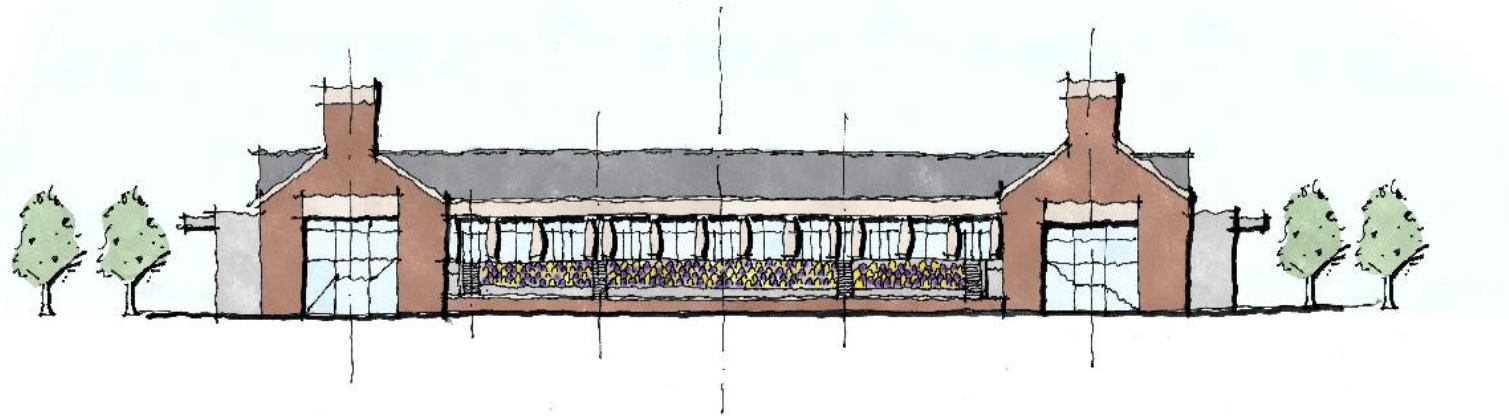
EVENT CENTER

SOUTH ELEVATION

TENNESSEE TECH UNIVERSITY 2025 STUDENT EVENT CENTER STUDY 07



# Student Event & Spirit Commons



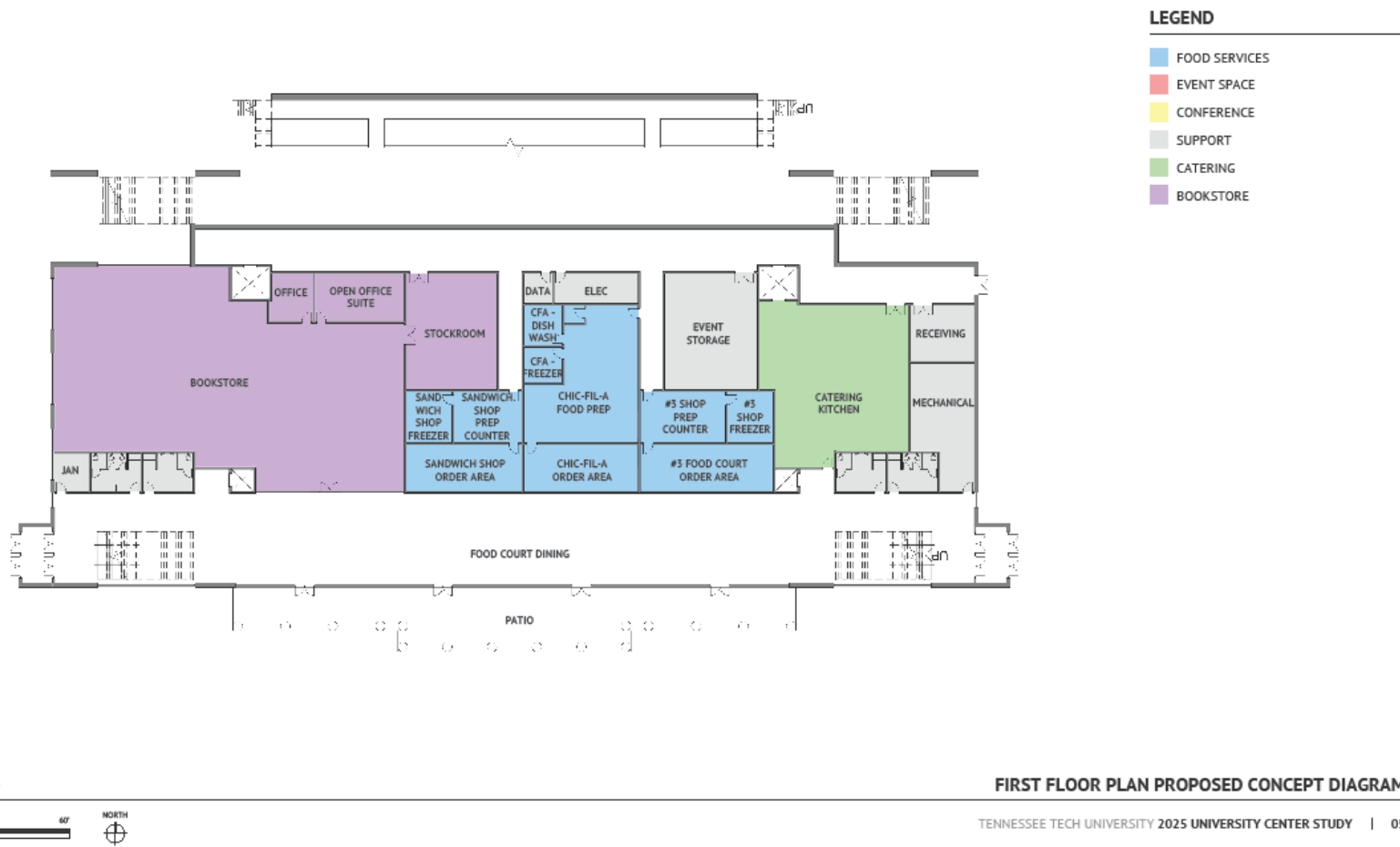
EVENT CENTER

NORTH ELEVATION

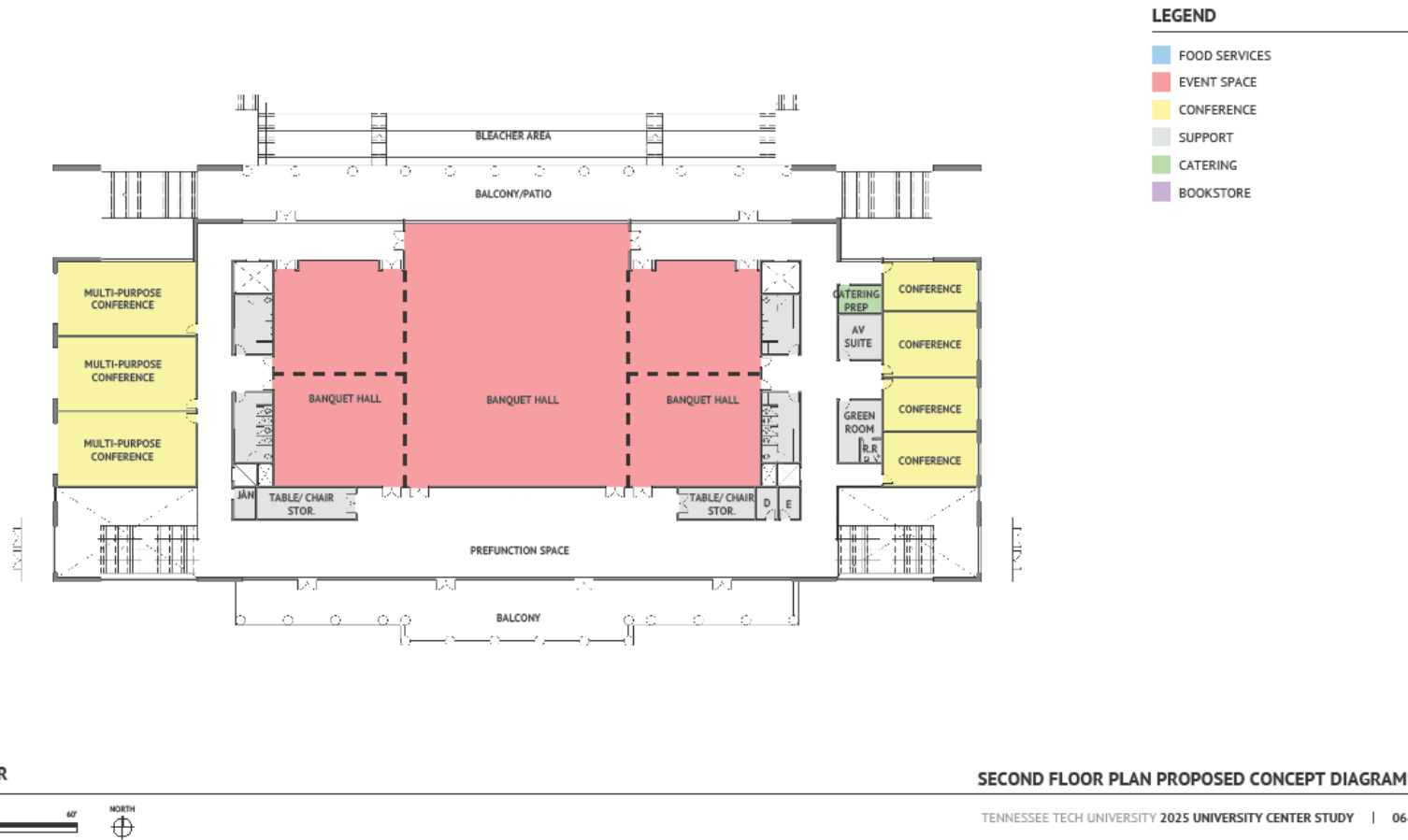
TENNESSEE TECH UNIVERSITY 2025 STUDENT EVENT CENTER STUDY 08

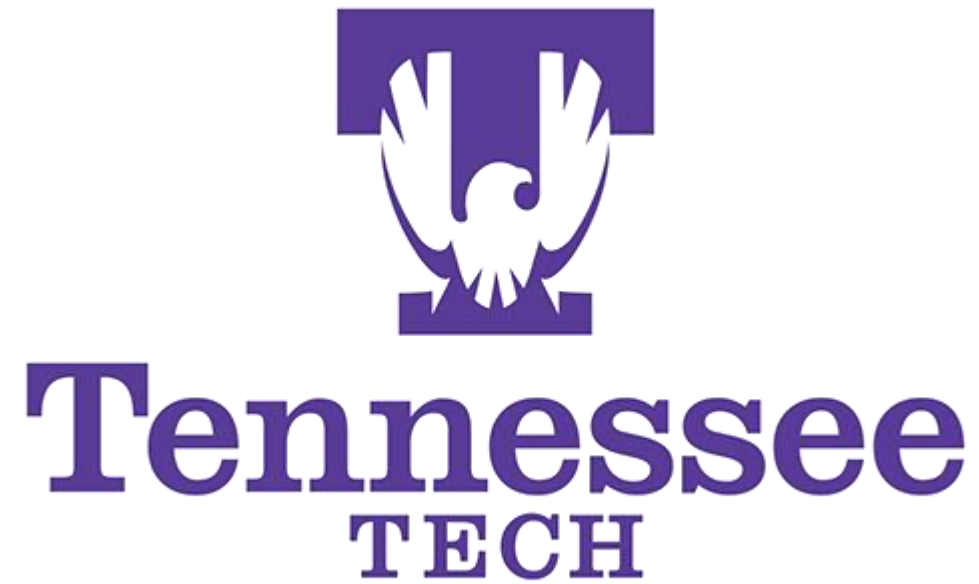


# Student Event & Spirit Commons



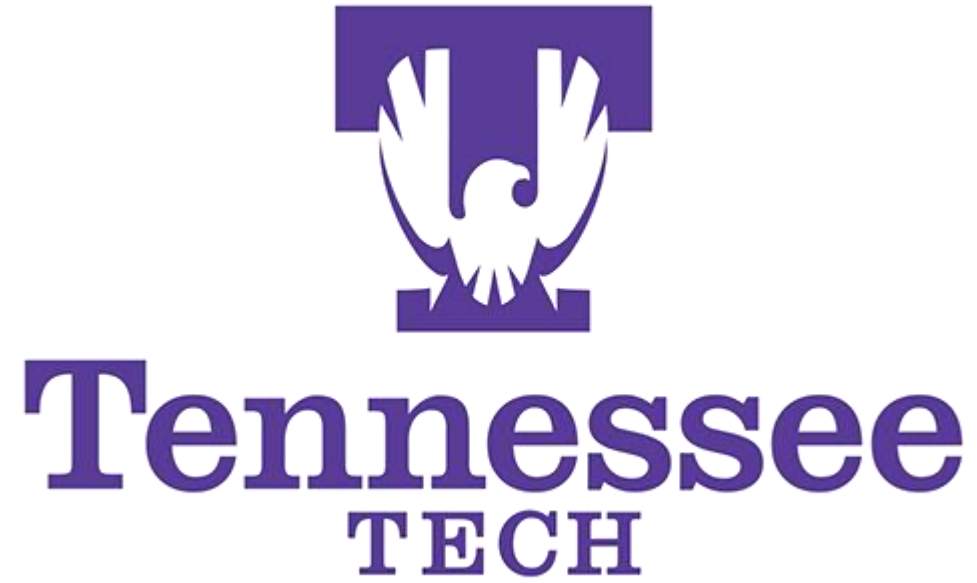
# Student Event & Spirit Commons





## University and Ag Foundation Agreement





## TTU Policy 506 (General and Group Travel Policies)





## TTU Policy 511 (Payment of Student Fees and Enrollment)







## TTU Policy 536 (Solicitation and Acceptance of Gifts)





Audit Plan Review and Approval  
December 4, 2025



# Audit Plan Requirements

- Global Internal Audit Standard 9.4 – Internal Audit Plan must be developed with:
  - ✓ Annual documented risk assessment
  - ✓ Audit Committee and senior management input
  - ✓ Understanding of Tech governance, risk, and control processes
  - ✓ Consideration of governance, risk management, control processes, IT, fraud, compliance, ethics, & other high-risk areas
  - ✓ Identified resources to complete plan
- Charters and Standards require Audit Committee approval.
- Tier 2 projects should be considered if resources become available.

💡 Plan must be dynamic and updated timely in response to risk changes



# Risk Assessment Process



# Risk Assessment

- ✓ Assessed top 10 industry-identified, emerging higher-education risks
- ✓ Conducted meetings with senior management, including:  
*President, Chief of Staff, President's Cabinet, Deans, Key Leaders*
- ✓ Surveyed 45 senior leaders for input
- ✓ Reviewed preliminary enterprise risk assessment information
- ✓ Developed risk-based plan to address identified key risks as of November 2025



# Planned Internal Audit Services

Audit Service	2025 Actual		2026 Plan		Variance	
Audit	5	22%	<b>9</b>	<b>38%</b>	4	80%
Advisory	4	17%	<b>6</b>	<b>25%</b>	2	50%
Review	6	26%	<b>4</b>	<b>17%</b>	(2)	(33%)
Investigation	8	35%	<b>5</b>	<b>20%</b>	(3)	(38%)
Total	23	100%	<b>24</b>	<b>100%</b>	1	4%

- Increase in audits and advisory work with decrease in reviews and investigations.
- Investigations are estimated and performed as allegations are received.
- Advisory work is usually requested, risk-based, and provides increased value to Tech.



Goal → balance audit engagements with advisory work.



# Additional 2026 Internal Audit Work

- Collaborate with IT Security, Compliance, University Counsel, and HR to implement Governance, Risk, & Compliance (GRC) system
- Serve on University Committees
- Replace Fraud, Waste, & Abuse hotline management system
- Recruit audit staff and establish audit internship program
- Coordinate with external auditors
- Perform audit follow-up procedures
- Review and potentially revise Audit Committee Charter for new standards
- Update Internal Audit policies due for revision



# 2026 Proposed Audit Plan – Tier 1\*

#	Type	Project
<b>Audit Projects</b>		
1	R	President's Office Expenses
2	R	OVC Student Assistance Funds
3	R	Inventory Controls
4	R	Cash Controls
5	RI	Research Security Audit Assessment
6	RI	Policy Compliance Audit
7	RI	Talon System Implementation Review (co-source)
8	RI	Chemical Inventory/Lab Safety
9	RI	Evidence Room Controls

## Investigations (5)

*R = Required by policy, state statute, regulation, bylaws, or standards; RI = Risk-based project*

*\*Deemed highest priority; dependent upon hiring experienced auditor by 4/1/2026 and estimated # of investigations*

#	Type	Project
<b>Advisory Work</b>		
1	R	Management Assessment of Controls
2	R	Management Controls Advisory Training
3	RI	Campus Safety & Security Readiness Assessment
4	RI	Procard Controls Assessment
5	RI	ADA Compliance & Accessibility Assessment
6	RI	Succession Planning Assessment

## Review Projects

1	R	Enterprise-wide Risk Assessment
2	R	Internal Audit Quality Assessment Improvement Program
3	RI	Conflict of Interest Reviews
4	RI	Data Analytics Program and Reviews





# 2026 Proposed Audit Plan – Tier 2 Projects

#	Type	Project
1	RI	IT Security
2	RI	Minors on Campus
3	RI	NCAA Compliance
4	RI	Student Fee Process
5	RI	Construction Contracts
6	RI	Policy Compliance Audits
7	RI	Performance Management Controls

- Tier 2 risk-based projects are part of the proposed plan.
- Identified as medium priority or not yet required based on the 2025 risk assessment.
- Considered next priority if high priority projects are completed, deferred, or canceled during the year.
- The Chief Audit Executive adjusts the plan to address new, emerging, higher priority risks or urgent matters that may arise.
- Significant changes to the plan are coordinated with the Audit & Business Committee (A&B) Chair and communicated to the A&B in quarterly reviews.



# APPENDIX: 2025 Audit Plan Status

2025 Internal Audit Plan				
As of November 19, 2025				
Category	Type	Division	Project	Status
R	I	N/A	Investigation 25-01	Completed
R	I	N/A	Investigation 25-02	Completed
R	V	Internal Audit	IA Quality Assurance and Improvement Program	Completed
R	I	N/A	Investigation 25-05	Completed
R	I	N/A	Investigation 25-07	Completed
R	A	Athletics	OVC Student Assistance Funds	Completed
R	A	Planning & Finance	Inventory Observation	Completed
R	A	University-wide	Audit Follow-up	Completed
R	V	University-wide	Enterprise-wide Risk Assessment	Completed
R	A	President's Office	President's Office Expenses	Completed
R	C	University-wide	External Audit Coordination	Completed
R	I	N/A	Investigation 25-03	In progress
R	I	N/A	Investigation 25-04*	In progress
R	I	N/A	Investigation 25-06*	In progress
R	C	University-wide	Management Assessment of Internal Controls*	In progress
R	I	Human Resources	Investigation 25-08*	In progress
RI	V	University-wide	Conflict of Interest Review V-25-01	Completed
RI	V	Planning & Finance	Petty Cash V-25-03	Completed
RI	A	Facilities	Chemical Inventory Audit	Deferred
RI	A	Facilities	Lab Safety	Deferred
RI	A	Planning & Finance	Student Fees	Deferred
RI	A	College of Arts & Sciences	Policy Compliance Audit	Completed
RI	V	University-wide	Conflict of Interest Review V-25-02	Completed
RI	V	Planning & Finance	Employee/Vendor Address Comparison V-25-04	Completed
RI	V	Research	Sponsored Programs	Canceled
RI	C	Information Technology	Talon System Implementation Review	Deferred
RI	C	Planning & Finance	Procard Program Assessment	In progress
RI	C	Information Technology	Ransomware Assessment	In progress
Proposed Bench Projects				
RI	C	University-wide	ADA Compliance	N/A
RI	A	Enrollment	Enrollment Management	N/A
RI	V	University-wide	SACSCOC Accreditation	N/A

\*Completion expected by mid-December 2025

Audit Service	2025 Plan		2025 Actual		Variance	
Audit	7	41%	5	22%	(2)	(29%)
Advisory	5	29%	4	17%	(1)	(20%)
Review	4	24%	6	26%	2	50%
Investigation	1	6%	8	35%	7	700%
Total	17	100%	23	100%	6	35%

Project Category	
R	Required
RI	Risk-based

Project Type	
A	Audit
C	Consultation
I	Investigation
V	Review



