TCNJ

THE COLLEGE OF NEW JERSEY

Assessment of TCNJ Financial Health and Performance

As of 6/30/2017

Prepared by the Office of the Treasurer

The Board's Role in Financial Oversight

- The Board of Trustees is tasked with financial oversight of the College. The Association of Governing Boards of Universities and Colleges (AGB) identifies regular monitoring of ongoing performance as a critical part of financial oversight.
- The Board, with the leadership of the Business & Infrastructure Committee, should work with management to establish appropriate benchmarks against which performance and financial health can be measured.
- The following sources provide information for tracking financial performance and assessing financial health:
  - ✓ Audited financial statements
  - ✓ Budget-to-actual reports
  - ✓ Key Financial Metrics
- The AGB recommends the Board track financial performance and assess financial health by asking itself the following key questions:
  - ✓ Is the Board using a set of key financial performance metrics with targets to monitor the financial health of the institution?
  - ✓ Is the institution in a state of financial equilibrium?
  - ✓ Does the board understand where the institution stands in comparison with its cohort of peers?

Source: *The Board's Role in Financial Oversight* by Natalie Krawitz, AGB Board Essentials Series

Strategic Financial Management

- TCNJ's leadership emphasizes long-term fiscal sustainability in its operational and resource allocation decisions which is cited as a strength by rating agencies in recent reports:
  - "The college's management practices, together with its healthy cash flow and budgetary flexibility, are key factors behind maintaining the A2 rating in spite of the very high debt burden and increasingly challenging state funding environment. TCNJ's sound fiscal stewardship is reflected in conservative budgeting, multi-year forecasting, regular budgetary oversight and consistently strong operating cash flow." –***Moody's Investor Services, August 15, 2016***.
  - "We have assessed the college's financial profile as strong, with healthy operating surpluses due to growing student-generated revenues, and conservative budgeting and financial planning with dedicated revenue streams earmarked for debt service payments..." –***Standard & Poor's, October 20, 2017***.
  - "TCNJ's new strategic plan runs through 2021 and includes numerous goals and associated benchmarks. In addition, TCNJ has an in-depth enterprise risk management plan, and Fitch views the management team's overall planning processes favorably." –***Fitch Ratings, August 22, 2016***.
- Management and the Board should assess whether the College's financial plan is consistent with its strategic plan.
- In analyzing and assessing the overall financial health of the College, the administration consistently examines the results of a number of strategic questions and key financial ratios.

Overall Level of TCNJ's Financial Health – Composite Financial Index (CFI)

- **Primary Reserve Ratio** – Operating commitments against expendable resources
- **Reserves Strategy**

Are resources sufficient and flexible enough to support the mission?

- **Net Income Ratio** – Ability to live within means on a short-term basis
- **Operating Performance**

Do operating results indicate the institution is living within available resources?

Are debt and investments managed strategically to advance the mission?

- **Viability Ratio** – Outstanding long-term obligations against expendable resources
- **Debt and Investment Strategy**

Does financial asset performance support the strategic direction?

- **Return on Net Assets Ratio** – Generate an overall return against net resources
- **Return on Resources**

Source: *Strategic Financial Analysis for Higher Education*, Sixth Edition, by Prager, Sealy, & Co, LLC; KPMG LLP; and BearingPoint Inc.

Financial Performance Dashboard

	TCNJ				NJ Publics Median	TCNJ vs. Benchmark	TCNJ vs. NJ Publics Median	
Ratios	**Benchmark**	**FY2017**	**FY2016**	**FY2015**	**FY2016**	**FY2017**	**FY2016**	**Benchmark source**
Spendable Cash & Investments to Operating Expenses (Primary Reserve Ratio)	0.50	0.66	0.67	0.70	0.49	Favorable	Favorable	TCNJ Reserve policy
Operating Margin (Net Income Ratio)	3.0%	6.1%	2.7%	2.2%	2.8%	Favorable	Unfavorable	Prager
Operating Cash Flow Margin	13.0%	20.6%	19.6%	19.2%	11.2%	Favorable	Favorable	Moody's A2 Public median
Return on Net Assets	3.0%	5.8%	10.2%	5.4%	8.6%	Favorable	Favorable	Prager
Spendable Cash & Investments to Total Debt (Viability Ratio)	0.55	0.41	0.41	0.41	0.39	Unfavorable	Favorable	Moody's A2 Public median
Weighted CFI	3.00	3.14	3.34	2.90	2.69	Favorable	Favorable	Minimum CFI score
Days Cash on Hand - Liquidity	183	195	209	215	154	Favorable	Favorable	TCNJ Reserve policy
Total Tuition Discount	29.2%	16.0%	16.5%	17.2%	27.8%	Favorable	Favorable	Moody's A2 Public median
Government Appropriations as % of Total Revenues	24.6%	22.2%	23.6%	24.5%	24.9%	Favorable	Favorable	Moody's A2 Public median

Note: TCNJ's benchmarks are based on institutional policies, recommended benchmarks from *Strategic Financial Analysis for Higher Education*, Sixth Edition, by Prager, Sealy, & Co, LLC; KPMG LLP; and BearingPoint Inc, Moody's A2 public medians.

Ratios and medians are based on Moody's data using its new rating methodology, including historical data.

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Reserves Strategy

Are resources sufficient and flexible enough to support the mission?

Spendable Cash & Investments to Operating Expenses (Primary Reserve Ratio)

Primary Reserve Ratio measures the College's liquid resources in relation to overall operating size, which answers the questions, "Are resources sufficient and flexible enough to support the mission?" and "Could the College cover its expenses for a reasonable time without relying on additional net assets from operations?"

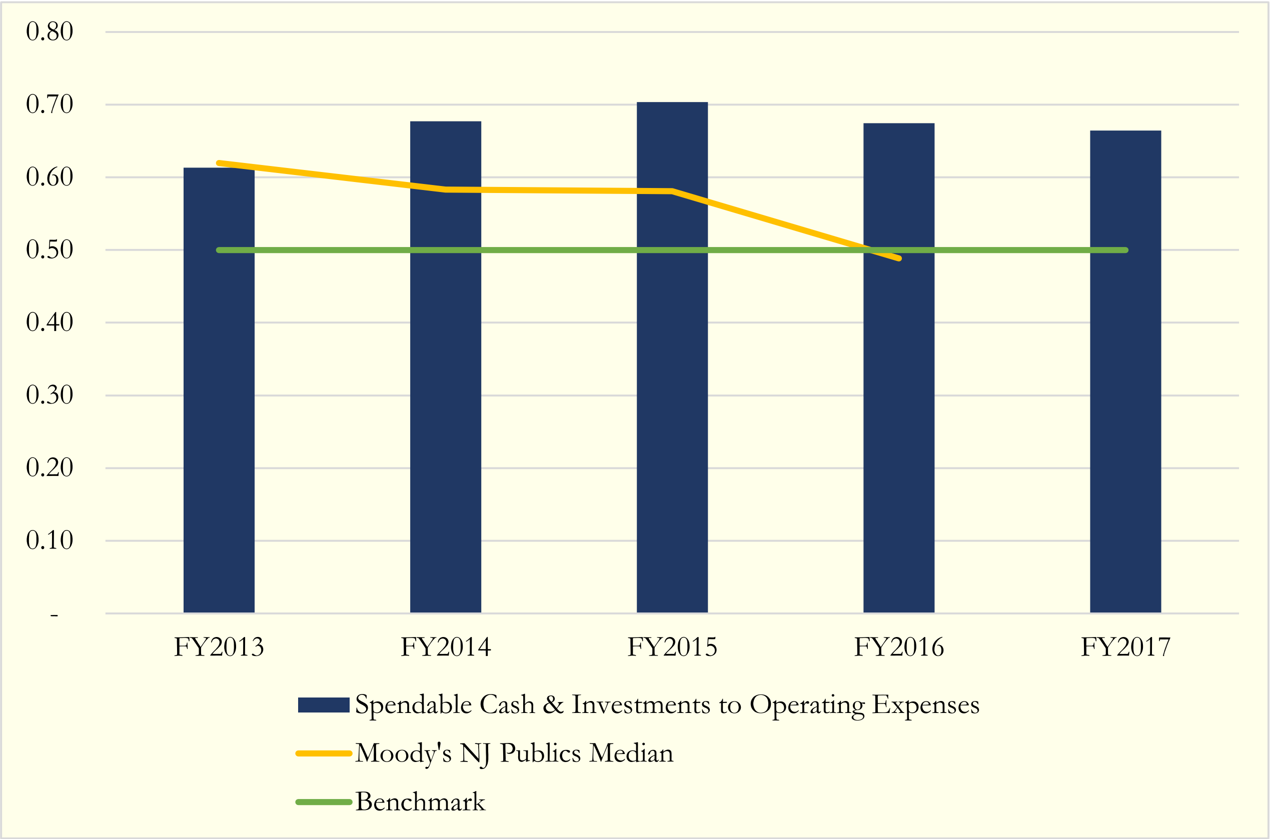
- Expendable resources can be quickly accessed to satisfy short-term obligations. According to Prager, a ratio of .40 or better is necessary to give institutions the financial flexibility necessary for positive transformation.
- As of 6/30/17, TCNJ had the flexibility to cover nearly **8 months (66% of 12 months)** of operating expenses solely from spendable cash & investments of **$145.8 million.**
- This ratio exceeded the median of all NJ public institutions of higher education. It also exceeded the minimum benchmark of **(50% or 6 months)** approved by the Board of Trustees in the reserves policy.

Definition adapted from "The Board's Role in Financial Oversight" by Natalie Krawitz

TCNJ THE COLLEGE OF NEW JERSEY

Reserves Strategy

Spendable Cash & Investments to Operating Expenses (Primary Reserve Ratio)



- FY2017 = **0.66**
- Key Drivers
  - Expendable Resources
  - Operating Expenses

Benchmark = 0.50

The benchmark of 0.50 is based on the Board approved Reserve Policy which requires a minimum of six months (or 0.50) of operating expenses to be held in reserves to provide financial flexibility.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Operating Performance

Do operating results indicate the institution is living within available resources?

Operating Margin (Net Income Ratio) and Operating Cash Flow Margin

Net Income Ratio measures whether the College is living within its means, answering the question, "Do operating results indicate the College is living within its available resources?" This ratio is often perceived as one of the most important from a budgetary standpoint as it indicates the degree of surplus or deficit for the year.

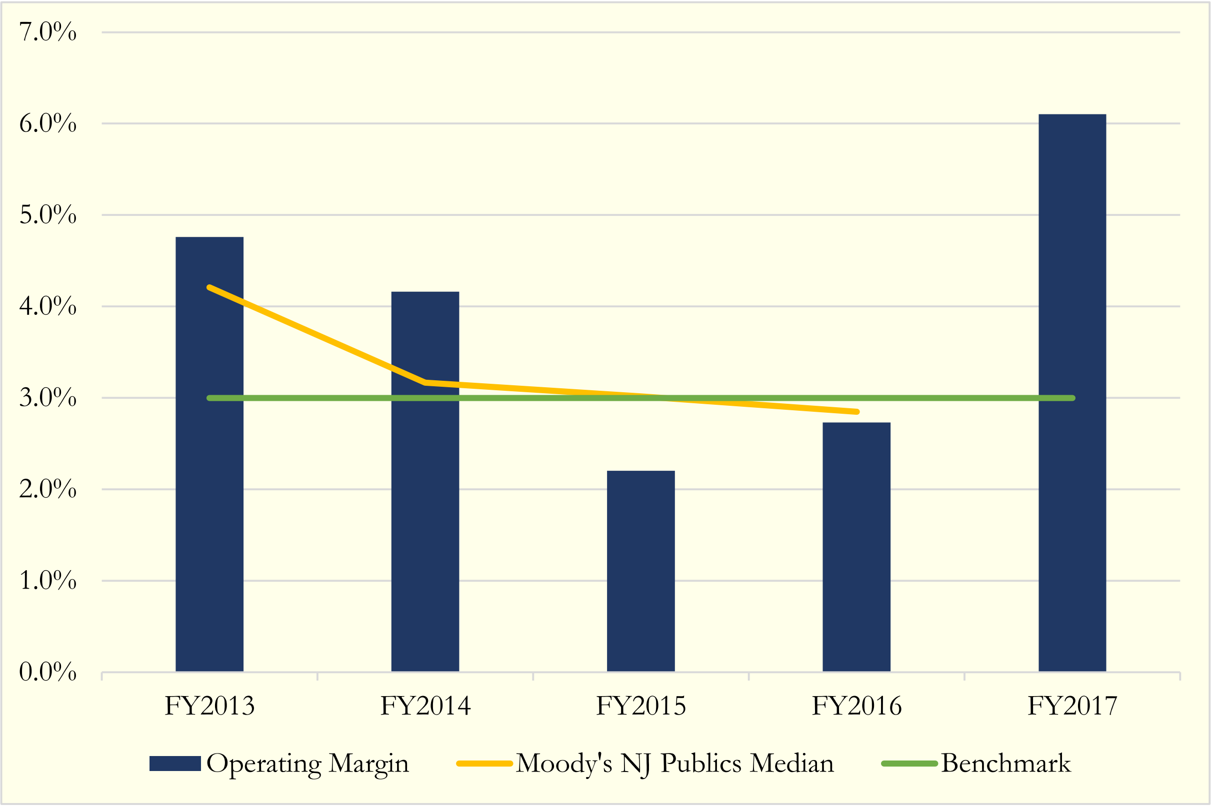
Moody's cites TCNJ's greatest financial strength has been its ability to produce consistently favorable operating performance (FY2017 operating cash flow margin of 20.6%) resulting in good debt service coverage.

- TCNJ surpluses are used to build financial reserves and to provide future flexibility for investments in strategic initiatives.
- In FY2017, strong investment performance drove the significant increase in the operating margin.

Definition adapted from "The Board's Role in Financial Oversight" by Natalie Krawitz

Operating Performance

Operating Margin (Net Income Ratio) =
Operating Income / Total Operating Revenue



- FY2017 = **6.1%**
- Key Drivers:
  - Enrollment level
  - Tuition & Fees
  - State Support
  - Debt Service
  - Salaries & Benefits
  - Investment Returns

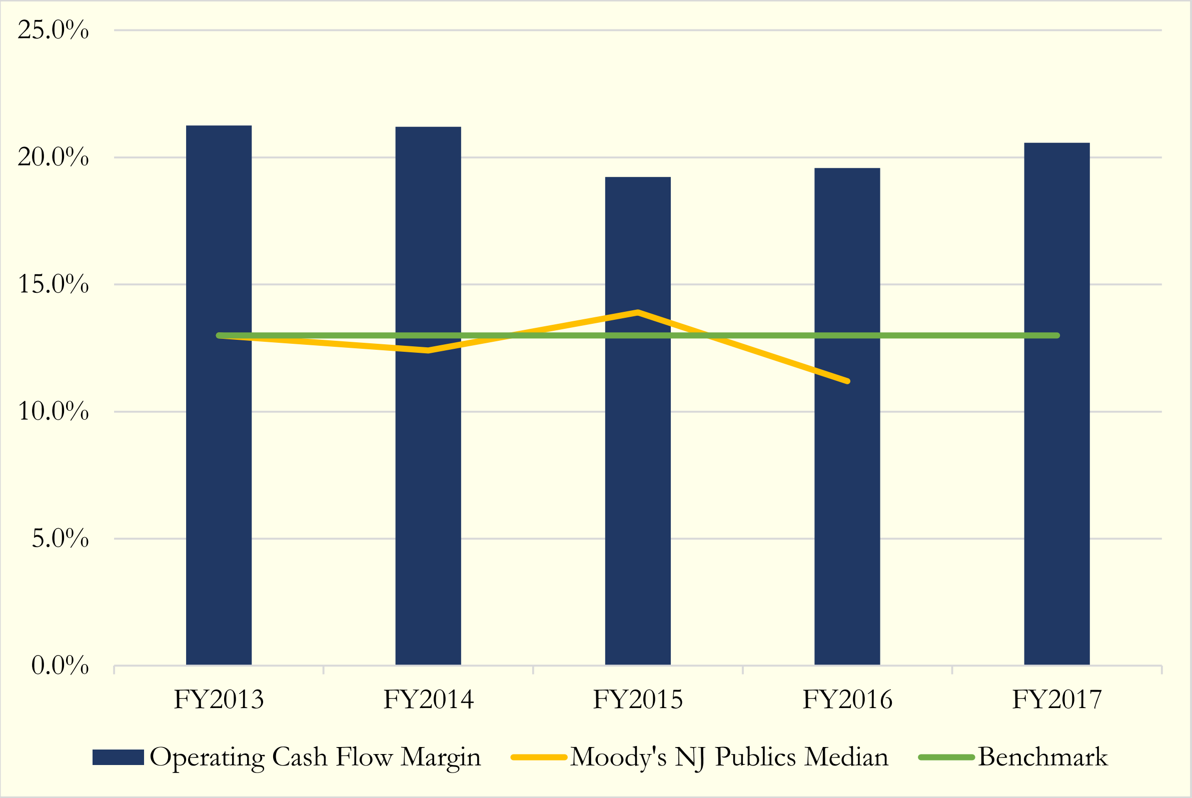
Benchmark = 3.0%

The benchmark of 3.0% is based on the suggested benchmark of 2-4% over time from *Strategic Financial Analysis for Higher Education*, Sixth Edition, by Prager, Sealy, & Co, LLC; KPMG LLP; and BearingPoint Inc.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Operating Performance

Operating Cash Flow Margin =
Operating Cash Flow / Total Operating Revenue



- FY2017 = **20.6%**
- Key Drivers:
  - Enrollment level
  - Tuition & Fees
  - State Support
  - Debt Service
  - Salaries & Benefits
  - Investment Returns

Benchmark = 13.0%

The benchmark of 13.0% is based on the Moody's A2 publics median.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Return on Financial Resources

Does financial asset performance support the strategic direction?

Return on Net Assets Ratio

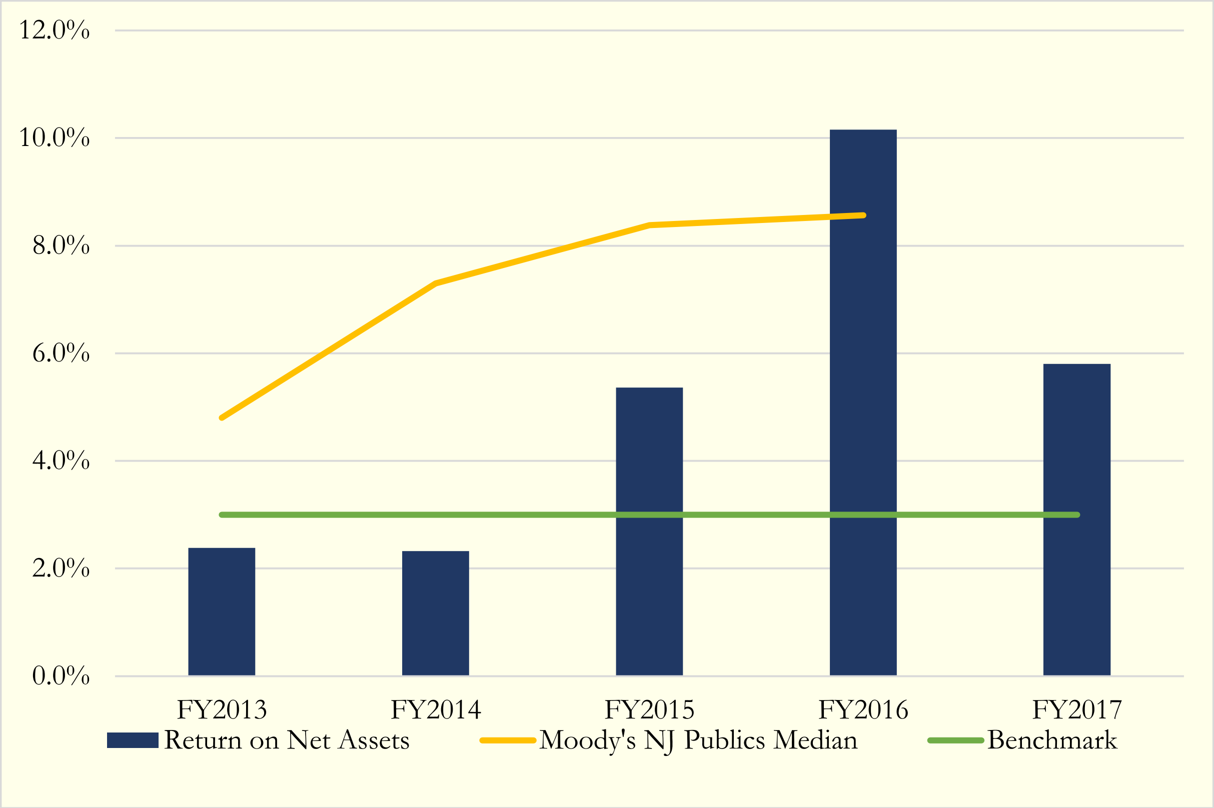
Return on Net Assets measures whether the College's resources are growing and whether it is better off than the prior year, answering the question, "Do asset performance and management support the strategic direction?" This ratio is best viewed as the real rate of return (i.e. return on assets less inflation). Generating an acceptable return on net assets is critical for an institution's long-term operations.

- TCNJ's improved financial position is reflected in the consistent increase to net assets.
- The significant increases in this ratio in FY2015 and FY2016 were due to the infusion of New Jersey capital grants and the capital contributions received from our food service partner. The FY2017 return on net assets was bolstered by investment income.
- Historically, TCNJ's return on net assets has been lower than its NJ Public peers.

Definition adapted from "The Board's Role in Financial Oversight" by Natalie Krawitz

Return on Financial Resources

Return on Net Assets Ratio =
Change in Total Net Assets / Average of Beginning and Ending Net Assets



- FY2017 = **5.8%**
- Key Drivers:
  - Investment Returns
  - Operating Results
  - Investment in Plant

Benchmark = **3.0%**

The benchmark of 3.0% is based on the suggested benchmark of 3-4% from *Strategic Financial Analysis for Higher Education*, Sixth Edition, by Prager, Sealy, & Co, LLC; KPMG LLP; and BearingPoint Inc.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Debt Management

Is debt managed strategically to advance the mission?

Spendable Cash & Investments to Total Debt (Viability Ratio)

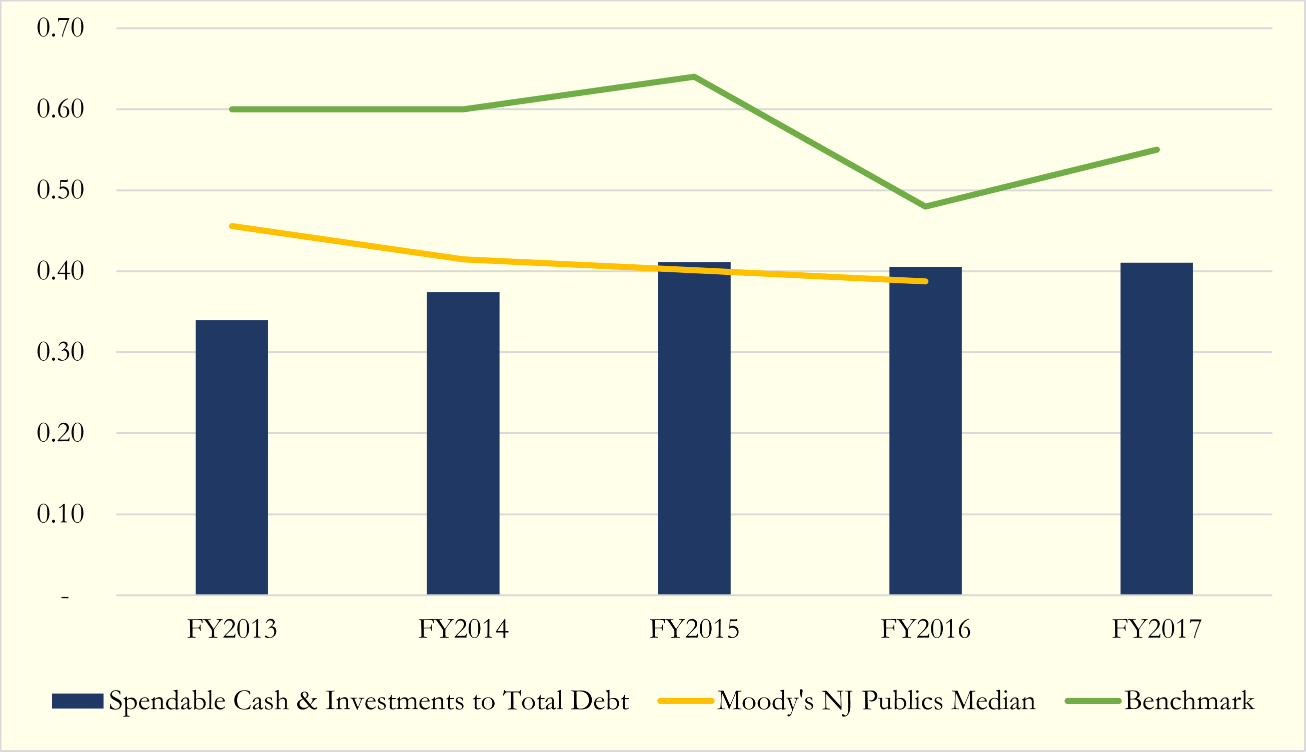
Viability Ratio measures the availability of expendable net assets to cover long-term debt answering the question, "Are debt resources managed strategically to advance the mission?" The higher the ratio, the more funds available to cover debt.

- TCNJ is significantly leveraged with approximately $377 million in outstanding long-term debt (excluding the crossover debt) as of 6/30/2017, however the College will pay down over $65 million (excluding the crossover refunding), or over 16%, of its outstanding debt over the next five fiscal years (FY2018 – FY2022).
- Additionally, in FY2017, TCNJ refunded a portion of its existing debt portfolio and locked in record low rates to capture nearly $23 million in budgetary savings within the next five years.
- TCNJ has a conservative debt structure with no variable rate or derivative (interest rate swaps) exposure.
- TCNJ's viability ratio (0.41) is in line with its NJ Public peers (0.39) and has been steadily increasing over the past five years.
- The College uses internal cash reserves to finance asset renewal projects, minimizing increases in the amount of outstanding debt.

Definition adapted from "The Board's Role in Financial Oversight" by Natalie Krawitz

Debt Management

Spendable Cash & Investments to Total Debt (Viability Ratio)



- FY2017 = **0.41**
- Key Drivers
  - Investment returns
  - Debt amortization
  - Use of cash reserves to fund asset renewal projects instead of new debt

Benchmark = **0.50**

The benchmark of 0.50 is based on the Moody's A2 publics median.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Investment Management

Are investments managed strategically to advance the mission?

Prudent investment management answers the question "Is there an appropriate balance between risk and return to preserve investment principal and generate earnings to support the strategic direction of the College?"

- TCNJ's portfolio has a highly liquid investment allocation in cash and cash equivalents and fixed income.
- The portfolio was invested conservatively with a market value of **$105.2** million at 6/30/17 and with the following allocation:
  - Working Capital (*Operating Cash– Daily Liquidity*) = $18.5M
  - Contingency Cash – Short-Duration Fixed Income (*Minimum Rating A or Better*) = $36.1M
  - Multi-Asset Class (*70% Equity & 30% Fixed Income*) = $50.6M

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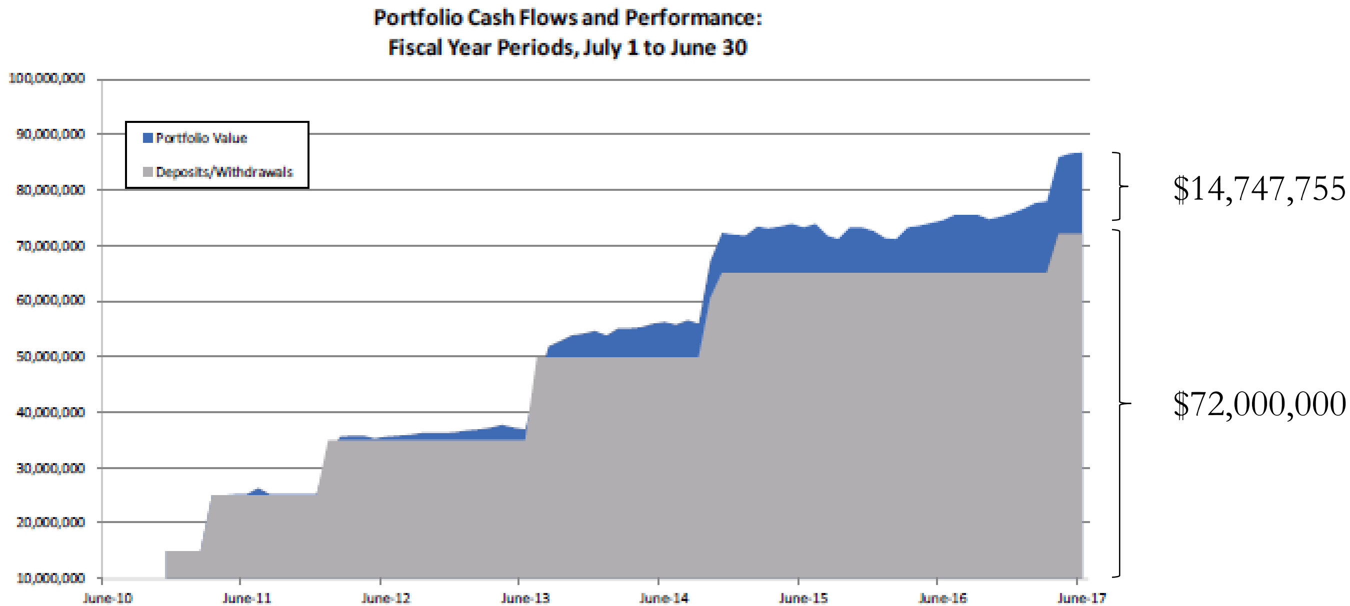
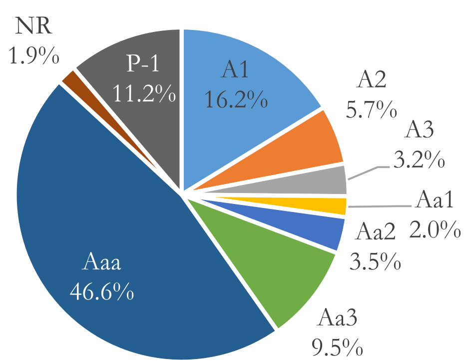
Investment Performance

Since inception in FY2011, the portfolio has appreciated by $14.7 million, or 3.8%, as of 6/30/2017.



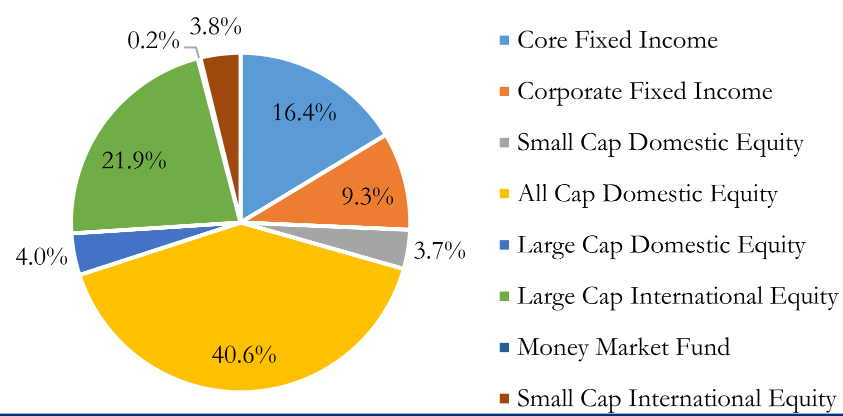
Core Cash Portfolio Rating Allocation

$36.1 million



MACM Portfolio Investment Allocation

$50.7 million



Data as of June 30, 2017

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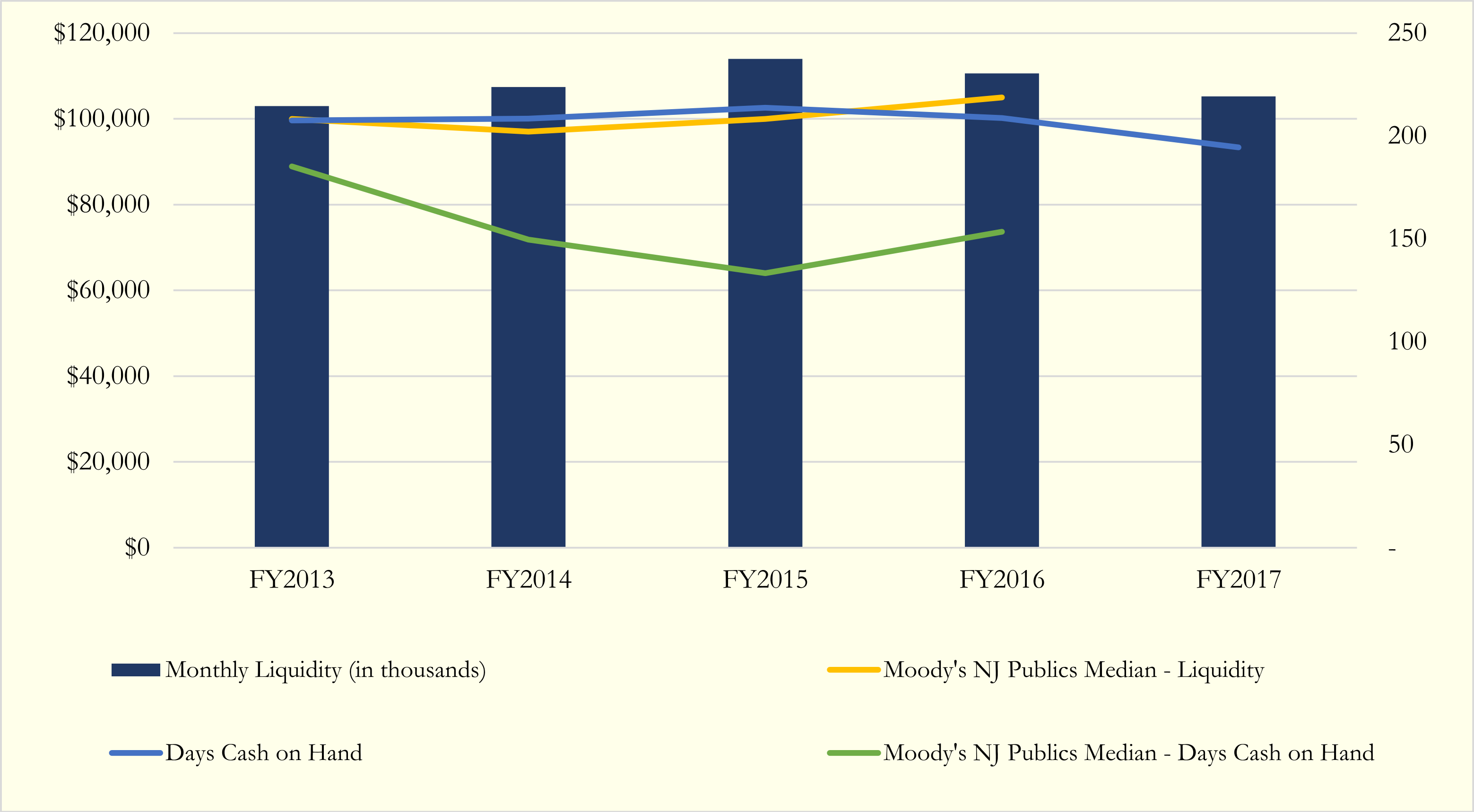
Liquidity Measures

- Healthy levels of liquidity with unrestricted cash and investments of $105.2M at year-end, providing 195 days of cash on hand. According the Moody's, the College's liquidity is comparatively strong for the A2 rating category.



Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

What is TCNJ's Overall Level of Financial Health?

Composite Financial Index (CFI)

- Composite Financial Index (CFI) is a key indicator used to assess the overall level of TCNJ's financial health.

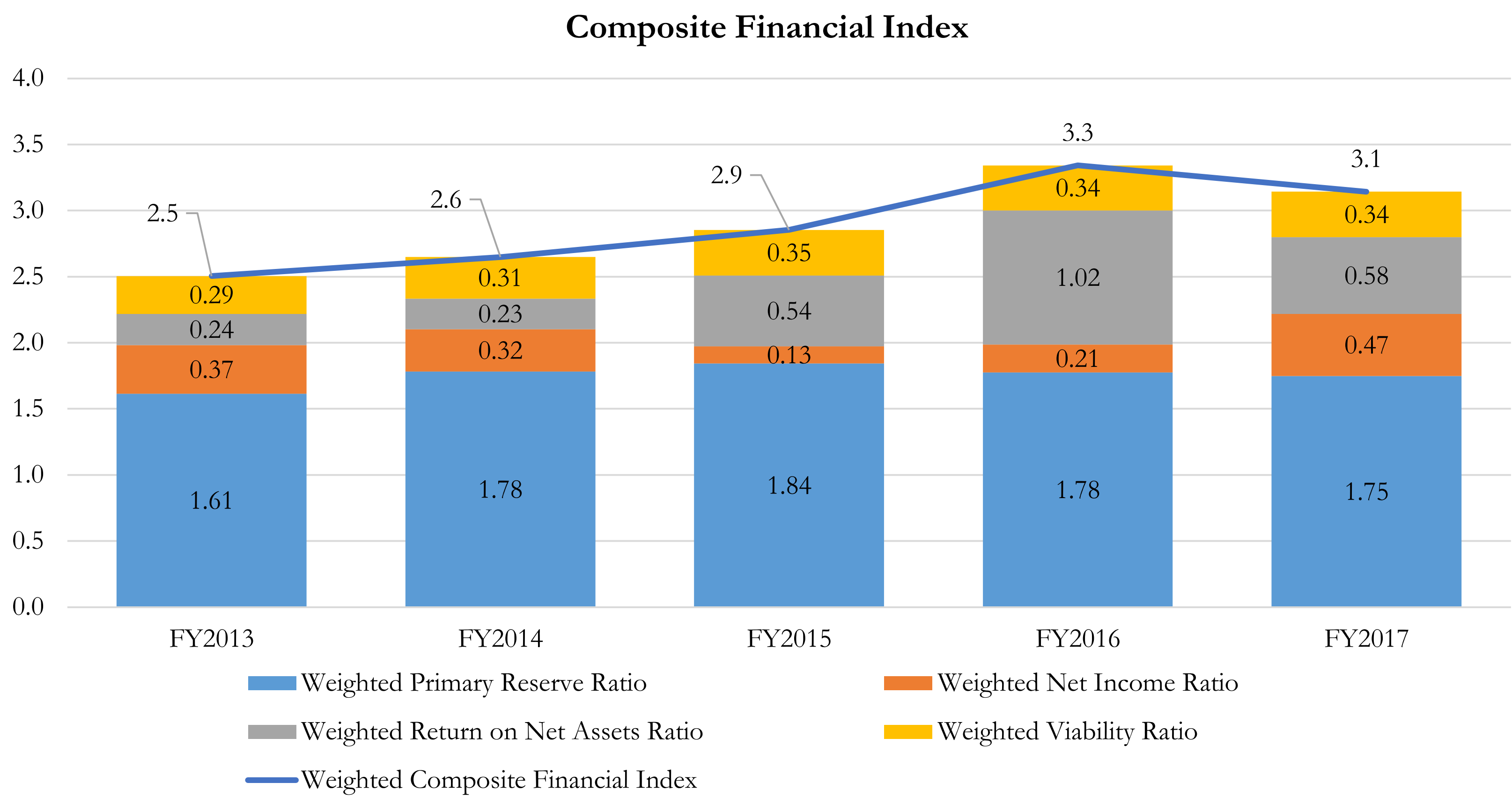
- The CFI is a metric designed to increase financial accountability by creating one overall financial measurement of an institution's financial health over time based on the following four core ratios:
  - Primary Reserve Ratio
  - Net Income Ratio
  - Return on Net Assets Ratio
  - Viability Ratio

- The four ratios are calculated and then converted to strength factors along a common scale from -4 to 10, with 3 considered the threshold value indicative of relative financial health, suggesting the institution has adequate institutional resources to direct strategically. The strength factors are then weighted using a standard weighting and blended into the CFI.

- Because the CFI is a single composite score, weaknesses in one of the ratios can be offset by strength in another ratio.

The use of CFI is described in the seventh edition of *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks* by Prager, Sealy & Co. LLC, KPMG LLP, and Attain LLC, 2010.

What is TCNJ's Overall Level of Financial Health?

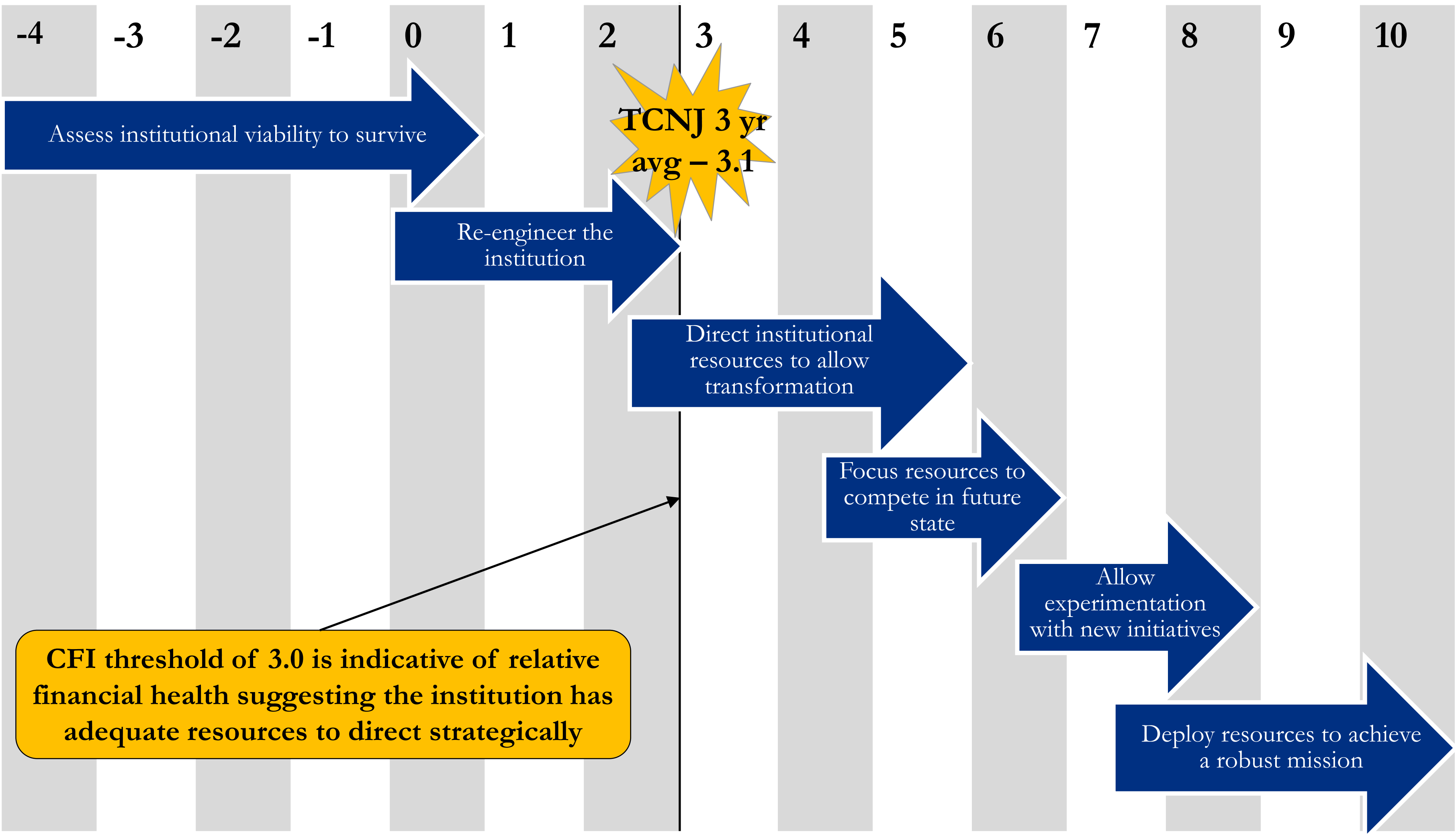


- The three-year average CFI score of **3.1** indicates that TCNJ is fiscally sound (at the threshold for overall financial strength) as evidenced by its investment-grade bond ratings, stable enrollment and solid operating performances.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

What is TCNJ's Overall Level of Financial Health?

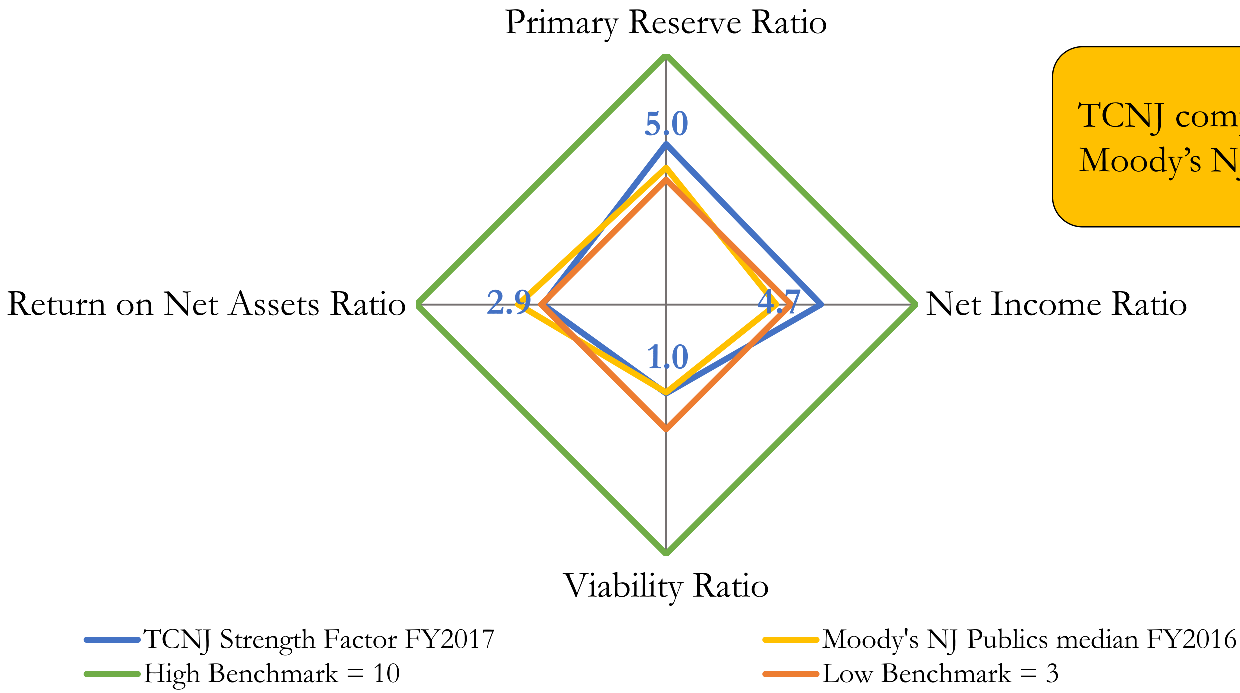
CFI Scoring Scale



The use of CFI is described in the seventh edition of *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks* by Prager, Sealy & Co. LLC, KPMG LLP, and Attain LLC, 2010.
See Appendix B for CFI data.

What is TCNJ's Overall Level of Financial Health?

Graphical Financial Profile of Strength Factors



TCNJ compares favorably to Moody's NJ Publics medians

- **Primary Reserve Ratio** is above the minimum benchmark, indicating strong capitalization and cushion against adversity.
- **Viability Ratio** is below the minimum benchmark, indicating the College is highly leveraged, which is common for New Jersey publics as TCNJ's ratio is in line with the median.
- **Return on Net Assets Ratio** is in line with the minimum benchmark indicating the College is generating a reasonable return net assets for strategic investment.
- **Net Income Ratio** is above the minimum benchmark and NJ Publics median, indicating the College is generating a healthy return on operating revenues and investments.

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Moody's Higher Education Outlook

- Moody's expects tuition revenue growth to remain subdued (2-3%) and aggregate revenue growth of 3.5% for both public and private colleges and universities in 2017. Moody's expects comprehensive universities with diverse revenue streams to sustain better growth compared to smaller and mid-sized universities, and less than 20% of publics will achieve revenue growth greater than 3%.
- Total enrollment will grow modestly (1-2%). Continued effort to improve retention rates will sustain enrollment growth since the number of high school graduates will decline over the next two years. Expansion of international recruitment, online and certificate programs, and transfer students will help stabilize enrollment.
- Continued focus on affordability, including state-imposed limits on tuition increases for publics, will limit tuition revenue growth.
- State funding will also likely moderate, based on current state revenue growth projections which anticipate slow tax revenue growth. Research funding will remain stagnant and will likely continue to shift to comprehensive universities.
- Moody's expects weaker investment performance in FY2018 and FY2019 compared to FY2017, but gift revenue will remain strong.
- Expense growth will outpace revenue growth for public universities, forcing at least 15% to cut costs in response to stagnant or weak revenue growth. Increases in labor costs, including retirement benefits and healthcare costs, account for 60-70% of sector expenses.
- A favorable investment return environment may pause the growth of net pension liabilities in FY2018. Moody's cites New Jersey as one of the states that may particularly benefit from this.
- Federal policy and funding, particularly the reauthorization of the Higher Education Act which governs all financial aid programs, will have broad-reaching implications for higher education. Federal financial aid programs increase affordability and access to higher education and cuts to these programs, or funding growth that does not keep pace with inflation, will suppress net tuition revenue growth.
- Strong FY2017 investment returns have increased financial reserve levels which will buffer potential volatility in the outlook period..
- While the sector remains vulnerable to investment market performance, most universities have improved contingency planning after the last significant market downturn, including enhanced liquidity management and reduction of debt structure risks. Many universities are also evaluating and adjusting endowment spending and investment policies as they reduce long-term investment return assumptions in their financial models.

Source: *Higher Education – US: 2018 Outlook – 2018 Outlook Changed to Negative as Revenue Growth Moderates* by Moody's Investor Service, December 5, 2017.

Appendix A – Ratio Data

MOODY'S
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U.S. Not-For-Profit Higher Education:
Key Ratios Breakout for Issuers

Issuer Name:	College of New Jersey		EXCLUDE GASB 68		
Balance Sheet ($000)	**2013**	**2014**	**2015**	**2016**	**2017**
Assets					
Cash & Investments	102,974	118,411	128,208	122,139	120,563
Foundation Cash & Investments	27,767	32,887	33,565	34,704	38,851
Total Cash & Investments	130,741	151,298	161,773	156,843	159,414
Liabilities					
Total Direct Debt	359,797	377,022	366,725	357,179	355,125
Cash					
Cash & Investments	102,974	118,411	128,208	122,139	120,563
Foundation Cash & Investments	27,767	32,887	33,565	34,704	38,851
Foundation Permanently Restricted Net Assets	8,515	10,113	10,946	12,040	13,642
Spendable Cash & Investments	122,226	141,185	150,827	144,803	145,772

Income Statement ($000)	2013	2014	2015	2016	2017
Revenues					
Scholarship Aid	21,129	21,228	20,862	20,374	20,287
Net Tuition Revenue	50,818	52,131	55,998	55,243	61,348
Government Student Grant Revenue	12,061	12,190	12,863	12,367	12,423
Government Student Loan Revenue	37,508	38,782	38,953	43,239	40,184
Scholarship Expense	(1,024)	(1,039)	(1,293)	(1,302)	(1,186)
Total Net Tuition and Fees	99,363	102,064	106,521	109,547	112,769
Net Auxiliary Enterprises	40,678	46,083	44,986	45,145	47,770
Government Operating Appropriations	53,311	53,079	53,596	52,149	51,827
Grants and Contracts	7,489	5,446	5,973	7,008	6,382
Endowment Spending / Investment Income	3,706	8,297	2,632	1,354	8,810
Other Revenue	4,619	2,573	5,404	5,451	6,036
Total Operating Revenue	209,166	217,542	219,112	220,654	233,594

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

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Appendix A – Ratio Data

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INVESTORS SERVICE

U.S. Not-For-Profit Higher Education:
Key Ratios Breakout for Issuers

Issuer Name:	College of New Jersey		EXCLUDE GASB 68		
Income Statement ($000)	**2013**	**2014**	**2015**	**2016**	**2017**
Expenses					
Interest	(16,386)	(16,730)	(16,592)	(15,983)	(11,938)
Research	(9,020)	(10,514)	(10,693)	(12,754)	(11,880)
Auxiliary	(29,864)	(31,494)	(31,084)	(31,796)	(33,719)
Other	(143,937)	(149,752)	(157,033)	(154,091)	(161,803)
Total Expense	(199,207)	(208,490)	(215,402)	(214,624)	(219,340)
Operating Income	9,959	9,052	3,710	6,030	14,254
Operating Cash Flow	44,462	46,119	41,005	43,212	48,075

Cash Flow ($000)	**2013**	**2014**	**2015**	**2016**	**2017**
Principal payments on debt (regularly scheduled)	(2,289)	(2,306)	(9,422)	(10,459)	(11,336)
Interest Paid	(17,368)	(18,611)	(19,675)	(19,148)	(16,118)
Depreciation Expense	18,117	20,337	20,703	21,199	21,883

Liquidity Data ($000)	**2013**	**2014**	**2015**	**2016**	**2017**
Monthly Liquidity (Operating)	102,974	107,461	113,978	110,616	105,238

Operational Data	**2013**	**2014**	**2015**	**2016**	**2017**
Total Enrollment FTE	6,901	6,944	6,957	6,962	7,154
Total Primary Market Applications	11,146	10,937	11,290	11,825	12,898
Total Primary Market Acceptances	4,806	5,356	5,495	5,779	6,130
Total Primary Market Matriculants	1,406	1,422	1,453	1,457	1,542

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Appendix A – Ratio Data

MOODY'S
INVESTORS SERVICE

U.S. Not-For-Profit Higher Education:
Key Ratios Breakout for Issuers

COLLEGE OF NEW JERSEY

KEY RATIOS	2013	2014	2015	2016	2017
Financial Leverage (Spendable Cash & Investments to Total Debt) (x)	0.34	0.37	0.41	0.41	0.41
Operating Reserve (Spendable Cash & Investments to Operating Expenses) (x)	0.61	0.68	0.70	0.67	0.66
Operating Margin (%)	4.8	4.2	1.7	2.7	6.1
Reputation and Pricing Power (Annual Change in Operating Revenue) (%)	3.5	4.0	0.7	0.7	5.9
Operating Cash Flow Margin	21.3	21.2	18.7	19.6	20.6
Debt Service Coverage	2.38	2.42	1.58	1.63	2.07
Three-Year Average Debt Service Coverage (x)	2.22	2.28	2.06	1.82	1.75
Debt Affordability (Total Debt to Cash Flow) (x)	8.09	8.17	8.94	8.27	7.39
Revenue Diversity (Max Single Contribution) (%)	67.0	68.1	69.1	70.1	68.7
Monthly Liquidity ($000)	102,974	107,461	113,978	110,616	105,238
Monthly Days Cash on Hand (x)	207.6	208.5	213.7	208.7	194.5
Net Tuition per Student ($)	14,614	14,790	15,340	15,746	16,198
Government Appropriations per Student ($)	7,841	7,691	7,718	7,496	7,444
Total Tuition Discount (%)	18.2	17.9	17.2	16.5	16.0
Change in Total FTE Enrollment (%)	1.5	0.6	0.2	0.1	2.8
Primary Market Selectivity (%)	43.1	49.0	48.7	48.9	47.5
Primary Market Matriculation (%)	29.3	26.5	26.4	25.2	25.2
Annual Change in Operating Revenue (%)	3.5	4.0	0.7	0.7	5.9
Annual Change in Operating Expenses (%)	3.4	4.7	3.3	-0.4	2.2
Capital Spending (x)	1.5	1.2	1.7	2.9	2.6
Change in Net Tuition per Student (%)	3.9	1.2	3.7	2.6	2.9
Return on Net Assets (%)	2.4	2.3	5.4	10.2	5.8
Non-Resident FTE Enrollment (%)	6.1	7.0	6.4	6.3	5.9

SOURCES OF REVENUE	2013	2014	2015	2016	2017
Tuition and Auxiliaries (%)	67.0	68.1	69.1	70.1	68.7
Investment Income (%)	1.8	3.8	1.2	0.6	3.8
Gifts (%)	0.0	0.0	0.0	0.0	0.0
Grants and Contracts (%)	3.6	2.5	2.7	3.2	2.7
Government Appropriations (%)	25.5	24.4	24.5	23.6	22.2
Other (%)	2.2	1.2	2.5	2.5	2.6

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Appendix B – CFI Data

Composite Financial Index Calculation

Ratios	FY2017 Ratio		Conversion Factor		Strength Factor		Weight		FY2017 Weighted Ratio
Primary Reserve Ratio	0.66	/	0.133	=	5.00	x	35%	=	1.75
Net Income Ratio	6.1%	/	1.3%	=	4.69	x	10%	=	0.47
Return on Net Assets Ratio	5.8%	/	2.0%	=	2.90	x	20%	=	0.58
Viability Ratio	0.41	/	0.417	=	0.98	x	35%	=	0.34
Composite Financial Index (Sum of Weighted Ratios)									**3.1**

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

Appendix B – CFI Data

Composite Financial Index Trend

Ratios	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Primary Reserve Ratio	0.58	0.61	0.68	0.70	0.67	0.66
Net Income Ratio	4.6%	4.8%	4.2%	1.7%	2.7%	6.1%
Return on Net Assets Ratio	2.9%	2.4%	2.3%	5.4%	10.2%	5.8%
Viability Ratio	0.31	0.34	0.37	0.41	0.41	0.41

Strength Factors	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Primary Reserve Ratio	4.38	4.61	5.09	5.26	5.07	5.00
Net Income Ratio	3.54	3.66	3.20	1.30	2.10	4.69
Return on Net Assets Ratio	1.46	1.19	1.16	2.68	5.08	2.90
Viability Ratio	0.74	0.81	0.90	0.99	0.97	0.98

Composite Financial Index	**2.4**	**2.5**	**2.6**	**2.9**	**3.3**	**3.1**
Three Year Average		**2.5**	**2.5**	**2.7**	**2.9**	**3.1**

Note: FY15 – FY17 ratios and medians exclude the impact of the GASB #68 pension liability passed down from the State for financial reporting purposes. See Appendix A for ratio data.

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