



FY17 External Audit

University Financial Services



Scope of Audit

- Audit of Consolidated Financial Statements
- Audit of separate statements for certain units
 - UK Healthcare Hospital System
 - UK Department of Intercollegiate Athletics
 - WUKY-FM Radio
 - Kentucky Tobacco Research Development Center
- Audit of separate statements for affiliated corporations
 - UK Research Foundation
 - UK Gluck Equine Research Foundation
 - UK Humanities Foundation
 - UK Mining Engineering Foundation
 - UK Center on Aging Foundation
 - Central Kentucky Management Services



Scope of Audit

- Report on internal control over financial reporting
- Reports on compliance and internal controls in accordance with OMB Compliance Supplement (relates to federal awards)
- Report on compliance with House Bill 622 and other reports required by State
- Agreed-upon procedures
 - NCAA Financial Audit Guidelines
 - UKHC management of Eastern State Hospital and Central Kentucky Recovery
 - KMSF contract compliance
 - UK's financial information for the Commonwealth's Annual Financial Report
- Report on estimated bond arbitrage liability

Unmodified opinions on all financial statement audits



New Accounting Standards

- Implemented GASB No. 74, which required separate fiduciary fund statements for assets held in trust for OPEB (other post-employment benefits other than pensions) and disclosure of the OPEB liability as of June 30, 2017.
- University will adopt GASB No. 75 in FY18, and will record the unfunded , or net OPEB liability, of \$267 million at July 1, 2017, as follows (in millions):

	Retiree Health	LTD Plan	Total OPEB
Total OPEB Liability - Balance Recognized at 7/1/2017, based on 7/1/2016 Measurement Date	\$ 384	\$ 20	\$ 404
Plan Fiduciary Net Position - based on 7/1/2016 Measurement Date	<u>(120)</u>	<u>(17)</u>	<u>(137)</u>
Net OPEB Liability - Balance at 7/1/2017	<u>\$ 264</u>	<u>\$ 3</u>	<u>\$ 267</u>



Condensed Statements of Net Position

(in millions)

	2017	2016	Change
Assets and deferred outflows of resources	<u>\$ 6,206</u>	<u>\$ 5,908</u>	<u>\$ 298</u>
Liabilities and deferred inflows of resources	<u>2,229</u>	<u>2,181</u>	<u>48</u>
Net Position			
Invested in capital, net of debt	1,663	1,527	136
Restricted	1,162	1,096	66
Unrestricted	<u>1,152</u>	<u>1,104</u>	<u>48</u>
Total net position	<u><u>\$ 3,977</u></u>	<u><u>\$ 3,727</u></u>	<u><u>\$ 250</u></u>

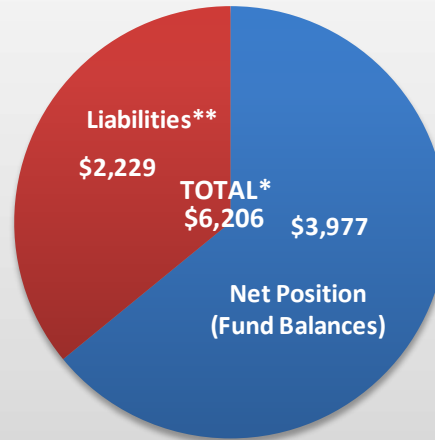


Statement of Net Position

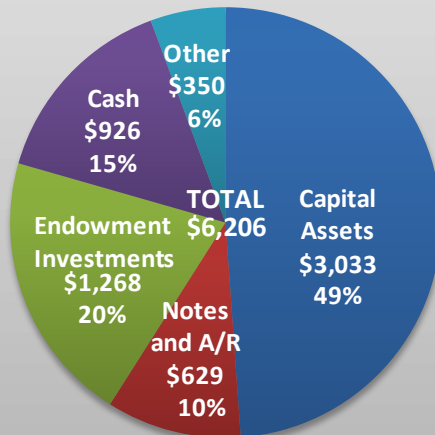
June 30, 2017

(in millions)

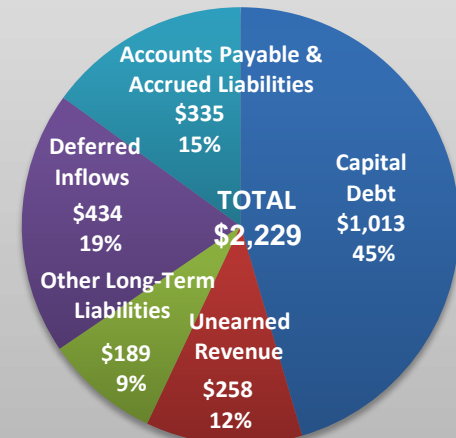
Financial Condition



Composition of Assets



Composition of Liabilities

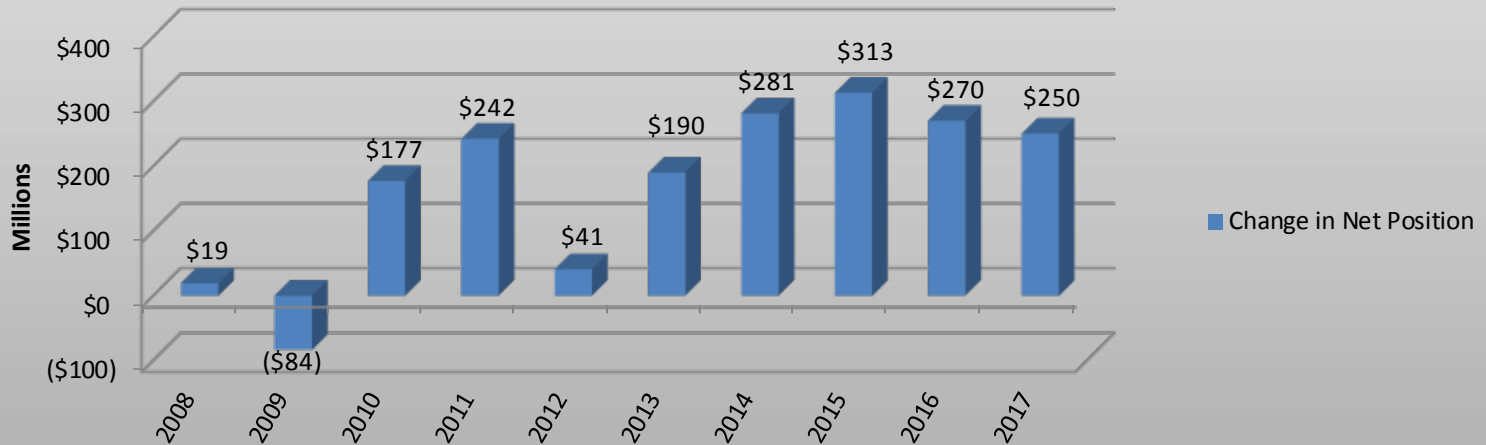
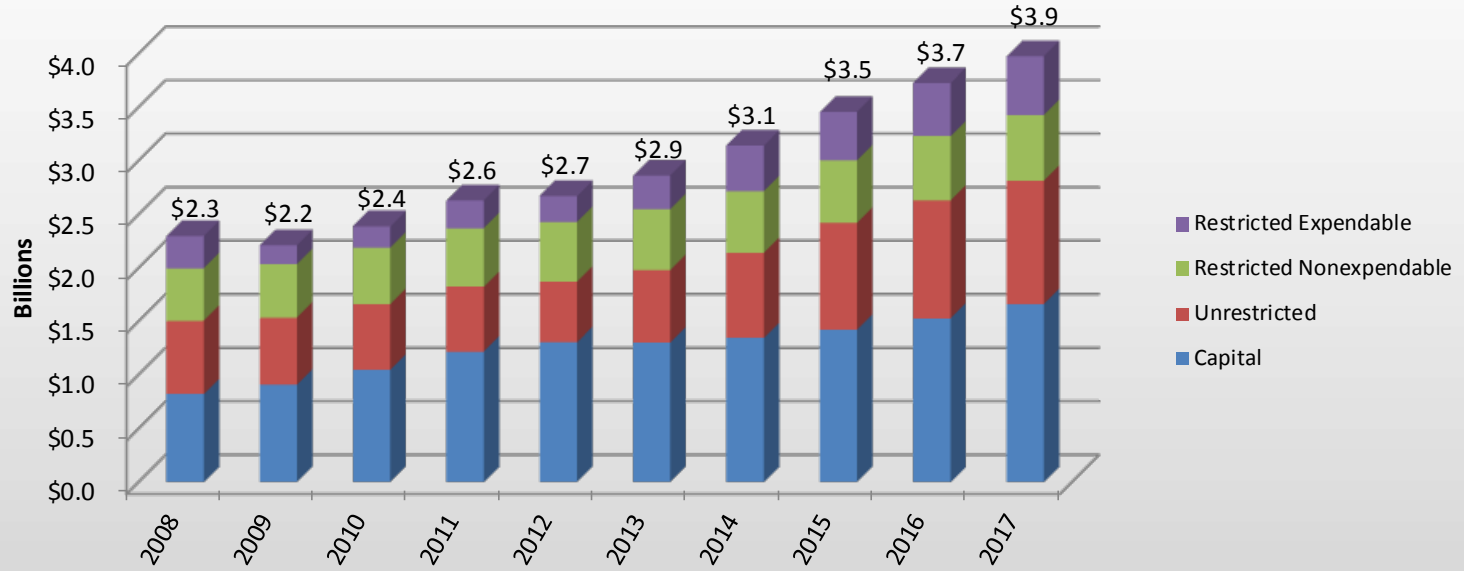


*Includes deferred outflows of resources

**Includes deferred inflows of resources



Historical Net Position





Condensed Statements of Revenues, Expenses and Changes in Net Position

(in millions)

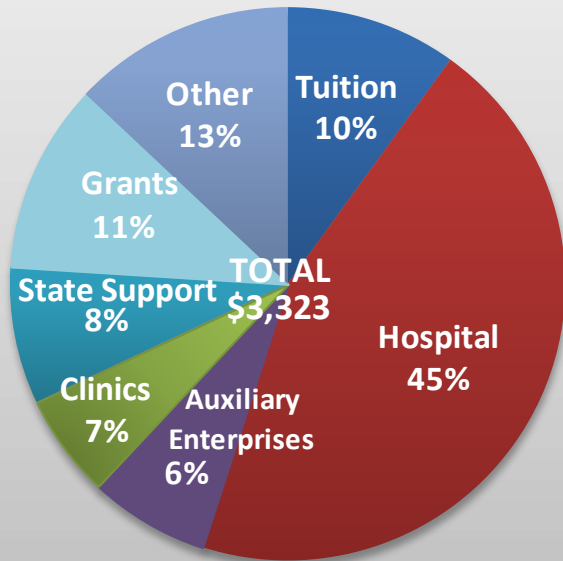
	2017	2016	Change
Operating revenues	\$ 2,729	\$ 2,604	\$ 125
Operating expenses	<u>3,038</u>	<u>2,888</u>	<u>150</u>
Net loss from operations	<u>(309)</u>	<u>(284)</u>	<u>(25)</u>
Nonoperating revenues (expenses)	<u>559</u>	<u>554</u>	<u>5</u>
Increase in net position	250	270	(20)
Net position, beginning of year	<u>3,727</u>	<u>3,457</u>	<u>270</u>
Net position, end of year	<u>\$ 3,977</u>	<u>\$ 3,727</u>	<u>\$ 250</u>



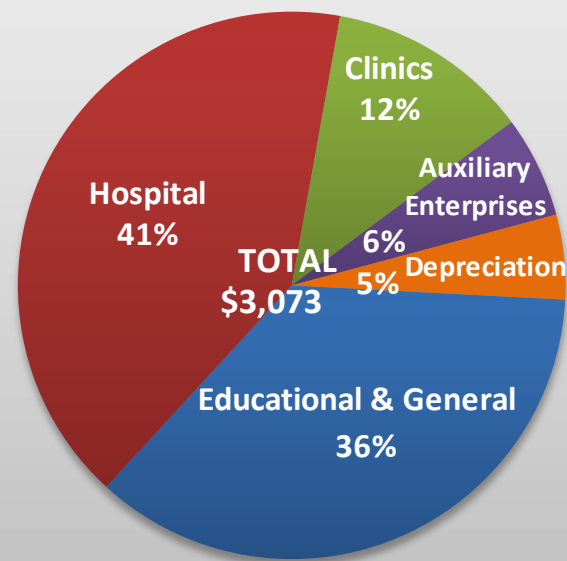
Statement of Revenues, Expenses and Changes in Net Position

FY 2016-17
(in millions)

Major Sources of Revenue



Major Categories of Expenses





Statement of Revenues, Expenses and Changes in Net Position

- FY 2017 compared to FY 2016
 - Operating revenues: ↑ \$125M to \$2.7B
 - Hospital services: ↑ \$75M
 - Net tuition and fees: ↑ \$20M
 - Clinical service fees: ↑ \$6M
 - Operating expenses: ↑ \$150M to \$3.0B
 - Educational and general: ↑ \$37M
 - Hospital and clinics: ↑ \$71M
 - Nonoperating revenues and expenses: ↑ \$6M to \$559M
 - Investment income: ↑ \$117M
 - Capital gifts and grants: ↓ \$97M due to prior year State funding of Research Building
 - Increase in net position: \$250M, decrease of \$19M



Condensed Statements of Fiduciary Net Position (in millions)

	2017	2016	Change
Assets	<u>\$ 163</u>	<u>\$ 137</u>	<u>\$ 26</u>
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position restricted for postemployment benefits other than pensions	<u>\$ 163</u>	<u>\$ 137</u>	<u>\$ 26</u>
Comprised of:			
Retiree Health Plan	\$ 19	\$ 17	\$ 2
LTD Plan	<u>144</u>	<u>120</u>	<u>24</u>
Total net position	<u>\$ 163</u>	<u>\$ 137</u>	<u>\$ 26</u>



Condensed Statements of Changes in Fiduciary Net Position

(in millions)

	2017	2016	Change
Additions			
Investment income (loss)	\$ 14	\$ (1)	\$ 15
Contributions	32	31	1
Total additions	<u>46</u>	<u>30</u>	<u>16</u>
Deductions	<u>20</u>	<u>19</u>	<u>1</u>
Increase in net position	26	11	15
Net position, beginning of year	<u>137</u>	<u>126</u>	<u>11</u>
Net position, end of year	<u>\$ 163</u>	<u>\$ 137</u>	<u>\$ 26</u>