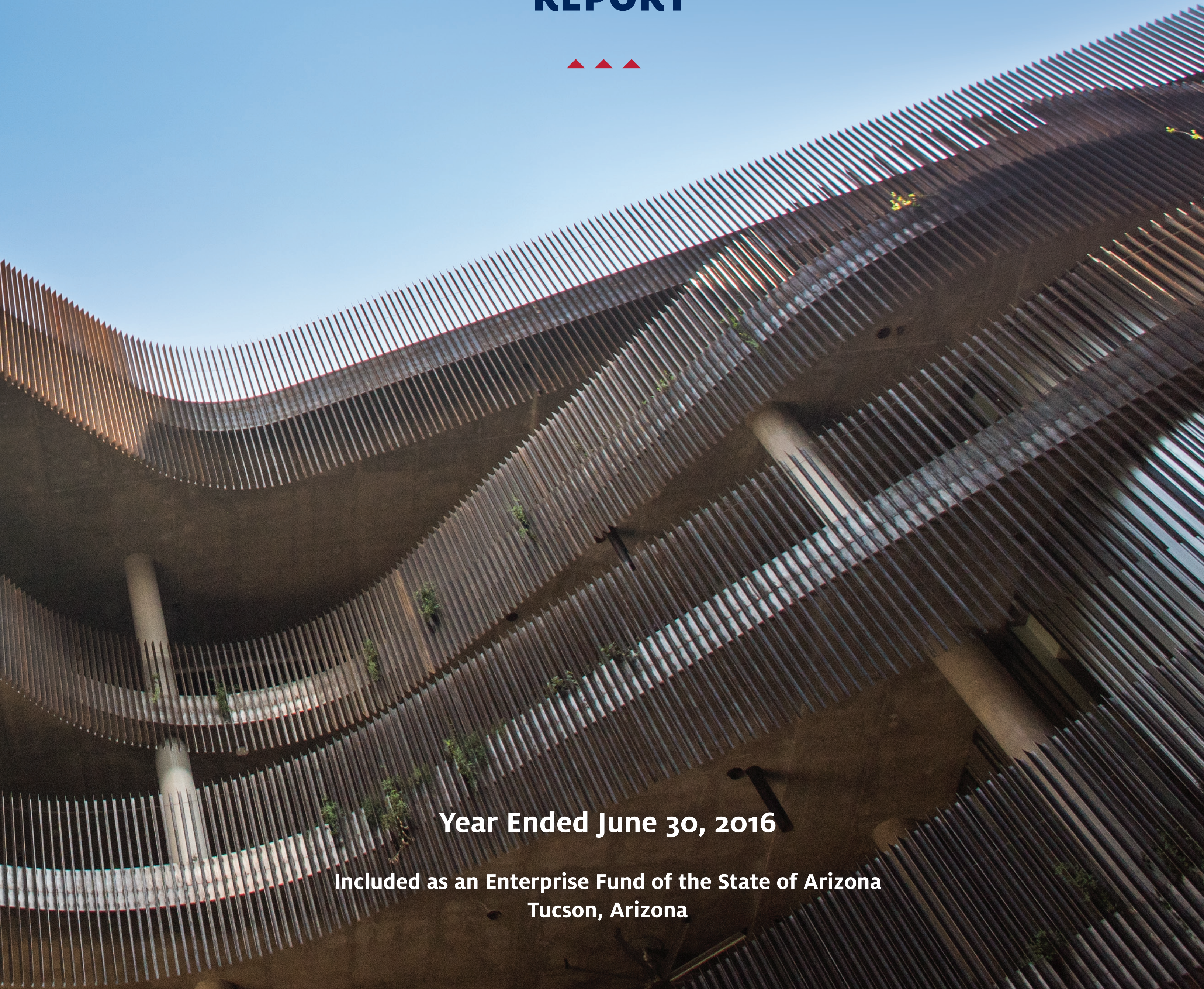
THE UNIVERSITY OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Year Ended June 30, 2016

Included as an Enterprise Fund of the State of Arizona
Tucson, Arizona

Cover photo: ENR2 Building

Photographer: Jacob Chinn

ENR2 is a part of the University of Arizona's ongoing and concerted effort to promote interdisciplinary research and collaboration. The building borrows from the iconic imagery of our region and its design is a fundamental response to our region and environment. Launched in July 2015, ENR2 strives to go “beyond LEED” to explore innovative solutions to architecture in a desert environment.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

Tucson, AZ
Prepared by the Financial Services Office
Included as an Enterprise Fund of the State of Arizona

Photo: UA Marketing Communications & Brand Management

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INTRODUCTORY SECTION

Photo: UA Marketing Communications & Brand Management

A Message From The President

The University of Arizona ranks among the top public research universities in the world, and as Arizona's super land-grant university, the UA creates a world-class student experience, conducts premier AAU-level research, operates Cooperative Extension and two medical schools, and leverages strong partnerships with businesses, community partners, and governments throughout Arizona for maximum impact in the 21st century economy. The University's future is driven by the Never Settle strategic academic and business plan, a blueprint for success comprised of four pillars: engaging our students, innovating new knowledge and new applications for knowledge, partnering with business and community, and creating synergy that amplifies the UA's impact. The success of the plan and of the University depend on sound finances that allow the UA to leverage state support through philanthropy, partnership, and the efficient use of resources. Key financial metrics included in this Comprehensive Annual Financial Report (CAFR) reveal a strong foundation, and I am very proud to share some of the progress we have made this year.

Engaging Our Students

The University's total enrollment is 43,625 this academic year, an increase of 537 from 43,088 last fall, and diversity and student excellence continue to increase with the size of enrollment. The UA's incoming Fall 2016 class is the most diverse and among the most accomplished in University history, and continuing to build upon this progress is a major goal supported by several efforts. For instance, the UA diversity task force formed this past March in response to student requests has already had remarkable impact around campus, with key recommendations for immediate to long-term priorities set and several actions already taken in support of goals identified by students and other campus constituencies. Also crucial is the recent hiring of Senior Diversity Officer Jesús Treviño and Rebecca Tsosie as Regents' Professor of Law and Provosts' Special Advisor for Diversity and Inclusion. Drs. Treviño and Tsosie will work together and with others in the campus community to help make the UA a national leader in diversity and inclusion.

The UA is also making strides towards strengthening students' educational experience with the 100% Student Engagement initiative, through which every UA student can obtain experience taking knowledge gained in formal settings like the classroom and applying it in the more dynamic and unpredictable environments that we all face in daily life and work. Since Fall 2015, the Office of Student Engagement has approved 425 officially recognized engaged learning experiences available to students, with many others in development. To ensure that the University has accurate and timely data to better assist students in meeting the goals of this initiative, UAccess Analytics now has a dashboard that allows faculty to track progress towards 100% Engagement.

Innovating New Knowledge and New Applications for Knowledge

The UA student experience is driven in part by the global research leadership of UA faculty. The University has had incredible successes lately, including the successful launch of the OSIRIS-REx mission to the asteroid Bennu. Building on the five decades of UA leadership in space sciences, optics, and many other fields, the UA's Defense and Security Research Institute has recently begun a new initiative, Space Object Behavioral Sciences, which is focused on locating satellites, studying the movement of objects in space, and managing space traffic, all with an eye towards protecting space capabilities.

From mapping and predicting the behavior of space junk to helping ensure that Tucson and the greater Southwest's regional distinctiveness remain strong and appreciated, the UA excels. Another recent and exciting effort is the Center for Regional Food Studies, which launched in December 2015. The Center serves as a hub for education and outreach related to Tucson's newly designated status as a City of Gastronomy by the United Nations Educational, Scientific and Cultural Organization. The Center will contribute to the UA's century of leadership in the study of regional and folk culture, while also contributing to global efforts to restore the diversity and sustainability of the food chain.

Another absolutely critical area for the impact that UA research and innovation create in Arizona is health sciences. UA faculty in medicine, nursing, pharmacy, and public health have had incredible success attracting funding for new work this year, totaling over $106 million in funding for areas related to asthma, cancer, and respiratory distress. Among these awards is the largest peer-reviewed NIH award in Arizona history; the UA and Banner Health were recently awarded $43 million over five years to support research in precision medicine. This grant makes the UA and Banner-University Medical Center one of only four academic health centers in the nation to take part in the Precision Medicine Initiative announced by President Obama in January 2015, and it is a key accomplishment flowing from the UA's academic affiliation agreement with Banner.

Partnering with Business and Community

The Banner agreement is a key example of the University's strategy to partner with businesses, community groups, other academic institutions, and governments, enhancing local and global collaborations to support meaningful teaching, discovery, and public service outcomes. Learning from and adapting the model of partnership built into the UA's identity by the land-grant mission, the academic affiliation agreement with Banner leverages the incredible talent of UA faculty evident through the funding awards I mentioned above for maximum impact in Arizona. Pursuing this model of success through partnering has led to other advances this year, like the world's largest robotic field scanner housed at the UA's Maricopa Agricultural Center and developed with the US Department of Energy, the University of Illinois, and the Donald Danforth Plant Science Center, and the Mexico Academic Mobility Assessment Committee, developed in partnership with the Association of Public and Land-grant Universities.

Conclusion: Building a strong foundation for a strong future

The successes of the past year include many more stories in areas of research, teaching, and community impact ranging from astronomy and planetary sciences to the arts and humanities. The University's commitment to continuing impact in our state means that we must focus on growing our capacity to leverage state investment and secure a sound financial foundation. The incredible success of *Arizona NOW*, the UA's $1.5 billion comprehensive campaign set to conclude far ahead of schedule, is an absolutely crucial step towards building that foundation. As the campaign closes successfully, the UA and the University of Arizona Foundation have come together to build on its success by setting a goal of doubling annual fundraising over the next eight years through a new University Development Program (UDP). By creating clear lines of responsibility and action, while also building a culture of development driven by a unified team across the UA Foundation, the UA's colleges and departments, administration, and other units, the UDP will help ensure the future success and impact of this great institution. As the UDP's implementation continues, the University and UAF are making necessary investments in development to reach our goals. These efforts and investments will help set the foundation for future financial strength and academic success, ensuring that the University of Arizona remains a vibrant source of impact and opportunity for the state.

With this and other efforts contributing to the strong foundation of the University of Arizona, this wonderful learning community will continue to be a source of vibrant impact in our state, improving the prospects and enriching the lives of Arizonans and people all around the world.

Most cordially,

Ann Weaver Hart
President

Letter of Transmittal

Gregg Goldman, Senior Vice President for Business Affairs and Chief Financial Officer

November 18, 2016

To President Ann Weaver Hart, Members of the Arizona Board of Regents and the University of Arizona community:

I respectfully submit The University of Arizona's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The CAFR includes the Management's Discussion and Analysis (MD&A) and the basic financial statements, as well as other supplemental information that helps the reader gain an understanding of the University's financial position, activities and economic landscape of the surrounding area. Responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the University's management. We believe to the best of our knowledge the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

The University is responsible for implementing and maintaining an internal control structure to safeguard and prevent misuse of the University's assets. We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the Arizona Board of Regents' (ABOR) Audit Committee. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

The University's CAFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes 41-725. Additionally, federal guidelines and bond covenants require that the University's accounting and financial records be subject to an annual independent audit. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The reports resulting from the audit are shared with University management, the ABOR Business and Finance Committee, ABOR Audit Committee, and the Arizona Board of Regents. The audit of the University's federal financial assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. The independent auditors' report can be found on page 16 of the Financial Section wherein the auditors' opinion on the fair presentation of the financial statements is an unmodified opinion.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The MD&A is presented to supplement the financial statements by providing the necessary information for the reader to gain a broad understanding of the University's financial position and results of operation. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

Institutional Profile

History - The University of Arizona was established as a land grant institution in 1885, 27 years before the Arizona Territory became a state. The years following World War II and the Korean War were a period of substantial growth for the University. In the late 1950s, enrollment greatly increased, with the University gaining an average of more than 1,200 students per year for 17 years. During this period, the foundation was laid for the development of a leading research institution.

The University was one of the original Carnegie Research I institutions. In 1985, the University was elected to membership in the Association of American Universities, a prestigious group limited to North America's preeminent public and private research universities.

The University's outstanding research programs provide advances in applied and basic or pure knowledge that fulfill the institution's obligation to the State and the nation. Such programs attract internationally distinguished faculty who serve the University's students through a comprehensive range of undergraduate and graduate programs.

Enrollment - Today, the University has gained an average of 800 students per year for the last five years. It serves 43,088 students through 18 colleges offering 366 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics - Academic Year 2015-2016

Undergraduate enrollment – Fall 2015	33,732
Graduate and Professional enrollment – Fall 2015	9,356
Degrees awarded – Bachelor's	6,745
Degrees awarded – Advanced	2,695
Tuition and fees for full-time student – Resident	$11,424
Tuition and fees for full-time student – Non-resident	$32,652

The University's 2,679 full-time equivalent faculty and 1,191 full-time equivalent graduate teaching and research assistants and associates educate a diverse student population. The University's student population is 51.7% female, 22.7% Hispanic, 5.8% Asian, 3.5% African American or Black, and 1.2% American Indian or Alaska Native. It includes students from all fifty states, the District of Columbia, and 114 foreign countries. International students represent 8.9% of the Fall 2015 enrollment; this figure is majorly attributed to foreign students from China (48.8%), India (8.7%), Saudi Arabia (6%), Mexico (4.7%), Republic of Korea (3.8%), and Brazil (1.3%).

Component Units - The basic financial statements of the University include the operations of The University of Arizona Foundation, Inc., University of Arizona Alumni Association, Law College Association of The University of Arizona, Campus Research Corporation, and Eller Executive Education, all discretely presented component units. More information relating to the component units can be found in Notes 2 and 14 to the financial statements.

Budget - The University is responsible for planning, developing and controlling its budget and expenses in accordance with Arizona Board of Regents and University policies, and state and federal laws and regulations. The Arizona Board of Regents approves the University's annual operating budget in accordance with ABOR policy 3-403. The budget includes the general purpose (state general funds and tuition and fees) budget and the local funds budget which consists of the designated, restricted and auxiliary funds. The State Legislature reviews the University's local funds budget and adopts and appropriates the general purpose budget through legislation.

After the budget has been approved, the University monitors the budget through UAccess Financials, the University financial enterprise system. While there are many controls built into UAccess Financials, colleges and departments also use financial reports to monitor budgetary compliance. Additionally, the Financial Services Office, a part of the UA's central administration, prepares quarterly financial status reports to management and the Arizona Board of Regents to update them on actual revenues and expenses. The report includes a comparison of actuals to budget and highlights the changes that occur throughout the fiscal year. It also projects revenues, expenses and net position for the end of the fiscal year.

Economic Condition

Local Economy - As reported by the Economic and Business Research Center of the University of Arizona's Eller College of Management in June 2016, the State of Arizona's economy is on an accelerated growth track from the prior year. The State continues to add jobs and residents at a faster pace than the nation, and is expected to continue to do so in the next three years.

State personal income gains decelerated slightly to 4.6% in calendar year (CY) 2015, down from 4.7% growth in CY 2014. Growth in Arizona's retail sales increased to 4.7% in 2015, up from 3.5% in 2014. According to the Milken Institutes State Technology and Science 2014 Index, Arizona ranked 19th in its ability to create high-paying and future-proofed jobs.

Employment increased 2.6% in CY 2015 for the state outpacing last year's 2.0% rate, with population growth rising modestly from 1.3% to 1.4%. Using data through March 2016, job gains specific to the Tucson area have been noted in education, health services, professional and business services, while construction, mining and hospitality remained unchanged.

Long-Term Planning

Long-term planning – Under President Hart, the University of Arizona implemented the Never Settle Strategic Plan on November 22, 2013. The strategic plan outlines the University of Arizona's strategies and priorities through 2025 that will guide its continued growth in student enrollment and success, advancement in research excellence, innovations in educational quality and access, community impacts in workforce development and engagement, and increasing productivity. The University's strategic priorities include:

- Engaging – With new modes of teaching and thinking, unwavering student support, and an environment of 100% engagement, the UA graduates leaders who, through a tailored learning experience, apply their knowledge and solve the world's grand challenges.
- Innovating – The UA enables creative inquiry and discovery that solves grand challenges. By promoting core strengths, collaborating beyond disciplinary boundaries, and improving institutional infrastructure for discovery and application, the UA is expanding research and creative inquiry to not only discover new knowledge and create new ideas, but also to innovate new ways of knowing and seeing that will ensure our continued leadership in interdisciplinary scholarship.
- Partnering – The UA creates novel, substantive, and entrepreneurial partnerships with businesses, community groups, and governments to support and enhance our impact on the local and global community.
- Synergy – By building an infrastructure for change that cuts across all elements of our mission and all aspects of our plan, advancing our distinctiveness in interdisciplinary, diversity, and sense of place while implementing business practices that are effective, efficient, and entrepreneurial, the UA amplifies its strategic pillars of engaging, innovating, and partnering.

All of the strategies and priorities within the University's Strategic Plan make substantial contributions toward meeting the University's goals in the Arizona Board of Regents Impact Arizona strategic plan and Vision 2025 goals. These goals include increasing the number of citizens with the skills and understanding to contribute to economic development and improve the quality of life, advancing research that creates new knowledge, enhances education, and addresses social, cultural, and economic needs, fostering civic engagement and improving economic competitiveness, and streamlining operations and business practices to maximize efficiencies.

The strategic plan was developed amidst a rapidly changing financial, social, political and cultural context which must be taken into account as the University continues to function and plan for a sustainable future. Parameters such as the following continue to guide the University's planning:

- Arizona's need for an educated citizenry
- The rich cultural, economic, and educational diversity of Arizona and its students
- Educational and social imperatives arising from economic and cultural globalization
- Challenges facing Arizona and the nation in areas such as health care, science, policy, and natural resources

Resource assumptions are also central to effective strategic planning. The University's changing resource base challenges management to develop innovative alternative funding sources. Although development of the programs and initiatives rest on a multifaceted financial base, progress depends in part on the ability of the State to provide adequate funding resources for student enrollment growth while maintaining program quality and breadth.

While there are parameters and resource assumptions that the University considers when developing an effective strategic plan, management is committed to advancing the University in every strategic area identified in the Never Settle Strategic Plan. In summary, the University is committed to increasing enrollment and retention rates of students, leveraging research funding for maximum impact, using technology transfer to support the creation of new business, expanding online educational offerings, enhancing community college partnerships and streamlining operations and business practices.

Major Initiatives

The Never Settle Strategic Plan is guiding the University effectively in achieving its mission. Annually, the University reports to the Arizona Board of Regents an update of the strategic plan. The report outlines the strategies, tactics, and initiatives that were deployed to help the University meet its strategic goals. It identified the key opportunities and challenges the University faced, and how the University overcame those challenges and seized the opportunities. The University has completed 28 major accomplishments covering all 4 strategic priorities of Engaging, Innovating, Partnering, and Synergy. Detailed information on these accomplishments is located at the following link: http://neversettle.arizona.edu/#url=never-settle-in-action

The University offers an extensive and varied group of research, graduate and professional programs. For decades, the University has been one of the top research universities in the nation (20th among public research universities in fiscal year 2014) according to the National Science Foundation. With its abundance of physical, biological and health sciences programs and interdisciplinary strengths, the University has tremendous potential for further research expansion.

High-quality research programs secure extensive federal and corporate funding, enrich instructional programs and provide tremendous education and research opportunities for the students, as well as contribute to the economic engine of the City of Tucson and State of Arizona.

The following are a few notable research and educational activities reported in fiscal year 2016 that showcase some of the University's major initiatives:

- The University of Arizona continues to be at the forefront of asteroid research. In fiscal year 2016, the University-led Origins Spectral Interpretation Resource Identification and Security-Regolith Explorer (OSIRIS-REx) project completed many major milestones, not limited to rigorous environmental tests and delivery of the spacecraft to the launch site. OSIRIS-REx is the first U.S. mission to take a sample from an asteroid and bring it to Earth for study. OSIRIS-REx will travel to Bennu, a near-Earth asteroid, to bring back a small sample to Earth for study. The mission launched in September 2016. The spacecraft is slotted to reach its asteroid target in 2018 and return a sample to Earth in 2023.

- Researchers at the University of Arizona are developing a noninvasive brain-scanning technology that could produce images far superior to those obtained with the most commonly used systems — electroencephalography and functional magnetic resonance imaging. The technique, which incorporates sound waves to measure electrical activity in neural tissue, could improve diagnosis and treatment of many disorders, including epilepsy, Parkinson's disease and traumatic brain injury. The three-year project launched in October 2015 with a $1.15 million grant from the National Institute of Neurological Disorders and Stroke of the National Institutes of Health.

- The University of Arizona is bringing together an interdisciplinary team of researchers to address the many challenges of a rapidly evolving "transportation ecosystem." The University has established the new Arizona Transportation Research Institute, or AzTRI, equipped with the interdisciplinary expertise necessary to address the challenges of an ever-evolving transportation ecosystem with an eye toward partnerships and innovation. The institute has faculty from almost every college on campus. These representatives bring expertise in the diverse fields required to address the challenges of modern transportation.

- The University of Arizona Health Sciences Center is leading a national clinical study with the aim of working towards a cure for asthma. The study, "Oral Bacterial Extracts (ORBEX): Primary Prevention of Asthma and Wheezing in Children," is funded by a $27 million cooperative agreement grant from the National Heart, Lung and Blood Institute, part of the National Institutes of Health. The study, based at the UA Health Sciences' Asthma and Airway Disease Research Center, will enroll more than 1,000 babies, 6 to 18 months old, who are considered at high risk for developing asthma. High-risk factors include having a parent with asthma or a diagnosis of eczema, or both.

- The University of Arizona is part of an effort led by the U.S. Department of Energy to collect and generate big data faster and develop new crops more quickly for sustainable domestic energy — and food, feed and fiber needs down the line. Creating domestic biofuels from sorghum is just the beginning. The world's largest robotic field scanner has been inaugurated at the University of Arizona's Maricopa Agricultural Center, or MAC, near Phoenix. The scanner is part of the U.S. Department of Energy's Advanced Research Projects Agency-Energy, or ARPA-E, program known as Transportation Energy Resources from Renewable Agriculture, or TERRA. The overall goal of the multi-institutional effort that includes the UA is to identify crop physical (phenotypic) traits that are best suited to producing high-energy sustainable biofuels and match those plant characteristics to their genes, greatly speeding up plant breeding to deliver improved varieties to market.

- In September 2015, the University of Arizona celebrated the newly renamed Richard F. Caris Mirror Lab, in recognition of the Caris's considerable contribution in support of Steward Observatory and the Mirror Lab. The University of Arizona is partnering with an international consortium of universities and research institutions in the development and operation of The Giant Magellan Telescope project, which will create one of the largest ground-based telescopes that promises to revolutionize our view and understanding of the universe. The telescope will consist of seven of today's largest mirrors as segments. The Giant Magellan Telescope will have a resolving power 10 times greater than the Hubble Space Telescope. It will be constructed in the Las Campanas Observatory in Chile. The consortium awarded a $10.6 million mirror development grant to the University of Arizona with an additional $4.7 million award pending. Construction of the mirrors is being completed by the Steward Observatory Richard F. Caris Mirror Lab.

Continuing the initiatives, the following are recent notable research and educational activities.

- In partnership with Banner Health, the University of Arizona has been awarded a $43.3 million five year award from the National Institutes of Health to participate in the Precision Medicine Initiative Cohort Program, which aims to enroll 1 million or more U.S. participants to improve prevention and treatment of disease based on individual differences in lifestyle, environment and genetics. This award was announced by NIH on July 6, 2016 and presents the largest NIH peer reviewed grant in Arizona history.

- The University of Arizona Cancer Center (Center) has retained their Prestigious National Cancer Institute (NCI) comprehensive status with a $17.6 million dollar award. The Center is one of only 45 NCI designated comprehensive cancer centers in the nation and the only one headquartered in Arizona. Focusing on four research program areas: Cancer Biology, Therapeutic Development, Cancer Prevention and Control as well as Cancer Imaging, the Center utilizes 21st century research methods while collaborating with colleges, departments and allied disciplines across the University. Cancer is the leading cause of death in Arizona, which has an average of nearly 28,000 incidences of new cancer cases each year and 12,000 deaths. The impact of the NCI's comprehensive designation and award is far-reaching supporting the University's commitment to prevent and treat cancer, also allowing the Center to attract more top-tier research and clinical talent to the UA Health Sciences Center, which has a direct statewide economic impact.

Integrated Strategic Planning – The goal of the University's Integrated Strategic Planning is to couple the University's academic planning and research planning with a renewed framework for campus development that will provide the physical and virtual setting needed to achieve our academic and research aspirations and a financial plan that maps the means for the University to achieve its goals. It is a three-pronged process designed to maximize opportunities and promote the successful future the University envisions. The University is enhancing the integrated strategic planning by incorporating a multi-year financial planning process. The multi-year financial planning consists of three year history, current budget and three years forecast. The process utilizes a bottom up data and information gathering from departments and colleges. The information will allow management to perform a comprehensive assessment of current and forward looking operation investments, resources and needs in order to determine whether they are aligned with the University strategic priorities.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2015. This was the third consecutive year that the University has been honored with this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In the most recent ranking (fiscal year 2014) the National Science Foundation (NSF) ranked the University of Arizona as the U.S.'s No. 3 university for research expenditures in the physical sciences, which include astronomy, physics and chemistry. Overall, the UA's ranking among public research universities was 20th, and it was ranked as the nation's 33rd institution among all public and private universities and colleges. A persistent theme in the University's history has been developing strengths based on its unique physical and cultural environment. For instance, the University's new academic affiliation agreement with Banner Health, which acquired the UA Health Network (a private institution separate from the University), promises to be a strong catalyst for growth in health sciences research, particularly clinical translational research focused on the areas of greatest need and potential given Arizona’s unique climate, geography, culture, and history.

Ten UA graduate programs have been listed in the top 10 for their areas in the 2014 edition of U.S. News & World Report Best Grad Schools. They are: Geology - No. 1, Management Information Systems - No. 4, Social Psychology - No. 5, Analytical Chemistry - No. 6, Rehabilitation Counseling - No. 6, Optical Science - No. 7, Latin American History - No. 9, Ecology and Evolutionary Biology - No. 9, Pharmacy - No. 10 and Geochemistry - No. 10. Additionally, the UA has been named one of the top colleges in the nation by The Princeton Review. The UA is noted in this publication's annual college guide, "The Best 380 Colleges: 2016 Edition," for its strong commitment to sustainability or “green initiatives”, quality of life and admission selectivity.

Preparation of this CAFR required extensive time and efforts. The completion of the report would not have been possible without the professionalism and dedication from staff and student employees in the University’s Financial Services Office (FSO) including Financial Management, Operations, Procurement and Contracting, Capital Finance, UAccess Financials Support, Bursar’s Office, FSO Technology, Outreach, Investment Office, FSO administration, the business officers at the Budget Office, and the colleges and departments. In addition, we recognize the valuable contributions from the University Information Technology Services team.

Respectfully Submitted,

Gregg Goldman
Senior Vice President, Business Affairs and
Chief Financial Officer

Photo: UA Marketing Communications & Brand Management

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The University of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Arizona Board of Regents

June 30, 2016

Ex-Officio Members

Honorable Doug Ducey
Governor of Arizona

Honorable Diane Douglas
Superintendent of Public Instruction

Appointed Members

Jay Heiler, *Chair*
Paradise Valley

Greg Patterson, *Vice Chair*
Scottsdale

Ram Krishna, *Secretary*
Yuma

Rick Myers, *Treasurer*
Tucson

Larry Penley, *Regent*
Phoenix

LuAnn Leonard, *Regent*
Polacca

Bill Ridenour, *Regent*
Paradise Valley

Ron Shoopman, *Regent*
Tucson

Mark Naufel, *Student Regent*
Tempe

Jared Gorshe, *Student Regent*
Scottsdale

Executive Administration

Ann Weaver Hart
President

Andrew Comrie
Senior Vice President, Academic Affairs and Provost

Gregg Goldman
Senior Vice President, Business Affairs and Chief Financial Officer

Joe G. N. Garcia
Senior Vice President, Health Sciences

Kimberly Andrews Espy
Senior Vice President, Research

Melissa M. Vito
Senior Vice President, Student Affairs & Enrollment Management and Vice Provost, Academic Initiatives & Student Success

Laura Todd Johnson
Senior Vice President, Legal Affairs and General Counsel

Jon Dudas
Senior Associate to the President and Secretary of the University

Melinda Burke
Interim Senior Vice President, University Relations

David Allen
Vice President, Tech Launch Arizona

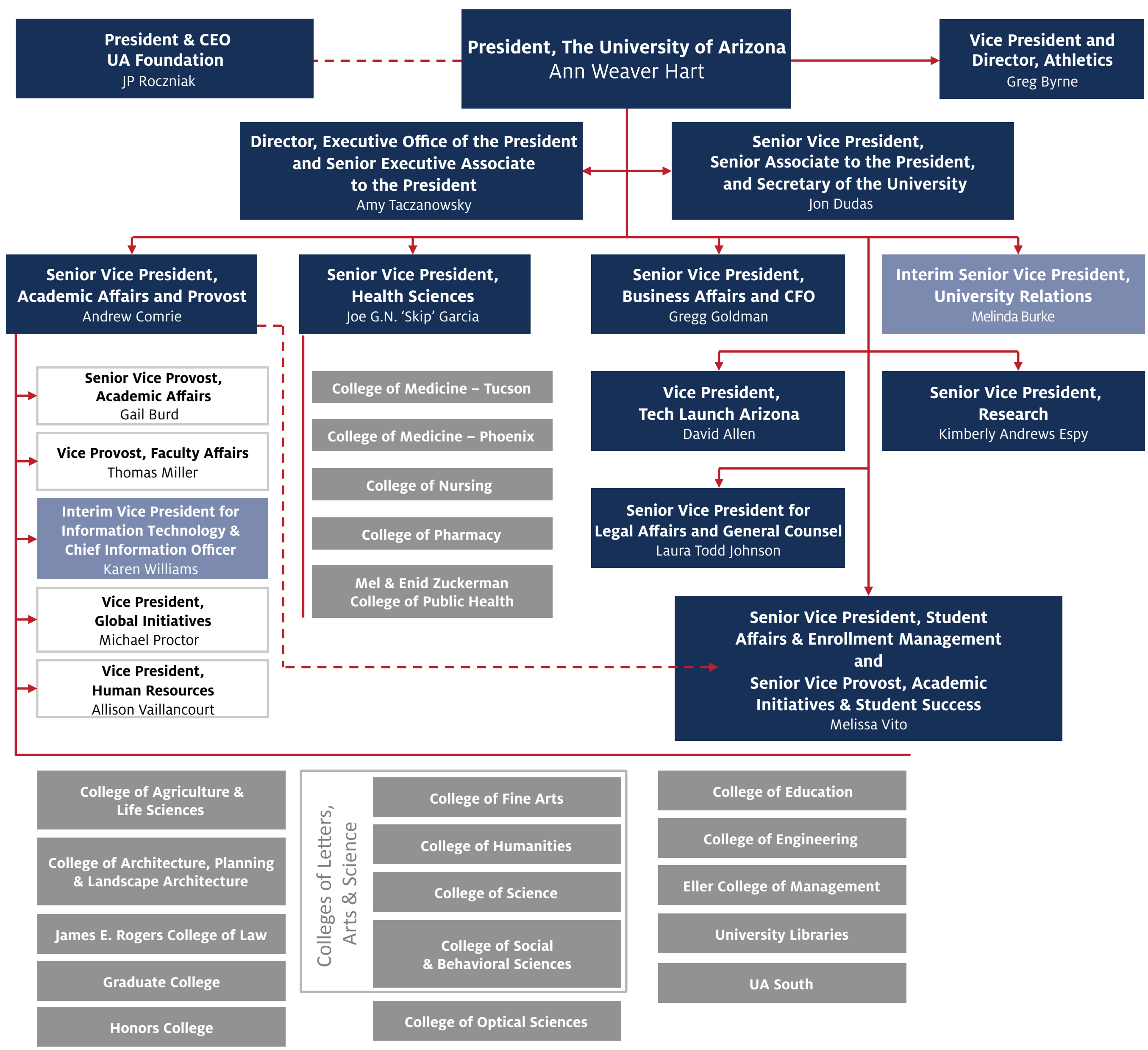
Greg Byrne
Vice President and Director, Athletics

Kathryn E. Whisman
Associate Vice President, Budget Office

Duc Ma
Interim Associate Vice President, Financial Services

Amy Taczanowsky
Director, Executive Office of the President and Senior Executive Associate to the President

Organization Chart



FINANCIAL SECTION

Photo: UA Marketing Communications & Brand Management

Independent Auditors’ Report

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors’ report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of The University of Arizona as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements as listed in the table of contents.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the other auditors’ reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the aggregate discretely presented component units’ financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the University’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of The University of Arizona as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matters

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, for the year ended June 30, 2016, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 20 through 29, schedule of the University's proportionate share of the net pension liability on page 71, schedule of University pension contributions on page 71, and schedule of single-employer OPEB plan's funding progress on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining statements on pages 72 through 73 and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

November 18, 2016


Photo: UA Marketing Communications & Brand Management

Photo: UA Marketing Communications & Brand Management

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) provides an overview of the University of Arizona's financial performance based on currently known facts, data and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the University as a whole. The MD&A, financial statements, notes, and other required supplementary information are the responsibility of University management. The MD&A should be read in conjunction with the financial statements and notes.

The financial statements encompass the University and its discretely presented component units; however, the MD&A focuses only on the University. Information relating to the component units can be found in their separately issued financial statements. The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for fiscal year 2015 are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2016 data.

Key Reporting Implementations

In fiscal year 2016, the University implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, and early implemented the provisions of GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 72 establishes a three-tier hierarchy of inputs to valuation techniques used to measure fair value. The effects of this implementation have been incorporated into the disclosures in Note 3. GASB Statement No. 82 changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, these changes can be observed in the Required Supplementary Information.

Overview of Financial Statements

Statement of Net Position

The Statement of Net Position (SNP) presents the financial position of the University at fiscal year-end. This information allows stakeholders to review the assets available to continue the operations of the University and how much the University owes vendors, investors and lending institutions. The SNP also provides a summary of the net position and the University's availability for expenses. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year. The change in net position should be analyzed in conjunction with nonfinancial facts, such as, but not limited to, enrollment levels and the condition of University facilities.

Condensed Schedule of Net Position

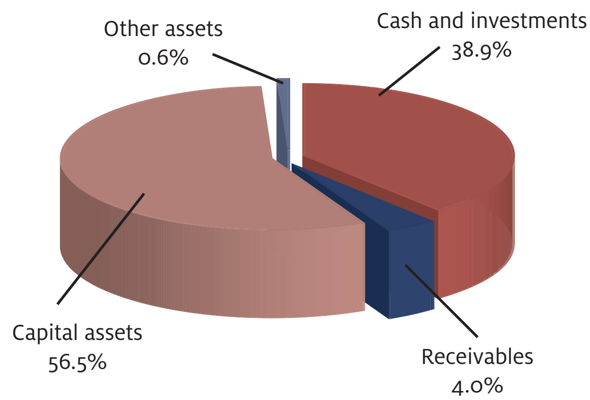
A comparison of the University's assets, deferred outflows of resources (consumption of the University's net position that is applicable to a future reporting period), liabilities, deferred inflows of resources (acquisition of net position by the University that is applicable to a future reporting period), and net position (in thousands of dollars) at June 30, 2016 and at June 30, 2015, is as follows:

	FY 2016	FY 2015	% Change
Other assets	$ 1,518,577	$ 1,549,586	-2.0%
Capital assets	1,975,185	1,909,320	3.4%
Total assets	**$ 3,493,762**	**$ 3,458,906**	**1.0%**
Total deferred outflows of resources	**$ 102,007**	**$ 103,998**	**-1.9%**
Other liabilities	$ 189,190	$ 173,319	9.2%
Long-term liabilities	2,161,631	2,177,158	-0.7%
Total liabilities	**$ 2,350,821**	**$ 2,350,477**	**0.0%**
Total deferred inflows of resources	**$ 265,886**	**$ 341,982**	**-22.3%**
Net position			
Net investment in capital assets	$ 687,149	$ 637,380	7.8%
Restricted - nonexpendable	134,356	138,464	-3.0%
Restricted - expendable	238,522	218,805	9.0%
Unrestricted	(80,965)	(124,204)	34.8%
Total net position	**$ 979,062**	**$ 870,445**	**12.5%**

Total Assets

Assets are what the University owns and are measured in current or fair value, except for capital assets, which are recorded at historical cost less the applicable accumulated depreciation. The following table and chart present total assets (in thousands of dollars) and percent:

Cash and investments	$ 1,359,444	38.9%
Receivables	138,810	4.0%
Capital assets	1,975,185	56.5%
Other assets	20,323	0.6%
Total assets	**$ 3,493,762**	**100.0%**

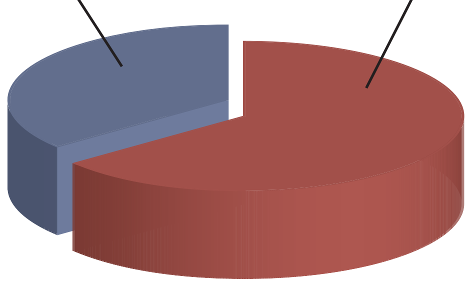


When compared to fiscal year 2015, the University's total assets increased by $34.9 million. This change is attributable to increases in cash and investments of $50.7 million and capital assets of $65.9 million, offset by a decrease of $81 million in receivables. The increase in cash and investments is primarily due to the receipt of a previously deferred state general fund appropriation of $78.9 million, offset by a decrease of $23.1 million related to the payoff of the Phoenix Union High School historical building renovation capital lease. The net increase in capital assets is primarily due to an increase in construction in progress, most notably the Bioscience Research Laboratories of $75.1 million and the Biomedical Sciences Partnership Building in Phoenix of $16.5 million, offset by a decrease in assets being depreciated of $29.9 million. The decrease of $81 million in receivables is primarily due to the receipt of a previously deferred state general fund appropriation of $78.9 million that was a receivable in the prior year.

Total Deferred Outflows of Resources

Deferred outflows of resources are consumptions of the University's net position that are applicable to a future reporting period. The following table presents total deferred outflows of resources (in thousands of dollars) and percent:

Deferred outflows related to pensions	$ 65,515	64.2%
Deferred amounts from refunding of debt	36,492	35.8%
Total deferred outflows of resources	**$ 102,007**	**100.0%**

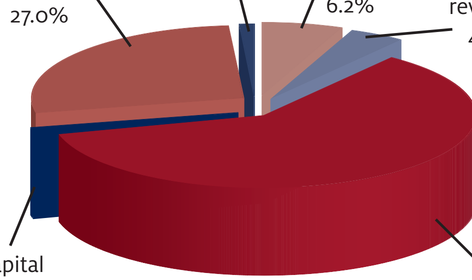


Deferred outflows of resources decreased by $2 million. This is attributed to a decrease in deferred outflows of resources related to pensions of $18 million due to actuarial adjustments provided by the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS). This was offset by a net increase of $16.1 million in deferred amounts from refunding of debt.

Total Liabilities

Liabilities are what the University owes to others or resources it has collected from others before it has provided services. The following table and chart present total liabilities (in thousands of dollars) and percent:

Payables and accrued liabilities	$ 146,608	6.2%
Unearned revenues	101,111	4.3%
Long-term debt	1,419,747	60.4%
Capital commitments	22,424	1.0%
Net pension liability	634,627	27.0%
Net OPEB obligation	26,304	1.1%
Total liabilities	**$2,350,821**	**100.0%**

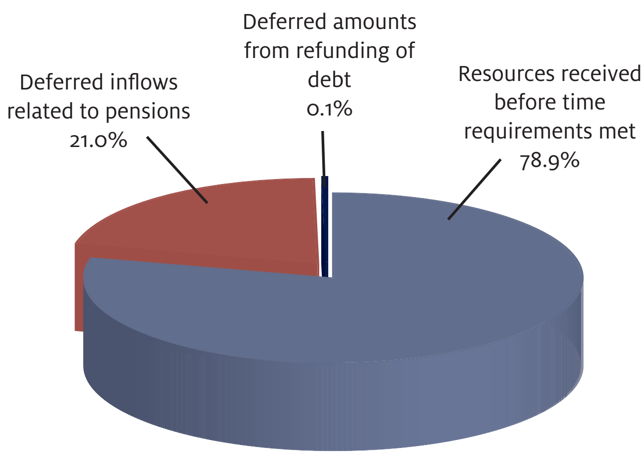


Total liabilities remained comparable to fiscal year 2015. Long-term debt decreased by $58.8 million, offset by increases of $27 million in net pension liability, $26 million in net OPEB (Other Post Employment Benefit) obligations, and small increases in other liabilities totaling $5.8 million. The decrease in long-term debt was mainly due to principal payments on System Revenue Bonds, Certificates of Participation, and capital leases for $78.7 million offset by $19.9 million for net premium and discount on sale of debt. Net pension liability primarily increased due to actuarial adjustments as provided by the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS). Net OPEB obligation increased due to actuarial adjustments provided by the Arizona Department of Administration (ADOA) for post-employment benefit plans.

Total Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the University that is applicable to a future reporting period. The following table and chart present total deferred inflows of resources (in thousands of dollars) and percent:

Resources received before time requirements met	$ 209,864	78.9%
Deferred inflows related to pensions	55,773	21.0%
Deferred amounts from re-funding of debt	249	0.1%
Total deferred inflows of resources	**$ 265,886**	**100.0%**



The decrease in deferred inflows of $76.1 million is primarily attributed to a decrease of $46.6 million in deferred inflows related to pensions due to actuarial adjustments provided by ASRS and PSPRS. The remainder of the decrease is attributed to an annual $18.7 million distribution to the University relating to the Academic Enhancement Fund (AEF) Trust Agreement and a $10.8 million decrease for market value changes of AEF investments.

Total Net Position

Net position is divided into three categories. Net investment in capital assets represents the historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation. Restricted net position includes amounts that have been restricted for use by an external party and is further broken down into nonexpendable and expendable. Restricted nonexpendable net position represents the funds that are required to be retained in perpetuity. Restricted expendable net position includes amounts restricted by external parties for such things as debt service, academic and departmental uses, scholarships and fellowships, and capital projects. Finally, unrestricted net position includes amounts institutionally designated or committed to support specific academic and research programs and for working capital requirements. The following table and chart represent net position categories (in thousands of dollars) and percent:

Net investment in capital assets	$ 687,149	70.2%
Restricted	372,878	38.1%
Unrestricted (deficit)	(80,965)	-8.3%
Total net position	**$ 979,062**	**100.0%**

Total net position increased by $108.6 million in fiscal year 2016, which is attributed to increases in net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets increased by $49.8 million primarily due to the payoff of the Phoenix Union High School building improvement lease liability of $23.1 million as well as increases in capitalized value for the Biomedical Sciences Partnership Building project of $16.5 million and the North Campus Infrastructure project of $9.1 million. Unrestricted net position reflects a deficit balance of $81 million due to the net pension liability. The deficit balance decreased by $43.2 million mainly due to an increase in tuition and fees revenue of $54 million.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's revenues earned and the expenses incurred during fiscal year 2016, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including State appropriations, gifts, grants, and investment income are required by GASB Statement No. 35 to be classified as non-operating revenues. During the fiscal year, the University incurred capital financing costs; these costs are reported as non-operating expenses.

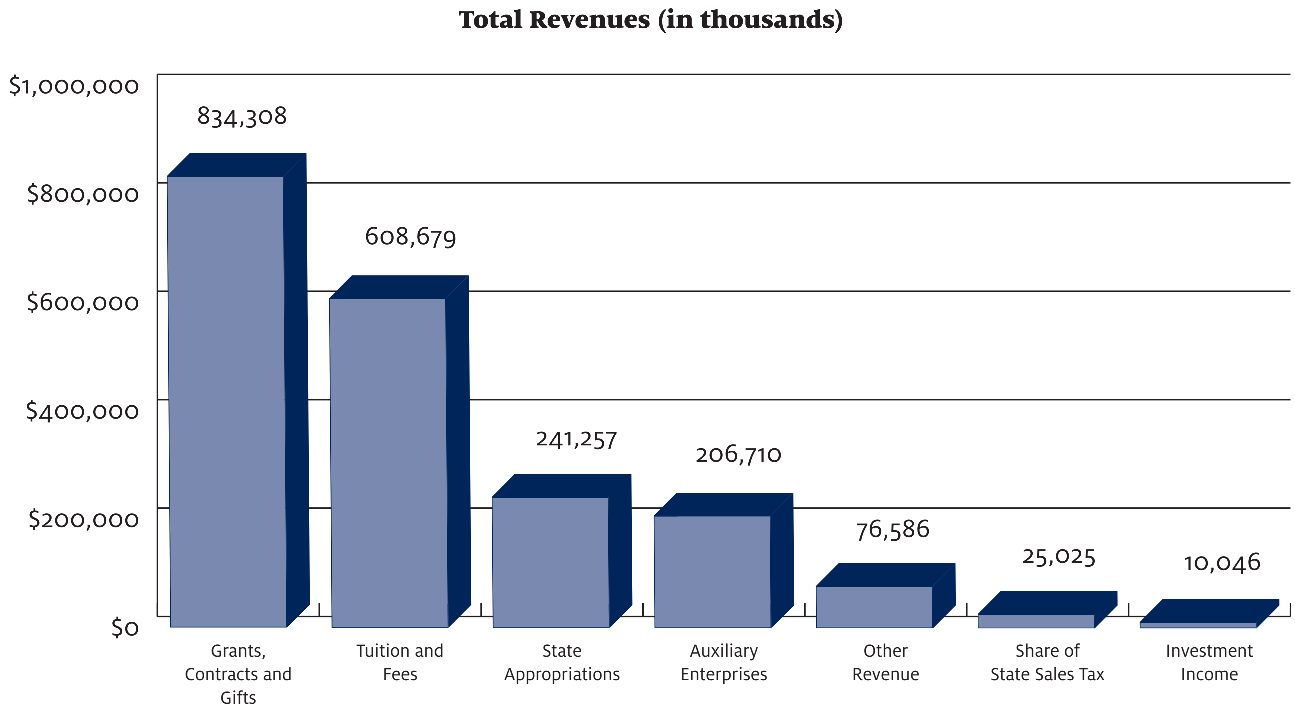
Condensed Schedule of Revenues, Expenses and Changes in Net Position

A comparison of the University's operations (in thousands of dollars) for the years ended June 30, 2016 and 2015 is as follows:

	FY 2016	FY 2015	% Change
Operating revenues			
Student tuition and fees, net	$ 608,679	$ 554,768	9.7%
Grants and contracts	542,275	475,398	14.1%
Auxiliary enterprises, net	206,710	203,740	1.5%
Other	67,106	81,185	-17.3%
Total operating revenues	**$ 1,424,770**	**$ 1,315,091**	**8.3%**
Operating expenses			
Instruction and academic support	$ 804,385	$ 681,636	18.0%
Research and public service	469,726	500,204	-6.1%
Student services and scholarships	104,841	104,345	-0.5%
Institutional support and operation of plant	213,919	223,426	-4.3%
Auxiliary enterprises	164,187	167,150	-1.8%
Depreciation	125,455	124,870	0.5%
Total operating expenses	**$ 1,882,513**	**$ 1,801,631**	**4.5%**
Operating loss	**$ (457,743)**	**$ (486,540)**	**-5.9%**
Non-operating revenues (expenses)			
State appropriations	$ 241,257	$ 270,538	-10.8%
Grants, contracts and gifts	292,033	297,837	-1.9%
Share of state sales tax revenues	25,025	24,964	0.2%
Investment income	10,046	6,638	51.3%
Interest expense on debt	(49,748)	(46,293)	7.5%
Other non-operating revenues, net	9,480	64,977	-85.4%
Net non-operating revenues	**$ 528,093**	**$ 618,661**	**-14.6%**
Income before capital and endowment additions	**$ 70,350**	**$ 132,121**	**-46.8%**
Capital appropriations	9,594	11,204	-14.4%
Other capital and endowment additions	28,673	50,886	-43.7%
Increase in net position	**$ 108,617**	**$ 194,211**	**-44.1%**
Net position, beginning of year	**870,445**	**676,234**	**28.7%**
Net position, end of year	**$ 979,062**	**$ 870,445**	**12.5%**

Total Revenues

The following chart represents total revenues of $2,002,611 for fiscal year 2016:



Operating and non-operating grants, contracts and gifts: Grants, contracts and gifts increased by $61.1 million or 7.9% in comparison to fiscal year 2015. Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of particularly large sponsored projects, and unanticipated gift revenues. The increase is mainly attributed to a $70 million increase in reimbursements from Banner Health for salaries and Graduate Medical Education Residency Program expenses offset by small decreases in federal, state, and other grants totaling $8.9 million.

Student tuition and fees: Student tuition and fees increased by $53.9 million or 9.7% due to growth in student enrollment and an increase in tuition rates when compared to fiscal year 2015.

State appropriations: State appropriations decreased by $29.3 million or 10.8% due to a reduction in state revenue projections for the year.

Other operating and non-operating revenues: Other operating and non-operating revenues decreased $69.6 million or 47.6% in fiscal year 2016. This decrease is mostly due to nonrecurring revenues received in fiscal year 2015, primarily a gain on the sale of land to Banner Health for $52.1 million and a one-time FICA tax refund of $3.8 million.

Investment income: A summary of investment income (in thousands of dollars) for the years ended June 30, 2016 and 2015 is as follows:

	FY 2016	FY 2015	% Change
Pooled operating funds	$ 23,982	$ 13,157	82.3%
Deposits with trustees for capital projects	796	400	99.0%
Endowments	(14,732)	(6,919)	112.9%
Total investment income	**$ 10,046**	**$ 6,638**	**51.3%**

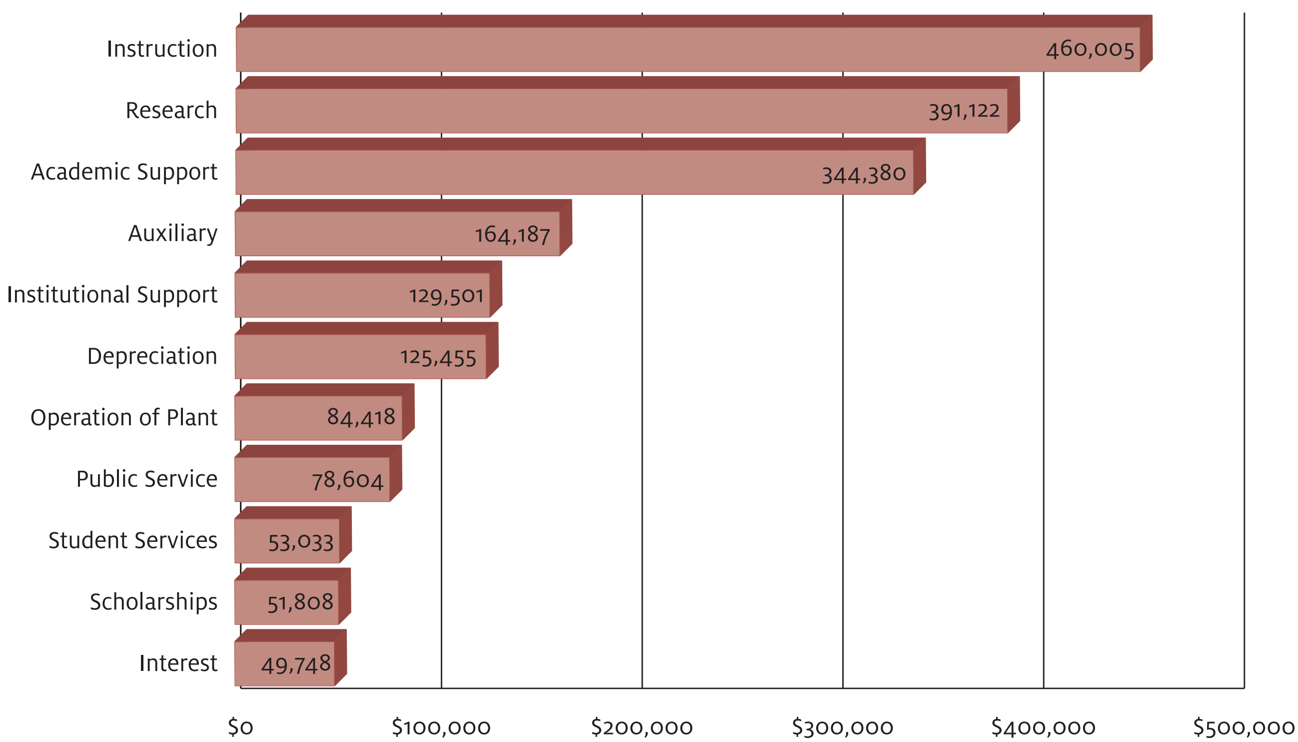
Total investment income increased by $3.4 million or 51.3%. Pooled Operating Funds are invested in short and long-term debt instruments. This increase in investment income is attributable to a $10.8 million increase in the operating funds investment portfolio size and overall market values, offset by $7.8 million unrealized market value loss in the Endowment Fund Growth and Income Pool of investments.

Other capital and endowment additions: The total balance for other capital and endowment additions in fiscal year 2016 is $28.7 million. This is an overall decrease of $22.2 million or 43.7% in comparison to fiscal year 2015. The decrease is primarily due to a reduction in capital gifts. In fiscal year 2015, two large gifts were received, $24.3 million for the Giant Magellan Telescope (GMT) and $3.9 million for the Al-Marah Ranch property. This is offset by an increase in lottery revenues of $10.6 million from the State of Arizona for debt payments on the Stimulus Plan for Economic and Educational Development (SPEED) Revenue Bonds.

Total Expenses

The following chart represents total expenses by functional classification of $1,932,261 for fiscal year 2016:

Total Expenses (in thousands)

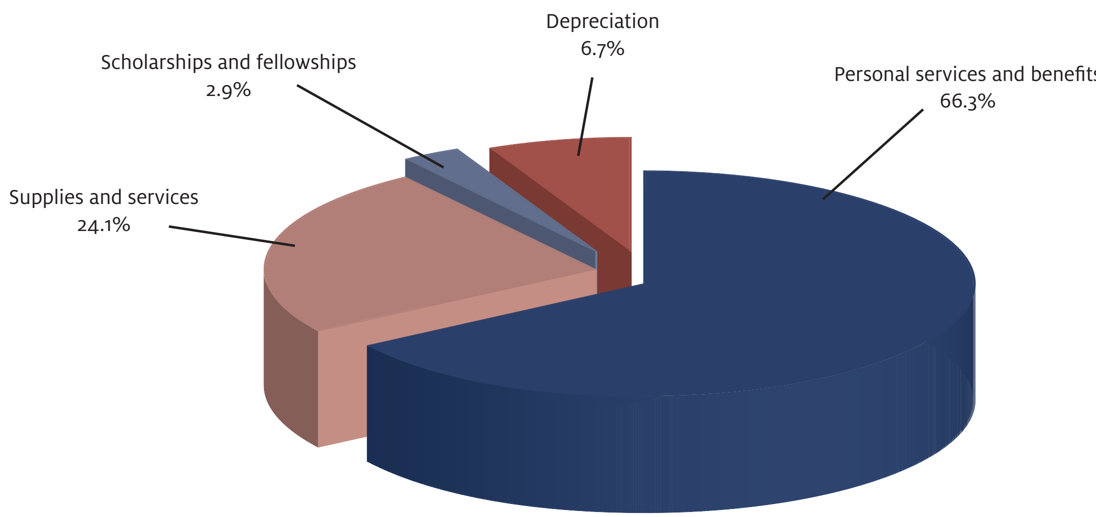


Total expenses increased by $84.3 million or 4.6% in comparison to fiscal year 2015. The primary expenses driving the increase were instruction and academic support, offset by a decrease in research, institutional support and scholarships. Instruction expenditures increased by $42.7 million primarily due to growth in enrollment, additional medical teaching programs from inter-governmental agreements (IGA) and investments in academics such as online programs. Academic support increased by $80 million due to an increase in payroll expenses resulting from clinical personnel relating to the affiliation agreement with Banner Health. These increases in expenses were offset by a decrease in research expenses by $30.9 million primarily due to changes in program activities from local government IGAs and by a decrease of $6.8 million in institutional support.

Operating Expenses by Natural Classification

In addition to programmatic (functional) classification of operating expenses, a summary of the University's expenses by natural classification (in thousands of dollars), as listed in Note 12, for the years ended June 30, 2016 and 2015 follows:

	FY 2016	FY 2015	% Change
Personal services and benefits	$ 1,248,749	$ 1,138,615	9.7%
Supplies and services	454,215	479,021	-5.2%
Scholarships and fellowships	54,094	59,125	-8.5%
Depreciation	125,455	124,870	0.5%
Total operating expenses	**$ 1,882,513**	**$ 1,801,631**	**4.5%**



Condensed Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement assists in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show all the uses of cash and cash equivalents to purchase investments, and all the increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. Finally cash flows from the noncapital financing activities include State appropriations, donations and other activities not covered in other sections. The following summarizes cash flows for fiscal years 2016 and 2015 (in thousands of dollars):

Cash Provided By (Used For):	FY 2016	FY 2015
Operating activities	$ (287,171)	$ (336,897)
Noncapital financing activities	642,691	849,372
Capital financing activities	(284,326)	53,310
Investing activities	(55,378)	(543,502)
Net increase in cash and cash equivalents	**15,816**	**22,283**
Cash and cash equivalents, beginning of year	133,323	111,040
Cash and cash equivalents, end of year	**$ 149,139**	**$ 133,323**


Photo: UA Marketing Communications & Brand Management

Capital and Debt Analysis

The University of Arizona's capital program is developed through a formal process involving internal committees, the Arizona Board of Regents (ABOR), and the State Joint Committee on Capital Review (JCCR). The process starts with the preparation of a comprehensive annual Capital Improvement Plan (CIP) as required by Arizona Revised Statutes §41-793 and ABOR policy 7-106. The CIP presents the University's strategic plan on space and capital acquisition to meet short and long-term requirements. It outlines the current capital funding allocation for the University, specifically for building renewal, deferred maintenance, facility leases, and other critical construction projects. The CIP covers a three-year period and focuses on addressing space deficiencies in academic, research, student housing and support service facilities. The CIP also provides a summary of debt information including a debt ratio projection to comply with ABOR policy and State statutes. The projects in the CIP are prioritized at a later date by University management and presented to ABOR for approval through the Capital Development Plan (CDP). The CDP will allow the University to proceed with designing the project and then resubmit the project for approval to start construction. If a project requires debt financing, the University must submit a financing plan to ABOR in conjunction with the project approval request consideration. The project to be financed must receive the State JCCR review.

During fiscal year 2016, the University completed building renewal, minor renovation, and improvement projects involving energy efficiency to enhance student service and utilities savings. The projects included upgrading space for student programs, updating student dining facilities, reconfiguring learning spaces, and updating lab spaces. The projects encompassed 141,900 gross square feet at a total cost of $21.7 million. In addition, there were other buildings under construction including the Biomedical Sciences Partnership Building ($136.1 million), and the Biosciences Research Laboratories ($107.5 million). These two projects are necessary to meet the University's strategic priority of growing research.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs), Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds, or Certificates of Participation (COPs). Prior to issuing any Bonds or COPs, the University must submit a financing and funding plan to ABOR for approval. Additionally, the plan is required to be reviewed by the State Joint Committee on Capital Review (JCCR). The amount of debt the University is able to issue is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes §15-1683) and ABOR policy 7-102(D) (3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2016, the University's debt ratio was 4.8%. The University's credit rating on its outstanding SRBs is Aa2 by Moody's and AA- by Standard and Poor's.

During fiscal year 2016, the University issued one System Revenue Refunding Bond. The System Revenue Refunding Bond Series 2016 was issued for $175.4 million to refund a portion of the 2007, 2008A, and 2009A System Revenue Bonds, resulting in a net present value interest savings of $18.1 million.

Detailed debt information can be found in Note 8 of the accompanying notes to the financial statements.

Economic Outlook

The State of Arizona economy maintains a modest growth, forecasted to grow at the rate of 4.0% for fiscal year 2017 in comparison to 3.3% in fiscal year 2016. The forecasted base revenue includes adjustments for the Urban Revenue Sharing program, and previously enacted tax law changes have adjusted revenue down. These adjustments resulted in an overall decrease in the State's total General Fund revenues by $66 million, or -0.7%, for fiscal year 2017 in comparison to fiscal year 2016.

Highlights of the State fiscal year 2017 budget included increases to the baseline for certain areas with higher priority: $36 million in additional Department of Child Safety services spending, in addition to $25 million in non-general fund spending, $29 million to rescind a scheduled decrease in funding for overlapping K-12 regular district/Joint Technological Education Districts (JTEDs), $8 million for Border Security Task Force (BSTF) costs in the Department of Public Safety (DPS), $5 million for a 3% pay raise for sworn DPS officers and Highway Patrol civilian staff, and $5 million for freedom schools in Arizona State University (ASU) and University of Arizona (UA). Additionally, highlights of reductions to the State fiscal year 2017 budget included adjustments from the baseline of the following areas: $51 million from re-estimates of Medicaid enrollment in AHCCCS, $25 million from re-estimates of K-12 enrollment and formula costs, and $22 million from elimination of the Access Our Best Public Schools program.

The University of Arizona continuously evaluates programmatic and institutional changes necessary to serve as a center for advanced graduate and professional studies while emphasizing research and providing excellence in undergraduate programs. University management has been diligently working to develop long and short-term strategic plans to address these programmatic and institutional changes and other challenges to the financial health of the institution. At the same time, the Arizona Board of Regents and the three State universities are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education.

The University experienced an increase in total appropriations of $16.3 million or approximately 6.5% by the State for fiscal year 2017. The fiscal year 2017 total appropriation to the University of Arizona is $267.1 million. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the immediate fiscal periods to come.

The Arizona Board of Regents voted to increase undergraduate tuition by 2.8% for resident students for fiscal year 2017 with non-resident undergraduate students experiencing a 5.8% increase. While the University and Arizona Board of Regents recognize the fiscal pressures the State of Arizona has been managing, the University has continued the guaranteed tuition program which started in the fall of 2014. The guaranteed tuition program for qualified incoming students is a constant tuition rate set by ABOR for eight semesters. The program continues to receive great support from parents and students because of the transparency throughout the four year degree. The percentage increase stated above does not include the guaranteed tuition rates.

Since the University is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. Management is well aware of the challenges ahead and is working diligently to continue to provide quality instruction, research and public service to the State of Arizona and the nation.

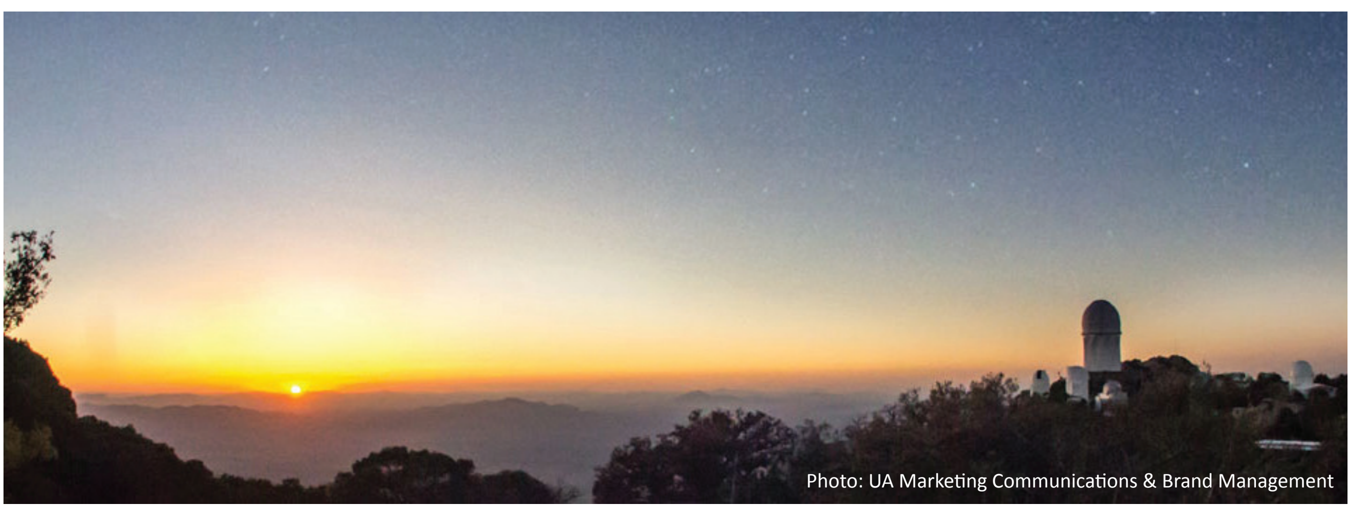


Photo: UA Marketing Communications & Brand Management

Statement of Net Position

June 30, 2016 *(in thousands of dollars)*

Assets

Current assets		
Cash and cash equivalents (Note 3)	$	143,669
Short-term investments (Note 3)		99,984
Receivables:		
Accounts receivable (net of allowances of $2,600)		69,251
Government grants receivable		52,661
Student loans (net of allowances of $468)		1,687
Inventories		7,639
Prepaid expenses		10,487
Total current assets	**$**	**385,378**
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	$	5,470
Restricted investments with trustee (Note 3)		246,264
Restricted investments with bond trustees (Note 3)		135,331
Long-term investments (Notes 3 and 4)		457,289
Endowment investments (Note 3)		271,437
Student loans receivable (net of allowances of $3,352)		15,211
Prepaid expenses		2,197
Capital assets, not being depreciated (Note 5)		378,194
Capital assets, being depreciated, net (Note 5)		1,596,991
Total noncurrent assets	**$**	**3,108,384**
Total Assets	**$**	**3,493,762**

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 10)	$	65,515
Deferred amounts from refunding of debt		36,492
Total Deferred Outflows of Resources	**$**	**102,007**

Statement of Net Position (continued)

Liabilities

Current liabilities		
Accounts payable	$	45,211
Accrued payroll and benefits		42,868
Accrued compensated absences, current portion (Note 7)		10,047
Unearned revenue and deposits (Note 6)		101,111
Net pension liability, current portion (Note 10)		3,398
Current portion of long-term debt (Note 8)		
To be funded by University revenues		55,024
To be funded by State of Arizona appropriations and State Lottery monies		14,398
Capital commitments, current portion (Note 4)		3,500
Total current liabilities	**$**	**275,557**
Noncurrent liabilities		
Accrued compensated absences (Note 7)	$	48,482
Net pension liability (Note 10)		631,229
Net OPEB obligation (Note 11)		26,304
Long-term debt (Note 8)		
To be funded by University revenues		904,049
To be funded by State of Arizona appropriations and State Lottery monies		446,276
Capital commitments (Note 4)		18,924
Total noncurrent liabilities	**$**	**2,075,264**
Total Liabilities	**$**	**2,350,821**

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	$	55,773
Deferred amounts from refunding of debt		249
Resources received before time requirements met (Note 3)		209,864
Total Deferred Inflows of Resources	**$**	**265,886**

Net Position

Net investment in capital assets	$	687,149
Restricted for nonexpendable:		
Endowments		110,751
Student loans		23,605
Restricted for expendable:		
Scholarships and fellowships		17,920
Academic/departmental uses		187,742
Capital projects		8,076
Debt service		24,784
Unrestricted (deficit)		(80,965)
Total Net Position	**$**	**979,062**

See Notes to Financial Statements

Statement of Financial Position – Component Units

June 30, 2016 *(in thousands of dollars)*

	University of Arizona Foundation	Other	Total
Assets			
Cash and cash equivalents	$ 38,573	$ 7,169	$ 45,742
Pledges receivable	23,854	696	24,550
Other receivables	-	3,890	3,890
Investments in marketable securities	741,536	17,500	759,036
Other investments	-	162	162
Property and equipment, net	11,858	21,305	33,163
Other assets	9,363	4,357	13,720
Total Assets	**$ 825,184**	**$ 55,079**	**$ 880,263**
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 3,077	$ 1,683	$ 4,760
Fair value of endowments managed for the University	177,450	-	177,450
Annuities payable and other trust liabilities	22,738	-	22,738
Deferred revenue and deposits	-	7,752	7,752
Short-term and long-term debt	-	4,255	4,255
Other liabilities	6,574	571	7,145
Total Liabilities	**$ 209,839**	**$ 14,261**	**$ 224,100**
Net Assets			
Unrestricted	$ 12,420	$ 31,734	$ 44,154
Temporarily restricted	118,785	3,701	122,486
Permanently restricted	484,140	5,383	489,523
Total Net Assets	**$ 615,345**	**$ 40,818**	**$ 656,163**
Total Liabilities and Net Assets	**$ 825,184**	**$ 55,079**	**$ 880,263**

See Notes to Financial Statements

Photo: UA Marketing Communications & Brand Management

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016 *(in thousands of dollars)*

Operating Revenues		
Student tuition and fees, net of scholarship allowances of $196,465	$	608,679
Federal grants and contracts		283,083
State grants and contracts		14,191
Local grants and contracts		1,533
Nongovernment grants and contracts		243,468
Sales and services of educational departments		52,934
Auxiliary enterprises, net of scholarship allowances of $6,125		206,710
Other operating revenues		14,172
Total operating revenues	**$**	**1,424,770**
Operating Expenses		
Educational and general		
Instruction	$	460,005
Research		391,122
Public service		78,604
Academic support		344,380
Student services		53,033
Institutional support		129,501
Operation and maintenance of plant		84,418
Scholarships and fellowships		51,808
Auxiliary enterprises		164,187
Depreciation (Note 5)		125,455
Total operating expenses	**$**	**1,882,513**
Operating Loss	**$**	**(457,743)**
Nonoperating Revenues (Expenses)		
State appropriations	$	241,257
Share of State sales tax revenues		25,025
Federal grants and appropriations		77,423
State and other government grants		5,609
Nongovernment grants and contracts		128,111
Gifts		80,890
Investment income		10,046
Interest expense on debt		(49,748)
Other nonoperating revenues, net		9,480
Net nonoperating revenues	**$**	**528,093**
Income before Capital and Endowment Additions	**$**	**70,350**

Statement of Revenues, Expenses and Changes in Net Position (continued)

Capital grants, gifts and conveyances	$	3,472
Capital appropriations - Research Infrastructure Capital Financing		9,594
Capital commitment - State Lottery Revenue		22,169
Additions to permanent endowments		3,032
Total capital and endowment additions	**$**	**38,267**
Increase in Net Position	**$**	**108,617**

Net Position

Net Position - Beginning of year		870,445
Net Position - End of year	**$**	**979,062**

See Notes to Financial Statements

Statement of Activities – Component Units

Year Ended June 30, 2016 *(in thousands of dollars)*

	University of Arizona Foundation	Other	Total
Revenues			
Sales and services	$ 1,689	$ 2,422	$ 4,111
Contributions	75,083	1,934	77,017
Rental revenues	-	13,624	13,624
Investment income (loss)	(8,610)	188	(8,422)
Other income	8,913	2,722	11,635
Total revenues	**$ 77,075**	**$ 20,890**	**$ 97,965**
Expenses			
Program services:			
Leasing related expenses	-	$ 9,524	$ 9,524
Payments to the University	$ 66,255	323	66,578
Payments on behalf of the University	10,716	6,943	17,659
Supporting services:			
Management and general	4,979	2,624	7,603
Fundraising	8,827	237	9,064
Total expenses	**$ 90,777**	**$ 19,651**	**$ 110,428**
Increase/(decrease) in Net Assets	**$ (13,702)**	**$ 1,239**	**$ (12,463)**
Net Assets - Beginning of the year	**$ 629,047**	**$ 39,579**	**$ 668,626**
Net Assets - End of year	**$ 615,345**	**$ 40,818**	**$ 656,163**

See Notes to Financial Statements

Photo: UA Marketing Communications & Brand Management

Statement of Cash Flows

Year Ended June 30, 2016 *(in thousands of dollars)*

Cash Flows from Operating Activities

Tuition and fees	$	612,208
Grants and contracts		549,027
Payments for salaries, wages and benefits		(1,216,738)
Payments to suppliers		(450,675)
Payments for scholarships and fellowships		(54,094)
Loans issued to students		(2,958)
Collections on loans to students		3,850
Auxiliary enterprise receipts		206,168
Sales and services of educational departments		52,151
Other receipts		13,890
Net cash used for operating activities	**$**	**(287,171)**

Cash Flows from Noncapital Financing Activities

State appropriations	$	241,257
Share of State sales tax receipts		24,910
Gifts, contracts and grants for other than capital purposes		372,284
Nonoperating receipts for other than capital purposes		12,593
Direct Loans received		249,749
Direct Loans disbursed		(249,841)
Funds held for others received		5,265
Funds held for others disbursed		(13,526)
Net cash provided by noncapital financing activities	**$**	**642,691**

Cash Flows from Capital Financing Activities

Proceeds from issuance of capital debt, including premiums	$	200,962
Capital appropriations, grants and gifts received		20,475
Build America Bonds - federal subsidy		3,016
Capital commitment - State Lottery revenue		12,251
Proceeds from sale of capital assets		386
Purchase of capital assets		(194,631)
Principal paid on capital debt and leases		(254,241)
Interest paid on capital debt and leases		(72,544)
Net cash used for capital financing activities	**$**	**(284,326)**

Statement of Cash Flows (continued)

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	$	419,275
Interest and dividends on investments		18,925
Purchase of investments		(493,578)
Net cash used for investing activities	**$**	**(55,378)**
Net Increase in Cash and Cash Equivalents	**$**	**15,816**

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year		133,323
Cash and Cash Equivalents - End of year	**$**	**149,139**

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	$	(457,743)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		125,455
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Net pension liability		26,184
Deferred outflows of resources related to pensions		18,045
Deferred inflows of resources related to pensions		(46,626)
Net OPEB obligation		26,304
Receivables, net		911
Inventories		529
Prepaid expenses		(813)
Accounts payable		3,931
Accrued payroll and benefits and compensated absences		8,104
Unearned revenue and deposits		8,548
Net cash used for operating activities	**$**	**(287,171)**

Significant Noncash Transactions

Gifts and conveyances of capital assets	$	3,428
Change in fair value of investments		(12,550)
Change in fair value of restricted investment with trustee		(10,767)
Refinancing long-term debt		181,440
Amortization of bond discount, prepaid insurance, and deferred cost of refundings		(2,545)
Amortization of bond premium		5,610
Net loss on disposal of capital assets with an original cost of $18,608, accumulated depreciation of $15,587 and cash proceeds of $386		(2,635)

See Notes to Financial Statements

Notes to Financial Statements

NOTE 1. BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component units as described in Notes 2 and 14. Fiscal responsibility for the University remains with the State of Arizona; therefore, the University is an integral part of the State of Arizona's Tri-University system, which is an enterprise fund in the State of Arizona's *Comprehensive Annual Financial Report*.

The financial statements are presented in accordance with U. S. generally accepted accounting principles (GAAP) applicable to governmental colleges and universities engaged in business-type activities as adopted by the Governmental Accounting Standards Board (GASB).

The component units are legally separate, private, nonprofit organizations that report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information included in the University's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the University.

For the year ended June 30, 2016, the University implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Additionally, the University elected to early implement the provisions of GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 72 defines fair value, provides guidance for determining fair value measurement for financial reporting purposes and for applying fair value to certain investments, establishes a three-tier hierarchy of inputs to valuation techniques used to measure fair value, and enhances disclosures related to all fair value measurements. The University has disclosed the level of fair value hierarchy and valuation techniques in Note 3.

GASB Statement No. 73 amends and clarifies the application of certain provisions of GASB Statement Nos. 67 and 68. The implementation of GASB Statement No. 73 had no impact on the University's fiscal year 2016 financial statements.

GASB Statement No. 76 identifies the hierarchy of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of GASB Statement No. 76 had no impact on the University's fiscal year 2016 financial statements.

GASB Statement No. 82 changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows.

- The Statement of Net Position provides information about assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University at June 30. Assets and liabilities are classified as either current or noncurrent. Current liabilities are obligations that will be paid within one year of the statement date, and current assets are those resources available to satisfy current liabilities. Deferred outflows/inflows of resources are resources that have been consumed or acquired that are applicable to a future reporting period. Net position is the residual amount and is classified according to external donor restrictions and availability of assets to satisfy University obligations. Net investment in capital assets represents capital assets less accumulated depreciation and the amount of related outstanding debt for those assets. Nonexpendable restricted net position is comprised of gifts received for endowment purposes and revolving student loan funds, the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position includes the remaining amounts of net position, including those that have been designated by management to be used for other than general operating purposes.

- The Statement of Revenues, Expenses and Changes in Net Position provides information about the University's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses are those that generally result from exchange transactions. Accordingly, revenues such as tuition and fees, sales and services of auxiliary enterprises, and most government and nongovernment research grants and contracts are considered operating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, nonexchange grants, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

- The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital financing, or investing activities.

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The University eliminates all internal activity.

Significant Accounting Policies

The methods of applying GAAP that materially affect financial presentation are summarized below:

Cash and Investments

- Cash equivalents include all highly liquid investments with an original maturity of 90 days or less.

- Investments are stated at fair value at June 30.

- Investment income includes interest and dividend earnings and changes in fair value of investments during the fiscal year from the investment of endowment, operating, and applicable trustee funds.

Endowment Spending Rate Policy – Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds managed by the University, the Investment Committee and University administration consider long- and short-term needs, total investment return and price level trends, and general economic conditions. For fiscal year 2016, the expendable rate was established at 4% of the three-year average market value ending December 31, 2014. Donor restricted endowments that are available for expenditure are reported as restricted and expendable on the Statement of Net Position.

Inventories – Inventories consist primarily of bookstore items and resale supplies. They are stated at the lower of cost (determined by the first-in, first-out or the weighted average method) or market.

Capital Assets, Special Collections and Historical Treasures

- Capital assets are reported at actual cost or, if donated, at acquisition value.

- The University maintains special collections and historical treasures for educational purposes and public exhibition. These special collections include Kress, Pfeiffer, and Gallagher artwork, Ansel Adams, Harry Callahan, and Edward Weston photography collections, American Indians of the Southwest archeological collection, pottery whole vessel collection, and several medical and law book collections. They are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes.

- Interest incurred during the construction phase of projects is capitalized, net of interest earned on the invested proceeds over the same period.

- Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight line method. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

Asset Category	Capitalization Threshold ($)	Estimated Useful Life (yrs)
Land	1	n/a
Construction in progress	100,000	n/a
Buildings and improvements	100,000	15 – 50
Infrastructure	100,000	10 – 100
Equipment:		
Various equipment, machinery, vehicles and other	5,000	3 – 25
Intangible assets, computer software ≥ $10 million	10,000,000	10
Intangible assets, computer software < $10 million	1,000,000	5
Library materials	1	10

Deferred Outflows/Inflows of Resources – The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. The separate financial statement element deferred outflows of resources represents a consumption of net position that applies to future periods; these will be recognized as an expense in future periods. The University is reporting deferred outflows for a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition prices, and for deferred pension amounts as detailed in Note 10.

Deferred inflows of resources represent an acquisition of net position that will be recognized as revenue in future periods. The University is reporting deferred inflow amounts resulting from refunding of debt, pension amounts as described in Note 10, and resources received before time requirements were met from an affiliation agreement between the University and Banner Health which created the "Academic Enhancement Fund" for the benefit of the Arizona Health Science Center. These amounts will be recognized as an inflow of resources in future periods.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Scholarship Allowances – A scholarship allowance is the difference between the stated charge for tuition and fees or dormitory charges and the amount paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as fee waivers, Pell grants, and scholarship awards are considered to be scholarship allowances if used to pay tuition and residence fees. These allowances are netted against tuition and auxiliary revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Restricted and Unrestricted Resources – The University has both restricted and unrestricted resources available for most programs. Restricted resources are externally restricted for a specific purpose and primarily include sponsored research grants and contracts and gifts. The University's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis. Restricted resources remain classified as such until spent.

NOTE 2. COMPONENT UNITS

The financial statements of the University include the operations of The University of Arizona Foundation, Inc., University of Arizona Alumni Association, the Law College Association of The University of Arizona, the Campus Research Corporation, and Eller Executive Education, all discretely presented component units. For financial reporting purposes, only the statement of financial position and statement of activities are included in the University's financial statements as required by U.S. generally accepted accounting principles for public colleges and universities. Discretely presented component units are reported on separate pages following the University's respective counterpart financial statements because those component unit financial statements are prepared in accordance with non-governmental U.S. generally accepted accounting principles (i.e., FASB). Each discretely presented component unit discussed below has a June 30 year-end.

Component units can be defined as legally separate entities for which the University is considered to be financially accountable. GASB Statement No. 14 – *The Financial Reporting Entity* and GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* have set forth criteria to be considered in determining financial accountability. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion under GASB Statement No. 14 – *The Financial Reporting Entity*, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making that determination. GASB Statement No. 39 – *Determining Whether Certain Organizations Are Component Units* provides additional criteria for determining whether certain organizations are component units. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should also be considered component units, with discrete presentation. These criteria are (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the University, its component units, or its constituents; (2) the University, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the University, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

Discretely Presented Component Units

The University of Arizona Foundation, Inc. (Foundation) is a legally separate, nonprofit, tax-exempt organization controlled by a separate Board of Directors. The principal goals of the Foundation are to support the University through various fund-raising activities and to contribute funds to the University in support of various programs. Although the University does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources are significant to the University and can only be used by, or for the benefit of, the University or its constituents. As the University is also entitled to these resources, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements are not publicly available. For information regarding the Foundation's financial statements, contact The University of Arizona Comptroller at the following address: The University of Arizona, Financial Services Office, 1303 E. University Blvd., Box 4, Tucson, Arizona 85719-0521.

The University of Arizona Alumni Association (Alumni Association) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors and was established to serve the University and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the University's missions – teaching, research, and public service. There is an Administrative Service Agreement between the Alumni Association and the University whereby the University provides staff, facilities, and services to the Alumni Association and the Alumni Association agrees to provide an organizational framework for volunteer service and other activities to benefit and promote the University. As the economic resources held by the Alumni Association are significant to the University and are entirely or almost entirely for the direct benefit of the University, and as the University is entitled to a majority of the economic resources received or held by the Alumni Association, it is considered a component unit of the University and is discretely presented in the University's financial statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Alumni Association at the following address: Alumni Association, The University of Arizona, P.O. Box 210109, Tucson, Arizona 85721-0109.

The Law College Association of The University of Arizona (Law Association) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors and was established to provide support and financial assistance to the College of Law at The University of Arizona. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships. The funds also provide support for various academic programs. As the economic resources held by the Law Association are significant to the University and are entirely or almost entirely for the direct benefit of the University, and as the University is entitled to a majority of the economic resources received or held by the Law Association, it is considered a component unit of the University and is discretely presented in the University's financial statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Law Association at the following address: Law College Association, James E. Rogers College of Law at the University of Arizona, 1201 E. Speedway Blvd., Tucson, Arizona 85721-0176.

Campus Research Corporation (CRC) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors and was established to assist the University in the acquisition, improvement, and operation of the University of Arizona Science and Technology Park (Tech Park) and related properties. CRC currently leases from the University the remaining 67% of building space of the Tech Park not leased to the Arizona Research Park Authority. CRC is responsible for assisting in the development of the presently undeveloped portions of the Tech Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The University is responsible for payment of the operational expenses associated with the space occupied by University departments, offices, and programs. All income received by CRC from its activities, after payment of expenses and financial reserves, will be distributed to the University. As the University approves CRC's budget and can access its resources (i.e., leased property and new building construction on the property), fiscal dependency and a benefit/burden relationship exist between the entities, making CRC a component unit. As CRC does not meet any of the blending criteria in GASB Statement No. 14, as amended, CRC is presented as a discrete component unit in the University's financial statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Chief Financial Officer at the following address: The University of Arizona Science and Technology Park, 9070 South Rita Road, Suite 1750, Tucson, Arizona 85747.

Eller Executive Education (EEE) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors, all members of which are appointed by the President of the University of Arizona. EEE was established to advance the missions of the Eller College of Management and University of Arizona through noncredit, non-degree programs for business, government, and nonprofit leaders. Through leadership and business programs for local, regional, and international organizations, EEE helps organizations solve their leadership challenges. Given that these programs are customized and unlike any typical university course, EEE is able to fill an education market that is not otherwise effectively addressed by the University of Arizona. In the process, EEE advances University goals in outreach, workforce, and faculty development. As the University President appoints all EEE board members and can remove any member at will, the University can impose its will on EEE, making EEE a component unit. As EEE does not meet any of the blending criteria in GASB Statement No. 14, as amended, EEE is presented as a discrete component unit in the University's financial statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting EEE at the following address: Eller Executive Education, P.O. Box 210108, Tucson, Arizona 85721-0108.

NOTE 3. DEPOSITS AND INVESTMENTS

A. General

At year end, the University's deposits and investments had a fair value of $1,359,444,000. The required disclosures are included in sections B through D of this footnote.

Included in the University's deposits and investments are capital project funds totaling $135,331,000 which are held in trust by a commercial bank and available for future construction costs. Trust funds are invested in accordance with the Board's authorizing resolutions, as disclosed in section B of this footnote.

Endowment funds totaling $177,450,000 managed by The University of Arizona Foundation (Foundation) make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the Foundation and invested in the Foundation's Endowment Pool (Pool). The University's endowment assets are maintained separately on the financial system of the Foundation, and receive a proportional share of the Pool activity. As such, the Foundation owns the assets of the Pool; the University has an interest in the Pool, which is considered an external investment pool to the University. The Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Foundation's Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. Included in these investments are balances invested on behalf of the Arizona Student Financial Aid Trust (ASFAT). ASFAT was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees. The University's ASFAT funds are recorded as endowment investments at $31,556,000.

Further, the University is the sole beneficiary of the University of Arizona Academic Enhancement Fund Trust (Trust). Trust assets totaled $246,264,000 at June 30, 2016, and are recorded in the University's Statement of Net Position as restricted investments with trustee. Trust assets, less University contributions to the trust, are offset by a $209,864,000 deferred inflow of resources because not all time requirements have been met. The purpose of the Trust is to provide ongoing funding over 30 years, beginning in fiscal year 2015, in the form of $20 million annual distributions to the University for academic enhancements, faculty recruitment, and program development at the Arizona Health Science Center. The University has entered into an investment agreement with a third party, Banner Health, to direct the investment activity of the trustee in accordance with Banner policies. In the event the Trust becomes insolvent or does not generate sufficient income to make the annual distributions, Banner Health is contractually obligated to make the annual distribution payments to the University from other sources.

B. Statutory and Board of Regents' Policies

Arizona Revised Statutes require that deposits of the University not covered by federal deposit insurance be secured by government bonds or by a safekeeping receipt of the institution accepting the deposit. Further policy regarding deposits is provided by the Arizona Board of Regents. According to Board policy, deposits can be made only at depository banks approved by the Board.

The Statutes do not specifically address the investment policy of the University; rather, Board of Regents' policy governs in this area. Board policy requires that the University arrange for the safekeeping of securities by a bank or other financial institution approved by the Board. Also under Board policy, the University is limited to investing its pooled operating funds in certificates of deposit, collateralized repurchase agreements, United States Treasury securities, federal agency securities, investment grade corporate bonds or in the government investment pool administered by the State Treasurer's Office.

Investment of capital project funds held with bond trustees are subject to investment policy set by the Board and included in bond indentures. The monies may be invested in obligations of or guaranteed by the federal government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities; or in certificates of deposit of federally insured banks, trust companies or savings and loan associations in the State of Arizona.

With regard to endowments, Board of Regents' policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. At The University of Arizona, the investment committee is responsible for defining, developing, and implementing investment objectives, policies, and restrictions. However, if donors restrict investments, Board policy requires that the University invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

The State of Arizona Treasurer's pools are not registered with the SEC. The State of Arizona Board of Investment provides oversight for the State of Arizona Treasurer's pools.

The University's deposit and investment policies follow the Board's policies.

C. Deposit and Investment Risk

Custodial Credit Risk – University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller's demand deposit account. Beyond this requirement, the University does not have a policy that specifically addresses custodial credit risk. At June 30, 2016, $17,543,000 of the University's total deposits and investments is exposed to custodial credit risk since a portion of the University's endowment funds are held by trustees. These deposits and securities are held by the counterparties in the names of the individual donors as irrevocable trusts for the benefit of the University.

Credit Risk – With regard to credit risk, University policy restricts investment of the operating funds to certificates of deposit and collateralized repurchase agreements, United States Treasury securities, federal agency securities, investment grade corporate bonds or the government investment pool administered by the State Treasurer's Office. When investing operating funds, University policy requires corporate bonds and notes to be of investment grade quality, rated Baa or higher by Moody's Investors Service, at the time of purchase.

The University does not have a formal policy that specifically addresses credit risk over endowment funds. As indicated in Section A of this note, $177,450,000 of the University's endowment funds are held in the Foundation's Endowment Pool, which is not rated. The Foundation's Investment Committee manages the credit risk of the Pool's investments. Other University endowment funds held by external trustees are invested in accordance with donor restrictions and those investments' credit quality ratings are included in the table on the following page.

The University used both Moody's and Standard & Poor's to determine the credit quality ratings of its debt securities. When a debt security investment was rated by only one of the rating agencies, that credit quality rating was disclosed. When a debt security was rated by both rating agencies, the University disclosed the credit quality rating with the greatest degree of risk.

Investment Type	Fair Value	Not Rated	Moody's/Standard & Poor's Rating Aaa/AAA	Aa/AA	A/A	Baa/BBB
Fixed Income Mutual Funds	$ 7,290,000	$ 7,290,000				
Certificates of Deposit *	39,148,000	39,148,000				
Corporate Bonds	388,118,000	2,047,000	$ 3,863,000	$ 51,548,000	$ 193,889,000	$ 136,771,000
Federal Agency Securities	161,157,000			161,157,000		
Money Market Mutual Funds	65,025,000		65,025,000			
Municipal Bonds	2,611,000		755,000	1,856,000		
State Treasurer's Pool 3	1,691,000	1,691,000				
Total	**$ 665,040,000**	**$50,176,000**	**$ 69,643,000**	**$214,561,000**	**$ 193,889,000**	**$136,771,000**

*Although all of the certificates of deposit are unrated by Moody's Investor Service or Standard & Poor's, $19,154,000 is covered by federal deposit insurance and would be returned to the University in the situation of default by the issuer.

Concentration of Credit Risk – Other than United States Treasury Securities and other federal agency securities, which can represent greater than 5% of total investments, University policy limits investment in a single issuer to 5% or less of the fair value of the total portfolio. Except for United States Treasury Securities, the University does not have an investment in any single issuer that exceeds 5% of the overall portfolio.

Interest Rate Risk – The University does not have a formal policy for interest rate risk. The following chart presents the interest rate risk for the University's debt investments at June 30, 2016, utilizing the segmented time distribution method:

Investment Type	Fair Value	Maturity Date < 1 Year	1-5 Years	6-10 Years	> 10 Years
Fixed Income Mutual Funds	$ 7,290,000	$ 224,000	$ 4,679,000	$ 2,387,000	
Certificates of Deposit	39,148,000	11,137,000	27,516,000	495,000	
Corporate Bonds	388,118,000	88,740,000	262,713,000	34,673,000	$ 1,992,000
Federal Agency Securities	161,157,000	66,789,000	55,175,000	39,193,000	
Money Market Mutual Funds	65,025,000	65,025,000			
Municipal Bonds	2,611,000	850,000	1,605,000	156,000	
State Treasurer's Pool 3	1,691,000		1,691,000		
US Treasury Securities	82,784,000	37,126,000	45,626,000	32,000	
Total	**$ 747,824,000**	**$269,891,000**	**$399,005,000**	**$76,936,000**	**$1,992,000**

Foreign Currency Risk – The University's foreign investments at June 30, 2016 are shown in the table on the right. Foreign currency – denominated investments are part of the University's endowment portfolios. University policy does not include any specific requirements for foreign currency risk. University endowment funds held by external trustees are invested in accordance with donor restrictions.

Investment Type	Currency	Fair Value
Common Stocks	Various	$ 514,000
Mutual Funds - Asset Allocation	Various	257,000
Equity Mutual Funds	Various	10,026,000
Fixed Income Mutual Funds	Various	662,000
Total		**$ 11,459,000**

D. Fair Value of Investment Assets

The University measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets that are accessible at the measurement date;
- Level 2: Inputs, other than quoted market prices included within Level 1, that are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are significant to the fair value measurement and unobservable.

The University has the following fair value measurements as of June 30, 2016:

		Hierarchy Fair Value		
	As of 6/30/2016	**Level 1**	**Level 2**	**Level 3**
Investments by Fair Value Level				
Certificates of Deposit	$ 39,148,000		$ 39,148,000	
Common Stocks	3,197,000	$ 2,830,000	367,000	
Corporate Bonds	388,118,000		388,118,000	
Equity Mutual Funds	35,010,000	35,010,000		
Federal Agency Securities	161,157,000		161,157,000	
Fixed Income Mutual Funds	5,009,000	5,009,000		
Money Market Mutual Funds	64,883,000	64,883,000		
Municipal Bonds	2,611,000		2,611,000	
Mutual Funds - Asset Allocation	226,000	226,000		
Private Equities	730,000			$ 730,000
Real Estate	557,000			557,000
US Treasury Securities	82,784,000	82,784,000		
Total investments by fair value level	**$ 783,430,000**	**$ 190,742,000**	**$ 591,401,000**	**$ 1,287,000**
Other Investments at Fair Value				
Academic Enhancement Fund Trust	$ 246,264,000			
State Treasurer's Pool 3	1,691,000			
Split Interest Endowment	7,718,000			
University of Arizona Foundation	177,450,000			
Total other investments at fair value	**$ 433,123,000**			
Investments at Net Asset Value (NAV)				
Equity Mutual Funds	2,500,000			
Total investments at net asset value	**$ 2,500,000**			
Total investments at fair value	**$ 1,219,053,000**			

Investments Classified in Fair Value Hierarchy

Investments categorized as Level 1 of the fair value hierarchy are valued using unadjusted prices quoted for identical assets in active, exchange and brokered markets for those securities. Investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments categorized as Level 3 of the fair hierarchy are valued using various methods. The fair value of private equities are valued using multiple pricing options. For managed assets, business appraisers use valuation methodologies based on a number of assumptions to create the price. For non-managed assets, pricing is provided by various sources including the issuer or private investment manager. Real estate is valued by using the market approach industry standard valuation technique which includes independent appraisals.

Other Investments at Fair Value

The fair values of the Academic Enhancement Fund Trust and Split Interest Endowment are derived from their respective custodial bank's independent pricing services. The University has beneficial interests in these investment accounts, and determines fair value based on the University's percentage of beneficial interest, which is the unit of account for purposes of fair value determination.

The fair value of a participant's portion in the State Treasurer's Pool 3 approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the University held.

The fair value of the University's position in the University of Arizona Foundation Pool is based on the University's proportionate share of the Pool, which is valued at marked-to-market monthly.

Investments at Net Asset Value

Equity mutual funds include event-driven hedge funds investing in corporate financial restructurings, major operational reorganizations, distressed situations, and other events. The funds are valued using the Net Asset Valuation per share and have a quarterly redemption frequency with 90 days' notice. There are no unfunded commitments.

NOTE 4. JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

Joint Venture – The University is a participant in the Large Binocular Telescope Corporation (LBT). LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the University and INAF Astrophysical Observatory in Florence, Italy. The purpose of the joint venture is to design, develop, construct, own, operate and maintain a binocular telescope located in Arizona. The current members of LBT are the University, INAF Astrophysical Observatory, Research Corporation for Scientific Advancement, Ohio State University, and LBT Beteiligungsgesellschaft (LBTB).

The University has committed resources equivalent to 25% of LBT's construction costs and annual operating costs. The University has made total cash contributions of $18,159,000 toward the project's construction costs which were recorded as long-term investments on the statement of net position. The University's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes; thus, depreciation of the property and equipment commenced. The University recorded its proportionate share of the use of the viewing/observation rights, $1,094,000 in calendar year 2016, as a reduction in its investment. In the current fiscal year, the University also contributed services and materials totaling $3,175,000, which increased its investment. At June 30, 2016, the investment totaled $13,983,000. According to the most recent audited financial statements of LBT for the year ended December 31, 2015, assets, liabilities, revenues and expenses totaled $130.0 million, $3.0 million, $22.0 million, and $17.0 million, respectively. For information regarding LBT's financial statements, contact The University of Arizona Comptroller at the following address: The University of Arizona, Financial Services Office, 1303 E. University Blvd., Box 4, Tucson, Arizona 85719-0521.

Jointly Governed Organization – The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including The University of Arizona. The University comprises two of the fifteen members of the GMTO Board of Directors, and is one of eleven founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the University does not have a defined equity interest, as a founder the University will receive viewing rights to the telescope in proportion to their voluntary contributions to the project. The University has recognized an intangible asset related to the costs incurred during the Design Development and Construction/Commissioning Phases. The University has also signed an agreement outlining future capital commitments to the GMTO between June 2016 and June 2022. Capital commitments related to the GMTO are as follows.

GMTO Capital Commitments	
Beginning balance	$ 25,924,000
Additions	
Reductions	3,500,000
Ending balance	**$ 22,424,000**
Current portion	**$ 3,500,000**

The University has contributed a total of $37,576,000 to the GMTO as of June 30, 2016. The University has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2016, the University has received contractual payments related to the project from the GMTO and related partners totaling $59,972,000. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance July 1, 2015	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2016
Land	$ 98,662,000	$ 904,000			$ 99,566,000
Construction in progress:					
Real property	123,786,000	134,731,000		$ (39,889,000)	218,628,000
Intangible assets	60,000,000				60,000,000
Total non-depreciable/amortizable capital assets	$ 282,448,000	$ 135,635,000		$ (39,889,000)	$ 378,194,000
Buildings and improvements	$ 2,321,244,000	$ 4,510,000		$ 39,384,000	$ 2,365,138,000
Infrastructure	264,219,000	1,889,000		1,954,000	268,062,000
Equipment	464,582,000	39,447,000	$ (17,286,000)	(1,449,000)	485,294,000
Intangible assets	100,327,000				100,327,000
Library materials	290,937,000	12,860,000	(1,322,000)		302,475,000
Total depreciable/amortizable capital assets	$ 3,441,309,000	$ 58,706,000	$ (18,608,000)	$ 39,889,000	$ 3,521,296,000
Less: accumulated depreciation/amortization					
Buildings and improvements	$ 1,043,756,000	$ 69,543,000		$ 604,000	$ 1,113,903,000
Infrastructure	114,877,000	10,187,000			125,064,000
Equipment	356,055,000	26,780,000	$ (14,265,000)	(604,000)	367,966,000
Intangible assets	61,940,000	6,973,000			68,913,000
Library materials	237,809,000	11,972,000	(1,322,000)		248,459,000
Total accumulated depreciation/amortization	$ 1,814,437,000	$ 125,455,000	$ (15,587,000)		$ 1,924,305,000
Depreciable/amortizable capital assets, net	$ 1,626,872,000	$ (66,749,000)	$ (3,021,000)	$ 39,889,000	$ 1,596,991,000
Capital assets, net	**$ 1,909,320,000**	**$ 68,886,000**	**$ (3,021,000)**		**$1,975,185,000**

In addition to expenditures through June 30, 2016, it is estimated that $471,744,000 will be required to complete projects under construction or planned for construction. Of that amount, $128,354,000 is contractually encumbered.

NOTE 6. UNEARNED REVENUE AND DEPOSITS

Unearned revenue consists primarily of amounts received from grants and contract sponsors that have not yet been earned under the terms of the agreements as well as tuition and fees received in advance. Unearned revenue also includes amounts received in advance of an event, such as advance ticket sales for sporting events.

Unearned revenue and deposits at June 30, 2016 consist of the following:

Current Unearned Revenue and Deposits

Unexpended cash advances received for sponsored programs	$	74,987,000
Tuition and fees		14,217,000
Auxiliary sales and services		8,632,000
Other unearned revenue		2,095,000
Deposits		1,180,000
Total current unearned revenue and deposits	**$**	**101,111,000**

NOTE 7. ACCRUED COMPENSATED ABSENCES

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 264 accrued vacation hours depending on classification and years of service. Upon termination, accrued hours up to 176 will be paid. At fiscal year-end, the University accrued all compensated absence balances accumulated to date as a liability in the financial statements. The University does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona State Department of Administration (ASDA). The University pays a percentage of its payroll for RASL to ASDA and does not have further liability. Accrued compensated vacation for the year ended June 30, 2016, was as follows:

Beginning balance	$	59,664,000
Additions		49,016,000
Reductions		(50,151,000)
Ending balance	**$**	**58,529,000**
Current portion	**$**	**10,047,000**

NOTE 8. LONG-TERM DEBT & LEASE OBLIGATIONS

Long-term debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
Bonds payable	$ 984,265,000	$ 175,385,000	$ (206,645,000)	$ 953,005,000	$ 32,040,000
Certificates of participation	354,736,000	14,000	(22,889,000)	331,861,000	29,685,000
Capitalized lease obligations	41,699,000	185,000	(24,750,000)	17,134,000	1,304,000
Subtotal long-term debt	$ 1,380,700,000	$ 175,584,000	$ (254,284,000)	$ 1,302,000,000	$ 63,029,000
Premium on sale of debt	99,774,000	31,311,000	(11,550,000)	119,535,000	6,522,000
Discount on sale of debt	(1,938,000)		150,000	(1,788,000)	(129,000)
Total long-term debt	**$1,478,536,000**	**$206,895,000**	**$ (265,684,000)**	**$ 1,419,747,000**	**$69,422,000**

Bonds – The University's bonded debt consists of various issues of System Revenue Bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities, infrastructure and for refunding obligations from previously issued bonds.

For all outstanding SPEED revenue bonds, up to 80% of the debt service payments are payable from the University's SPEED revenue bond account monies, which are derived from certain revenues of the Arizona State Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the University's System Revenue Bonds.

On February 25, 2016, the University sold System Revenue Refunding Bonds Series 2016 (2016 Bonds) for $175,385,000 dated March 31, 2016. The 2016 Bonds include $175,385,000 of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2019 to 2039. The 2016 Bonds with maturity on or after June 1, 2027, are subject to optional redemption without premium. The 2016 Bonds sold at a premium of $31,311,000. The University realized net proceeds of $205,559,000 after payment of $1,137,000 for issuance costs and underwriter discounts. The net proceeds were used to refund in advance of maturity a portion of the System Revenue Bonds Series 2007, 2008A, and 2009A totaling $6,840,000, $15,295,000, and $159,305,000, respectively. The advance refunding generated a net present value economic gain of $18,127,000 (difference between the present values of the old debt and the new debt service payments) for the University. The advance refunding decreases the University's debt service by $3,053,000 in the first year and an average of $655,000 in years two through twenty-four. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $18,189,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2039 using the straight-line method. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $202,120,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.

In fiscal year 2015, the University refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2007 and 2008A. At June 30, 2016, the outstanding principal balance of the refunded bonds was $27,725,000, which will be paid by investments held in an irrevocable trust with a fair value of $29,404,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.

The University's outstanding SPEED Revenue Bonds Series 2010 were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the University is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the University must file certain required information with the federal government between 90 and 45 days prior to the interest payment date. The amount paid to the University by the federal government may be reduced or eliminated due to such issues as failure by the University to submit the required information, any amounts owed by the University to the federal government, or changes in the law that would reduce or eliminate such payments. Due to the federal sequestration, the University will receive a 6.8% reduction (totaling $110,000) in the federal interest subsidy for the August 1, 2016 debt service payment and a 6.9% reduction (totaling $219,000) in the federal interest subsidy for the February 1 and August 1, 2017 debt service payments.

Photo: UA Marketing Communications & Brand Management

The following schedule details outstanding bonds payable at June 30, 2016:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2007 – System Revenue Bonds	$ 31,010,000	2018	4.00%	$ 2,150,000
2008A – System Revenue Bonds	43,105,000	2040	4.00-5.00%	8,190,000
2008B – System Revenue Refunding Bonds	18,090,000	2018	4.00%	2,110,000
2009A – System Revenue Bonds	202,370,000	2020	3.00-5.00%	21,190,000
2012A – System Revenue Bonds	74,050,000	2042	4.00-5.00%	72,535,000
2012B – System Revenue Refunding Bonds	21,860,000	2022	1.94-3.29%	15,215,000
2012C – System Revenue Refunding Bonds	43,920,000	2034	1.363-3.912%	36,380,000
2013A – System Revenue Bonds	69,175,000	2048	3.00-5.00%	68,180,000
2013B – System Revenue Refunding Bonds	34,985,000	2048	3.375-5.00%	33,685,000
2014 – System Revenue Refunding Bonds	16,025,000	2029	2.00-5.00%	13,345,000
2015A – System Revenue Refunding Bonds	103,950,000	2045	4.00-5.00%	103,950,000
2015B – System Revenue Refunding Bonds	14,660,000	2020	0.85-1.925%	14,310,000
2016 – System Revenue Refunding Bonds	175,385,000	2039	3.00-5.00%	175,385,000
Subtotal - System Revenue Bonds	$ 848,585,000			$ 566,625,000
2010 – SPEED Revenue Bonds	147,475,000	2045	4.31-6.643%	147,475,000
2011 – SPEED Revenue Bonds	39,595,000	2030	4.25-5.00%	39,595,000
2013 – SPEED Revenue Bonds	70,125,000	2049	3.75-5.00%	70,125,000
2014 – SPEED Revenue Bonds	129,185,000	2045	3.00-5.00%	129,185,000
Subtotal – SPEED Revenue Bonds	$ 386,380,000			$ 386,380,000
Total	**$ 1,234,965,000**			**$ 953,005,000**

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable at June 30, 2016:

Year	Principal	Interest
2017	$ 32,040,000	$ 45,452,000
2018	33,410,000	44,354,000
2019	32,610,000	43,081,000
2020	33,815,000	41,750,000
2021	31,150,000	40,324,000
2022-26	168,660,000	178,006,000
2027-31	184,735,000	133,504,000
2032-36	156,390,000	90,567,000
2037-41	152,770,000	51,958,000
2042-46	109,035,000	16,163,000
2047-49	18,390,000	1,133,000
Total	**$ 953,005,000**	**$ 686,292,000**

The University has pledged portions of its gross revenues towards the payment of debt related to all System Revenue Bonds, System Revenue Refunding Bonds, and SPEED Revenue Bonds outstanding at June 30, 2016. The bonds generally provide financing for various capital projects of the University. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include state appropriations, gifts, endowment income or other restricted revenues. At June 30, 2016, pledged revenues totaled $1.21 billion of which 6.0% ($70.7 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is $1.64 billion.


Photo: UA Marketing Communications & Brand Management

Certificates of Participation – The University utilizes Certificates of Participation and various capital leases to acquire buildings, equipment and land. The Certificates are generally callable, and the capital leases are subject to prepayment.

In fiscal year 2015, the University refunded, in advance of maturity, the remaining principal balance of Certificates of Participation Series 2007A. At June 30, 2016, the outstanding principal balance of the refunded certificates was $10,210,000, which will be paid by investments held in an irrevocable trust with a fair value of $10,590,000. Accordingly, the trust account assets and liability for these defeased certificates are not included in the University's financial statements.

The following schedule details outstanding Certificates of Participation payable at June 30, 2016:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
1999A Fixed Student Union Certificates	$ 21,607,000	2020	5.125%	$ 266,000
2006A Refund COPS 1999A & 1999B	35,785,000	2017	4.25%	2,035,000
2006C Refund COPS 2001B, 2002A, & 2003A	6,100,000	2017	4.25%	1,205,000
2006D Refund COPS 2002B	1,285,000	2017	4.25%	255,000
2006E Refund COPS 2003B & 2004A	3,085,000	2017	4.25%	610,000
2006 Arizona Biomedical Research Collaborative Building Project	18,240,000	2031	4.10-5.00%	13,435,000
2007B Refund COPS 2001B & 2002A	50,150,000	2022	4.50%	33,710,000
2007D Refund COPS 2004B	42,895,000	2031	4.00%	39,215,000
2012A-2 Refund COPS 2003A	10,190,000	2022	2.21-3.42%	7,190,000
2012B Refund COPS 2002B	20,600,000	2023	4.00-5.00%	16,500,000
2012C Refund COPS 2003B & 2004A	124,940,000	2031	3.00-5.00%	122,470,000
2015A Refund COPS 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E	89,470,000	2025	4.00-5.00%	81,640,000
2015B Refund COPS 2006C, 2006D, & 2007A	13,810,000	2025	0.89-3.09%	13,330,000
Total	**$ 438,157,000**			**$ 331,861,000**

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2016:

Year		Principal		Interest
2017	$	29,685,000	$	15,168,000
2018		30,800,000		13,903,000
2019		32,780,000		12,497,000
2020		34,261,000		11,035,000
2021		31,375,000		9,425,000
2022-26		106,475,000		27,900,000
2027-31		66,485,000		9,484,000
Total	**$**	**331,861,000**	**$**	**99,412,000**

Photo: UA Marketing Communications & Brand Management

Capital Leases – The University has entered into various long-term leases to acquire equipment and enhance fixtures and infrastructure. These leases are classified as capital leases since they provide a bargain purchase option, a transfer of ownership by the end of the lease term, or comply with other accounting criteria. The one lease entered into this fiscal year was with First American Equipment Finance for The University of Arizona Police Department's vehicles in the amount of $185,000 with a 4.32% interest rate and a final payment date of June 1, 2018.

The following schedule details debt service requirements to maturity for capital leases payable at June 30, 2016:

Year		Capital Lease Payments
2017	$	1,835,000
2018		1,135,000
2019		896,000
2020		891,000
2021		887,000
2022-26		4,740,000
2027-31		4,929,000
2032-36		1,834,000
2037-41		513,000
2042-46		538,000
2047-51		566,000
2052-56		699,000
2057-61		758,000
2062-66		796,000
2067-71		836,000
2072		173,000
Total minimum lease payments	$	22,026,000
Less: interest		(4,892,000)
Present value of net minimum lease payments	**$**	**17,134,000**

Capital Asset Financing – Following is a summary of capital assets financed by certificates of participation and capital leases at June 30, 2016:

Land	$ 13,925,000
Buildings and improvements	494,973,000
Infrastructure	34,870,000
Equipment	23,190,000
Total cost of assets	566,958,000
Less: accumulated depreciation	(244,926,000)
Carrying value of assets	**$ 322,032,000**

Operating Leases – The University has entered into certain operating leases, generally with options for annual renewal, and other rental agreements for real property and equipment. For fiscal year 2016, rent expenses totaled $28,443,000.

The following schedule details future operating lease payments to maturity for property leases greater than $100,000:

Year	Operating Lease Payments
2017	$ 3,200,000
2018	1,671,000
2019	1,048,000
2020	327,000
2021	250,000
2022 - 2025	827,000
Total	**$ 7,323,000**

NOTE 9. SELF-INSURANCE PROGRAM

The University is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University participates in a self-insurance program administered by the State of Arizona Department of Administration, Risk Management Division. Arizona Revised Statutes §41-621 *et seq* provides that losses eligible for coverage and not covered by insurance will be paid by the State from the self-insurance program or by a future appropriation from the State Legislature. Loss risks not covered by Risk Management and for which the University has no insurance coverage are losses that arise from contractual breaches, or are directly attributable to an act or omission determined to be a felony by a court of law. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University. In the opinion of University management, any losses from the resolution of any other pending claims or litigation not covered by the Risk Management Division should not have a material effect on the University's financial statements. The University has no significant risk of unfunded loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona Comprehensive Annual Financial Report.

NOTE 10. PENSION PLANS

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered agent multiple-employer defined benefit pension plan. Although a PSPRS net pension liability has been recorded at June 30, 2016, PSPRS has not been further disclosed due to its relative insignificance to the University's financial statements.

Changes in the University's net pension liability during the fiscal year ended June 30, 2016, were as follows:

Beginning balance	$ 607,718,000
Increases	90,805,000
Decreases	(63,896,000)
Ending balance	**$ 634,627,000**
Current portion	**$ 3,398,000**

A. Defined Benefit Plan

Arizona State Retirement System

Full benefit eligible Classified Staff are required, and full benefit eligible University faculty, academic professionals, and administrative officers have the option, to participate in the Arizona State Retirement System (ASRS) defined benefit plan.

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting: www.azasrs.gov

Benefits Provided – The ASRS provides retirement and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date: Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50 *	10 years age 62
	any years age 65	5 years age 50 *
		any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1 % to 2.3%	2.1 % to 2.3%

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.35 percent of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 10.85 percent of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.17 percent of annual covered payroll of retired members who worked for the University in positions that an employee who contributes to the ASRS would typically fill. The University's contributions to the pension plan for the year ended June 30, 2016, were $39,128,000.

Pension Liability – At June 30, 2016, the University reported a liability of $608,338,000 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The University's proportion of the net pension liability was based on the University's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The University's proportion measured as of June 30, 2015 was 3.91 percent which was a decrease of 0.03 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the University recognized pension expense for ASRS of $36,061,000. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,600,000	$ 31,877,000
Net difference between projected and actual earnings on pension plan investments		19,496,000
Changes in proportion and differences between University contributions and proportionate share of contributions	6,509,000	3,812,000
University contributions subsequent to the measurement date	39,128,000	
Total	**$ 62,237,000**	**$ 55,185,000**

The $39,128,000 reported as deferred outflows of resources related to ASRS pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as an increase or (decrease) in pension expense as follows:

Year ending June 30	
2017	$ (9,636,000)
2018	$ (22,079,000)
2019	$ (14,434,000)
2020	$ 14,074,000
2021	-

Actuarial Assumptions — The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increase	3.00-6.75%
Inflation	3.00%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	**100%**	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
University's proportionate share of the net pension liability	$ 797,130,000	$ 608,338,000	$ 478,953,000

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Defined Contribution Plans

Plan Descriptions – In accordance with ARS §15-1628, defining the authority under which benefit terms are established or may be amended, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2016, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; University contributions vest after five years of full-time employment. Non-vested contributions held by the University earn interest. Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy – The Arizona State Legislature establishes the contribution rates for active plan members and the University. For the year ended June 30, 2016, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability – At June 30, 2016, the University reported a liability of $13,280,000 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

Pension Expense – For the year ended June 30, 2016, the University recognized pension expense for Defined Contribution Plans of $24,106,000. The University's recognized pension expense includes forfeitures totaling $2,055,000 for the year ended June 30, 2016.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan.

For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 0.12 percent of the members' annual covered payroll for long-term disability, and statute required the University to contribute at the actuarially determined rate of the active members' annual covered payroll of 0.50 percent for health insurance premium benefit and 0.12 percent for long-term disability. In addition, the University was required by statute to contribute 0.13 percent for health insurance premium benefit and 0.06 percent for long-term disability based on annual covered payroll of retired members who worked for the University in positions that an employee who contributes to the ASRS would typically fill. The University's OPEB contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30	Health Benefit Supplement Fund	Long-term Disability Fund
2016	$ 1,776,000	$ 436,000
2015	$ 2,101,000	$ 437,000
2014	$ 1,959,000	$ 847,000

The Arizona Department of Administration (ADOA) administers a single-employer defined benefit post-employment plan that provides medical and accident benefits to retired State employees, including University employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis which is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State. ADOA does not issue a separate, publicly available financial report.

A portion of the ADOA plan's implicit rate subsidy, if not fully funded, represents an obligation to the University, for its proportionate share of the net OPEB obligation. The net OPEB obligation is allocated to the University based on its percentage of contributions to the ADOA medical and dental plans. Prior to fiscal year 2016, the University did not report its proportionate share of the net OPEB obligation due to its relative insignificance to the financial statements; therefore, only current year data will be included in the following disclosures as fiscal year 2016 is the first year the University has recognized a net OPEB obligation in its financial statements.

Changes in the University's net OPEB obligation during the fiscal year ended June 30, 2016, were as follows:

Beginning balance	-
Increases	$ 30,573,000
Decreases	(4,269,000)
Ending balance	**$ 26,304,000**

Funding Policy – The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the actuarial accrued liability. To the extent that the calculated annual required contribution exceeds the annual pay-as-you-go cost of providing OPEB benefits, a net OPEB obligation is created.

Annual OPEB Cost and Net OPEB Obligation – The University's annual OPEB costs, OPEB contributions made, and changes in the University's proportionate net OPEB obligation for the ADOA's employer defined post-employment plan for the year ended June 30, 2016, are as follows:

	2016
Normal cost	$ 14,990,000
Amortization of unfunded actuarial accrued liability	10,321,000
Annual required contribution	25,311,000
Interest on net OPEB obligation	161,000
Adjustment to annual required contribution	(266,000)
Annual OPEB cost (expense)	25,206,000
Contributions made	(4,269,000)
Increase in net OPEB obligation	20,937,000
Net OPEB obligation-beginning of year	5,367,000
Net OPEB obligation-end of year	**$ 26,304,000**

The University's proportion of the annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year of the ADOA single-employer defined benefit post-employment plan, are as follows:

Fiscal year ended	June 30, 2016
Annual OPEB cost	$ 25,206,000
Actual contributions	$ 4,269,000
Percentage of annual OPEB cost contributed	16.94%
Net OPEB obligation	$ 26,304,000

Funded Status and Funding Progress – The University's funded status of the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation date of June 30, 2016 showed an actuarial accrued liability and an unfunded actuarial accrued liability of $208,369,000 because the actuarial value of assets was zero, resulting in a 0% funded ratio. Based on an annual covered payroll of $619,531,000, the unfunded actuarial accrued liability was 33.6% of covered payroll.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the plan, and on the pattern of sharing costs between the employer and plan members to that point, and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's actuarial methods and significant assumptions for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal - level dollar
Amortization method	Level dollar, open
Remaining amortization period	30 Years
Asset valuation method	Not applicable
Valuation interest rate (assumed investment return)	3.00% per annum
Projected medical inflation	7.00%, then grading down to an ultimate rate of 4.50% over 8 years
Aggregate payroll growth (inflationary effects only)	0.00%

NOTE 12. OPERATING EXPENSES BY CLASSIFICATION

Operating expenses by functional and natural classification for the year ended June 30, 2016 consist of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 381,453,000	$ 78,552,000			$ 460,005,000
Research	272,337,000	118,785,000			391,122,000
Public service	54,236,000	24,368,000			78,604,000
Academic support	273,371,000	71,009,000			344,380,000
Student services	39,056,000	13,185,000	$ 792,000		53,033,000
Institutional support	98,840,000	30,661,000			129,501,000
Operation and maintenance of plant	34,624,000	49,794,000			84,418,000
Scholarships and fellowships	714,000		51,094,000		51,808,000
Auxiliary enterprises	94,118,000	67,861,000	2,208,000		164,187,000
Depreciation				$ 125,455,000	125,455,000
Total operating expenses	**$1,248,749,000**	**$454,215,000**	**$ 54,094,000**	**$ 125,455,000**	**$ 1,882,513,000**

NOTE 13. SUBSEQUENT EVENT

On October 4, 2016, the University issued System Revenue and Revenue Refunding Bonds Series 2016A (the "2016A Bonds") in the amount of $44,175,000 and Series 2016B (the "2016B Bonds") in the amount of $142,390,000 dated November 8, 2016. The 2016A Bonds were issued to finance the Alvernon Way Building purchase and renovation project, to retire the Phoenix Union High School Building improvement capital lease, and to refund a portion of the University's System Revenue Bond Series 2007, 2008A, and 2012A for interest expense savings. The 2016B Bonds were issued to finance the Health Sciences Innovation Building project. The 2016A Bonds and 2016B Bonds bear interest rates ranging from 3.00% to 5.00% and will mature in 2046.

NOTE 14. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies

The University of Arizona Foundation

Basis of Accounting

For financial reporting purposes, three net asset categories are utilized to reflect resources according to the existence or lack thereof of externally (donor) imposed restrictions. A description of the three net asset categories follows.

- *Unrestricted net assets* - includes assets and contributions that are not restricted by donors or for which such restrictions have expired.
- *Temporarily restricted net assets* - includes contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundation or University), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted even if restrictions are satisfied in the same reporting period in which the contributions are received.
- *Permanently restricted net assets* - includes contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity. Included in permanently restricted net assets is the Foundation's endowment.

Cash and Cash Equivalents

Cash and cash equivalents include monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. Cash equivalents are stated at cost, which approximates fair value.

Investments

Investments are stated at fair value. Such investments are exposed to various risks, including market risk, company-specific risk, country-specific risk, interest rate risk, liquidity risk and credit risk. Investments in domestic and international equity securities and mutual funds, U.S. fixed income obligations and mutual funds, REIT funds, commodity ETF's and international fixed income mutual funds are valued based on quoted market prices.

Investments in real estate and natural resources partnerships are recorded at fair value as determined by the fund manager. Absolute return limited partnership and fund interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Private capital, private credit, and commodity limited partnership interests are recorded at fair value as determined by the fund manager. Investments in alternative securities are highly susceptible to valuation changes. Investment income or loss comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, net of investment expenses including the Foundation's endowment fee.

Collections

The Foundation capitalizes donated collections (principally photographs, prints and negatives to benefit the University of Arizona's Center for Creative Photography) at a nominal value and includes them in other assets on the statement of financial position.

Annuities Payable and Other Trust Liabilities

Annuities payable and other trust liabilities of $22,738,000 at June 30, 2016 are stated at the actuarially computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the statement of financial position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received ($636,000 in the year ending June 30, 2016). The fair values of such assets held in trust at June 30, 2016 total $34,829,000, of which $1,980,000 were unrestricted, $6,330,000 were temporarily restricted and $26,519,000 were permanently restricted.

Net Assets Released From Restriction

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on temporarily restricted net assets are met, the net assets are reclassified to unrestricted net assets. Payouts made from permanently restricted net assets are reported as released from restriction and transferred to unrestricted net assets.

Fair Value of Financial Instruments

The Foundation's cash and cash equivalents, pledges receivable, investments in securities, financing leases and annuities payable and other trust liabilities represent financial instruments. The carrying value of cash and cash equivalents, pledges receivable, financing leases and annuities payable and other trust liabilities approximates fair value.

Campus Research Corporation

Property, Equipment and Depreciation

Property and equipment are stated at cost and depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Expenditures for major improvements to property are capitalized and expenditures for repairs and maintenance are expensed as incurred. CRC has recorded in the financial statements a building and related debt for which ABOR, on behalf of the UA, holds the title to the building under the requirements of a lease.

Solar Zone Development

CRC has an agreement with Tucson Electric Power (TEP) to develop a portion of the Tech Park for a series of projects focused on the advancement of solar energy technologies. Under the terms of the agreement, CRC incurred certain infrastructure costs to develop the land to facilitate the construction of a solar zone and TEP reimbursed CRC for a portion of these costs. As CRC enters into various lease agreements with lessees who will construct solar projects, each lessee is charged a prorated portion of the development costs reimbursed by TEP and those costs are refunded to TEP. Costs related to the development of the solar zone are capitalized as incurred. Reimbursements from TEP are recorded as deferred revenues. The capitalized costs and deferred revenues are allocated to the various solar projects and recognized as expenses and revenues over the term of the related leases.

Protected Water Facility Rights

CRC developed a well, well pump, one million gallon storage tank, various booster pumps, piping, valving, electrical and other equipment and improvements required to operate a well booster station and water storage facility (water project) in accordance with their master water plan. The purpose of this development is to provide water throughout the Tech Park. Once the water project is complete, title will pass to ABOR and ultimately to the City of Tucson in exchange for protected water rights. Costs related to the construction of the water project are capitalized as incurred and allocated to specific phases of the project. These capitalized costs are expected to be reimbursed over time through the realization of the protected water rights. As each phase of the project is complete, CRC negotiates cost reimbursement from the end water user. These reimbursements are recognized as other revenue in the period that they are determined realizable. The allocated capitalized costs related to each phase are expensed in the period that the related reimbursement is recognized.


Photo: UA Marketing Communications & Brand Management

B. Investments:

The University of Arizona Foundation

Investments in securities are comprised of the following amounts at June 30, 2016:

	Carrying Value	Cost
Absolute return and private credit limited partnerships and funds	$ 237,115,000	$ 210,686,000
Domestic/international equity securities and mutual funds	216,780,000	201,297,000
U.S. fixed income obligations and mutual funds	97,661,000	95,209,000
Private capital limited partnerships	68,993,000	49,590,000
REIT funds and real estate limited partnerships	58,842,000	56,107,000
Commodities and natural resources, ETF's and limited partnerships	44,880,000	49,045,000
International fixed income mutual funds	17,265,000	20,097,000
Totals	**$ 741,536,000**	**$ 682,031,000**

Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. As a basis for considering such assumptions, the Foundation utilizes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Quoted prices in active markets for identical securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.) and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investments.

Level 3 – Significant unobservable inputs (including investee partnership's own assumptions in determining the fair value of investments). The inputs into determination of fair value require management's judgement or estimation of assumptions that market participants would use in pricing the investments. The fair values are determined using factors involving considerable judgement.

Certain of the Foundation's investments are in "alternative" investment funds and limited partnerships (private equity, private real estate, private credit, natural resources, commodities, and absolute return funds). Significant unobservable inputs are inherent in the nature of investments in such alternative investment funds which results in certain of the Foundation's investments being classified as Level 3 inputs. The Foundation values its investments in alternative investment funds and limited partnership interests at the net asset value (NAV) as determined by the fund manager as a practical expedient to fair value. NAV's are updated monthly for domestic/international equity, absolute return and private credit investments, and the Foundation uses the NAV as of the valuation date. As the NAV's for the real estate, natural resources and private capital partnerships are provided quarterly, the Foundation uses the latest NAV made available by the fund manager prior to the valuation date.

For Level 3 valuation techniques, the general partners in the Foundation's alternative investment funds use unobservable inputs that reflect assumptions market participants would be expected to use in pricing the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available and are developed based on the best information available under the circumstances. In developing unobservable inputs, market participant assumptions are used if they are reasonably available without undue cost and effort.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

(a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

It is required that when observable market date is available, it be used in determining the fair market value measurement. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The following table presents the Foundation's investments in securities at June 30, 2016, by valuation hierarchy:

	June 30, 2016	Quoted Prices In Active Markets for Identical Securities (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Absolute return and private credit limited partnerships and funds	$ 237,115,000	$ 44,419,000		$ 192,696,000	a, c
Domestic/international equity securities and mutual funds	216,780,000	159,192,000		57,588,000	a, c
U.S. fixed income obligations and mutual funds	97,661,000	97,661,000			a
Private capital limited partnerships	68,993,000			68,993,000	a, c
REIT funds and real estate limited partnerships	58,842,000	36,027,000		22,814,000	a, c
Commodities and natural resources ETF's and limited partnerships	44,880,000	19,549,000		25,331,000	a, c
International fixed income mutual funds	17,265,000	17,265,000			a
Totals	**$ 741,536,000**	**$ 374,113,000**		**$ 367,422,000**	

C. Endowment

The University of Arizona Foundation

The Foundation's endowment consists of approximately 2,420 individual funds (1,745 for the Foundation and 675 for the University) established for a variety of purposes. In accordance with accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Foundation has also invested certain unrestricted and temporarily restricted assets in its endowment pool. These invested funds, which are stated at fair value, are reported as due from the permanently restricted fund. The endowment pool is subject to the Arizona Management of Charitable Funds Act which was signed into law on April 14, 2008.

Effective December 31, 2010, the Foundation's endowment also includes the endowment assets owned by the University of Arizona which it manages for the University under the terms of a development management services agreement. The fair value of the University endowment assets are reported as both permanently restricted investment assets and as a liability for the fair value of endowment managed for the University.

The endowment payout rate (Payout Rate), a percentage (4% of the average fair value at the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the Foundation's Board, is made available to support the purposes of the individual accounts comprising each endowment account as specified by the donors. The Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The net rate of return earned by each endowment account in each of the five most recent fiscal years
- The net real rate of return (as measured by the Higher Education Price Index) earned by the Endowment in each of the five most recent fiscal years (i.e., the duration and preservation of the Endowment Fund)
- Payout rates established by other university endowments as published in the National Association of College and University Business Officers (NACUBO)-Commonfund study of endowments
- Any unusual or extraordinary circumstances impacting the University's flow of funds from other sources (i.e., tuition revenues, State appropriations, etc.)
- The extent to which programs benefiting from the Payout Rate rely on these funds to achieve their goals and objectives (i.e., the purposes of the institution and the Endowment Fund)
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments per the most recent asset allocation study

The Foundation charges an endowment fee (Endowment Fee), a percentage (1.35% in fiscal 2016) of the fair value of the Endowment as determined from time to time by the Foundation's Board, which is paid from the Endowment to defray the Foundation's costs of holding, managing and stewarding the Endowment, including costs for safeguarding, investing and accounting for such funds. Endowment fees of $5,973,000 were recognized by the Foundation in 2016; an additional $2,390,000 in such fees was collected on behalf of the University in 2016. The Foundation considers the following factors in setting the Endowment Fee:

- The external costs of managing the Endowment
- The internal costs to manage and provide stewardship for the Endowment
- Recommendations from staff and independent investment consultant
- Endowment fee rates established by other university endowments as published in the NACUBO-Commonfund study of endowments

The Foundation's goal is to manage Endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the Payout Rate and the Endowment Fee) so the Endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The Foundation expects its Endowment funds to provide an annual average rate of return of 8.5% with a standard deviation of 10.1% over a 20 year period. Actual returns in any given year may vary from this goal. These returns and risks reflect a broadly diversified asset allocation including domestic and international equities, domestic and international fixed income securities, private equity, absolute return, and real asset strategies.

The following shows the composition of the Endowment by net asset type at June 30, 2016 (the University Endowment Assets are classified as Donor Restricted Endowment Funds for financial reporting purposes):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment funds			$ 634,502,000	$ 634,502,000
Board-Designated Endowment funds	$ 5,280,000	$ 20,882,000		26,162,000
Totals	**$ 5,280,000**	**$ 20,882,000**	**$ 634,502,000**	**$ 660,664,000**

The following shows the changes in Endowment net assets for the fiscal year ending June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,592,000	$ 16,319,000	$ 652,402,000	$ 673,313,000
Investment return:				
Investment income			9,413,000	9,413,000
Less endowment fee			(8,363,000)	(8,363,000)
Net depreciation	(312,000)	(1,387,000)	(23,196,000)	(24,895,000)
Total investment return	(312,000)	(1,387,000)	(22,146,000)	(23,845,000)
Contributions/transfers	1,000,000	5,950,000	25,706,000	32,656,000
Appropriation for payout			(21,460,000)	(21,460,000)
Endowment net assets, end of year	**$ 5,280,000**	**$ 20,882,000**	**$ 634,502,000**	**$ 660,664,000**

D. Pledges Receivable

The University of Arizona Foundation

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. These amounts are recorded at their net realizable value using yields on U.S. Treasury obligations of equivalent maturity dates in the fiscal year in which they were received. Unconditional promises at June 30, 2016 totaled $23,854,000.

E. Property and Equipment

Campus Research Corporation

Property and equipment consisted of the following as of June 30, 2016:

Building, infrastructure and improvements	$	27,797,000
Furniture, equipment and other property		5,617,000
Total	$	33,414,000
Less accumulated depreciation		(12,225,000)
Property and equipment, net	**$**	**21,189,000**

F. Long-Term Debt

Campus Research Corporation

Bonds payable, Series A, payable in scheduled monthly installments of principal plus interest at the floating taxable bond rate (remarketed weekly) through June 2022.	$	4,177,000
Note payable, Wells Fargo Bank, payable in aggregate monthly installments of $19,800 including interest at 5.84% through December 2016.		62,000
Total long-term debt	**$**	**4,239,000**

The bonds and note payable to Wells Fargo Bank are collateralized by leasehold interests in real property and an assignment of rents and require CRC to be in compliance with certain financial and nonfinancial covenants.

Wells Fargo Bank Arizona issued a letter of credit with an original amount of approximately $11,400,000 to enhance the sale of the bonds and CRC entered into a reimbursement agreement with the bank, which provides real property as collateral to the bank. The letter of credit is renewed annually in July at the outstanding bond amount plus 45 days of interest.

G. Interest Rate Swap Agreement

Campus Research Corporation

CRC has an interest rate swap agreement with Wells Fargo Bank to reduce the variability in cash flows caused by changes in interest payments on the Series A bonds. Under the swap agreement, CRC pays interest at the fixed rate and receives interest at the variable rate. The agreement was not designated as a cash flow hedge.

The swap was issued at market terms so that it had no value at inception. The notional amount under the agreement decreases as principal payments on the note are made. The duration of the swap agreement is structured to coincide with the maturity of the note. As required by GAAP, the carrying amount of the swap has been adjusted to fair value at June 30, 2016. CRC's derivative instrument held for risk management purposes at June 30, 2016 had a notable amount of $4,177,000 and a fair value of $571,000.

H. Project Operation Agreement (POA)

Campus Research Corporation

CRC has an agreement with IBM whereby all common services at the Tech Park are to be provided by the Managing Operator, which is currently IBM. Common services consist of the operation, maintenance and repair of the central utility system, project fire and security services, and the common areas. The term of the agreement coincides with the IBM master lease agreement that expires in August 2019. Exercise of contractual extensions contained within the IBM master lease agreement will extend the POA according to the terms of the lease agreement.

CRC is required to pay a monthly amount based on an annual operating budget for these services that is prepared by IBM. A quarterly analysis of central utility and occupant electric expenses is prepared for each building and its occupants and these costs are reconciled to the budget. Annual common service expenses are also reconciled to the budget. Based on these reconciliations, an additional charge or refund is assessed. Lease agreements between CRC and its tenants provide for either the inclusion of a factor for these costs in their monthly rent or a proration of these costs based on the quarterly budget and subject to a quarterly reconciliation. Leases with one tenant include a maximum on the amount of cumulative annual capital expenditures that will be paid by the tenant. CRC is responsible for any capital expenditures allocated to this tenant in excess of the maximum.

I. Related Party Transactions

The University of Arizona Foundation

During fiscal year 2015, the University and the Foundation entered in to an agreement whereby the University would pay for agreed-upon services. The Foundation received $1,689,000 for services rendered for the year ended June 30, 2016.

The Foundation leases land, buildings, and equipment to the University under various financing and operating leases with terms of up to ten years. The Foundation received payments of $1,091,000 from the University for the year ended June 30, 2016.

The University of Arizona Alumni Association

Under the Administrative Services Agreement between the Alumni Association and the Arizona Board of Regents, for and on behalf of the University, the University provided the Alumni Association with allocated support of $1,469,000 and in-kind of $109,000 for the year ended June 30, 2016.

Eller Executive Education

EEE has an Affiliation Agreement with the Arizona Board of Regents, for and on behalf of the University through July 2017. The agreement covers policies, procedures, working relationships respective rights and responsibilities between EEE and the University. The University provides the services of certain employees to perform management and program support functions on a part-time basis for EEE, for which EEE must reimburse the UA for all salary and employee related expenses. Program expenses relating to the University during the year ended June 30, 2016 were $368,000.

The Organization also contributed $323,000 to the University or to specific colleges within the University during the year ended June 30, 2016.

Law College Association of The University of Arizona

During the year ended June 30, 2016, the Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of $2,308,000.

J. Concentrations

Eller Executive Education

At June 30, 2016, three customers accounted for 100% of accounts receivable, and two customers comprised 63% of total revenue for the year then ended.


Photo: UA Marketing Communications & Brand Management

Photo: UA Marketing Communications & Brand Management

Required Supplementary Information

Schedule of University's Proportionate Share of the Net Pension Liability – Arizona State Retirement System

Year Ended June 30

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2015 (2014)	2014 - 2007
University's proportion of the net pension liability	3.91%	3.94%	Information Not Available
University's proportionate share of the net pension liability	$ 608,338,000	$ 582,754,000	
University's covered payroll *	$ 362,516,000	$ 365,347,000	
University's proportionate share of the net pension liability as a percentage of its covered payroll	167.81%	159.51%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

Schedule of University Pension Contributions – Arizona State Retirement System

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 39,128,000	39,376,000	38,172,000	34,946,000	33,099,000	28,741,000	26,043,000	25,366,000	23,834,000	20,890,000
University's contribution in relation to the statutorily required contribution	$ 39,128,000	39,376,000	38,172,000	34,946,000	33,099,000	28,741,000	26,043,000	25,366,000	23,834,000	20,890,000
University's contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll *	$362,043,000	362,516,000	365,347,000	351,279,000	335,350,000	318,990,000	312,266,000	317,472,000	296,075,000	277,793,000
University's contributions as a percentage of covered payroll	10.81%	10.86%	10.45%	9.95%	9.87%	9.01%	8.34%	7.99%	8.05%	7.52%

**Note: Change in accounting principle*

For the year ended June 30, 2016, the University implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Single-Employer OPEB Plan Funding Progress

Analysis of the funding progress for the ADOA single-employer defined benefit post-employment plan, as of the most recent actuarial valuations, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll (b)-(a)/(c)
June 30, 2016	$ -	$ 208,369,000	$ 208,369,000	0.0%	$ 619,531,000	33.6%
June 30, 2014 and 2012			Information Not Available			

Supplementary Information

Combining Statement of Financial Position–Other Component Units

June 30, 2016 *(in thousands of dollars)*

	Other				
	Campus Research Corporation	**Law College Association**	**UA Alumni Association**	**Eller Executive Education**	**Total Nonmajor Component Units**
Assets					
Cash and cash equivalents	$ 5,267	$ 396	$ 1,178	$ 328	$ 7,169
Pledges receivable	-	610	86	-	696
Other receivables	1,010	94	2,717	69	3,890
Investments in marketable securities	-	10,540	6,960	-	17,500
Other investments	-	162	-	-	162
Property and equipment, net	21,189	-	116	-	21,305
Other assets	4,296	7	54	-	4,357
Total Assets	**$ 31,762**	**$ 11,809**	**$ 11,111**	**$ 397**	**$ 55,079**
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 1,224	$ 102	$ 287	$ 70	$ 1,683
Deferred revenue and deposits	3,195	-	4,321	236	7,752
Short-term and long-term debt	4,239	-	16	-	4,255
Other liabilities	571	-	-	-	571
Total Liabilities	**$ 9,229**	**$ 102**	**$ 4,624**	**$ 306**	**$ 14,261**
Net Assets					
Unrestricted	$ 22,533	$ 2,641	$ 6,487	$ 73	$ 31,734
Temporarily restricted	-	3,683	-	18	3,701
Permanently restricted	-	5,383	-	-	5,383
Total Net Assets	**$ 22,533**	**$ 11,707**	**$ 6,487**	**$ 91**	**$ 40,818**
Total Liabilities and Net Assets	**$ 31,762**	**$ 11,809**	**$ 11,111**	**$ 397**	**$ 55,079**

Supplementary Information (continued)

Combining Statement of Activities–Other Component Units

Year Ended June 30, 2016 *(in thousands of dollars)*

	Other				
	Campus Research Corporation	**Law College Association**	**UA Alumni Association**	**Eller Executive Education**	**Total Nonmajor Component Units**
Revenues					
Sales and services	-	-	$ 1,178	$ 1,244	$ 2,422
Contributions	-	$ 1,706	228	-	1,934
Rental revenues	$ 13,624	-	-	-	13,624
Investment income	7	174	7	-	188
Other income	226	189	2,307	-	2,722
Total revenues	**$ 13,857**	**$ 2,069**	**$ 3,720**	**$ 1,244**	**$ 20,890**
Expenses					
Program services:					
Leasing related expenses	$ 9,524	-	-	-	$ 9,524
Payments to the University	-	-	-	$ 323	323
Payments on behalf of the University	-	$ 3,028	$ 3,095	820	6,943
Supporting services:					
Management and general	1,507	-	806	311	2,624
Fundraising	-	-	237	-	237
Total expenses	**$ 11,031**	**$ 3,028**	**$ 4,138**	**$ 1,454**	**$ 19,651**
Increase/(decrease) in Net Assets	**$ 2,826**	**$ (959)**	**$ (418)**	**$ (210)**	**$ 1,239**
Net Assets - Beginning of the year	**$ 19,707**	**$ 12,666**	**$ 6,905**	**$ 301**	**$ 39,579**
Net Assets - End of year	**$ 22,533**	**$ 11,707**	**$ 6,487**	**$ 91**	**$ 40,818**

STATISTICAL SECTION

Photo: UA Marketing Communications & Brand Management

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June 30, 2016

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Net Position by Component

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	$ 687,149	$ 637,380	$ 612,081	$ 610,237	$ 578,931	$ 522,909	$ 490,309	$ 466,674	$ 460,964	$ 410,573
Restricted, Non-expendable	134,356	138,464	138,512	122,635	113,968	115,307	101,263	94,307	94,610	118,585
Restricted, Expendable	238,522	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550
Unrestricted	(80,965)	(124,204)	373,103	361,244	310,258	293,103	254,432	179,821	157,234	165,775
Total Net Position	**$ 979,062**	**$ 870,445**	**$ 1,285,590**	**$ 1,218,698**	**$ 1,126,061**	**$ 1,069,087**	**$ 973,603**	**$ 881,177**	**$ 871,362**	**$ 828,483**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	70.2	73.2	47.6	50.1	51.4	48.9	50.4	53.0	52.9	49.6
Restricted, Non-expendable	13.7	16	10.8	10.1	10.1	10.8	10.4	10.7	10.9	14.3
Restricted, Expendable	24.4	25.1	12.6	10.2	10.9	12.9	13.1	15.9	18.2	16.1
Unrestricted	(8.3)	(14.3)	29.0	29.6	27.6	27.4	26.1	20.4	18.0	20.0
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	7.8	4.1	0.3	5.4	10.7	6.6	5.1	1.2	12.3	5.7
Restricted, Non-expendable	(3.0)	(0.0)	12.9	7.6	(1.2)	13.9	7.4	(0.3)	(20.2)	11.6
Restricted, Expendable	9.0	35.2	29.9	1.4	(10.8)	8.0	(9.1)	(11.5)	18.7	9.5
Unrestricted	(34.8)	(133.3)	3.3	16.4	5.9	15.2	41.5	14.4	(5.2)	10.9
Total Net Position	**12.5**	**(32.3)**	**5.5**	**8.2**	**5.3**	**9.8**	**10.5**	**1.1**	**5.2**	**8.1**

Note: The University implemented GASB 65 in FY 2014, historical data has not been restated in the statistical section.
The University implemented GASB 68/71 in FY 2015, historical data has not been restated in the statistical section.

Change in Net Position

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Operating Revenues										
Student tuition and fees, net of scholarship allowance	$ 608,679	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521
Federal grants and contracts	283,083	290,967	308,291	366,363	362,478	352,835	324,919	303,115	296,338	339,722
State grants and contracts	14,191	8,121	11,286	11,697	14,117	43,272	28,737	24,868	20,370	15,625
Local grants and contracts	1,533	1,754	1,614	2,749	26,820	-	-	-	-	3,041
Nongovernment grants and contracts	243,468	174,556	96,096	92,540	77,662	64,539	74,447	67,629	64,750	63,761
Sales and services of educational departments	52,934	51,436	44,321	35,951	50,721	36,731	28,873	29,936	25,789	24,490
Auxiliary enterprises	206,710	203,740	191,163	190,199	171,017	171,372	165,594	154,698	154,112	143,910
Other operating revenues *	14,172	29,749	16,387	14,285	10,906	10,674	9,804	10,356	13,906	12,215
Total Operating Revenues	**$1,424,770**	**$1,315,091**	**$1,153,967**	**$1,175,364**	**$1,124,228**	**$1,058,622**	**$ 961,960**	**$ 860,049**	**$ 806,801**	**$ 812,285**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 460,005	$ 417,300	$ 425,722	$ 391,545	$ 388,313	$ 369,734	$ 357,916	$ 357,515	$ 345,242	$ 324,752
Research	391,122	421,973	396,680	435,536	425,993	405,271	395,008	385,467	373,943	351,199
Public Service	78,604	78,231	84,572	91,118	77,312	74,209	70,370	69,843	71,512	65,274
Academic support	344,380	264,336	203,545	173,414	158,831	123,854	100,415	105,426	103,430	95,610
Student services	53,033	47,187	46,380	42,625	39,097	32,396	27,608	28,223	29,146	27,351
Institutional support	129,501	136,347	117,956	99,886	97,558	90,525	83,080	85,264	85,657	78,293
Operation and maintenance of plant	84,418	87,079	86,097	88,757	87,393	87,119	86,342	83,111	85,401	79,369
Scholarships and fellowships	51,808	57,158	64,070	58,145	52,475	55,510	55,316	46,673	41,860	38,373
Auxiliary enterprises	164,187	167,150	160,938	156,954	148,858	158,914	144,096	144,707	140,785	130,567
Depreciation	125,455	124,870	116,781	113,345	107,561	107,770	101,226	99,657	98,084	93,999
Total Operating Expenses	**$1,882,513**	**$1,801,631**	**$1,702,741**	**$1,651,325**	**$1,583,391**	**$1,505,302**	**$1,421,377**	**$1,405,886**	**$1,375,060**	**$1,284,787**
Operating loss	**$ (457,743)**	**$ (486,540)**	**$ (548,774)**	**$ (475,961)**	**$ (459,163)**	**$ (446,680)**	**$ (459,417)**	**$ (545,837)**	**$ (568,259)**	**$ (472,502)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 241,257	$ 270,538	$ 265,038	$ 254,654	$ 268,533	$ 330,297	$ 330,297	$ 348,941	$ 416,658	$ 389,897
Share of State sales tax revenues	25,025	24,964	23,576	20,773	20,353	19,954	20,102	22,547	28,360	30,744
Federal grants and appropriations	77,423	79,316	79,287	83,064	77,276	80,955	74,308	63,172	58,667	-
Federal fiscal stabilization funds	-	-	-	-	-	755	28,313	60,824	-	-
State and other government grants	5,609	14,138	16,353	17,261	1,865	3,506	3,415	4,681	3,589	-
Nongovernment grants and contracts	128,111	114,408	91,890	99,249	4,239	2,996	3,942	2,676	2,805	-
Gifts	80,890	89,975	78,287	74,530	96,201	87,355	79,164	78,156	71,348	58,083
Investment income	10,046	6,638	43,229	20,619	3,386	28,686	18,133	(19,749)	4,176	42,163
Interest expense on debt	(49,748)	(46,293)	(50,596)	(47,643)	(44,391)	(50,447)	(45,077)	(40,887)	(41,121)	(38,426)
Gain on Sale of Capital Assets	-	46,874	-	-	-	-	-	-	-	-
Other nonoperating revenues, net	9,480	18,103	20,009	13,440	27,644	13,849	16,063	10,175	24,688	25,123
Net Nonoperating Revenues	**$ 528,093**	**$ 618,661**	**$ 567,073**	**$ 535,947**	**$ 455,106**	**$ 517,906**	**$ 528,660**	**$ 530,536**	**$ 569,170**	**$ 507,584**
Income/(Loss) before Capital and Endowment Additions	**$ 70,350**	**$ 132,121**	**$ 18,299**	**$ 59,986**	**$ (4,057)**	**$ 71,226**	**$ 69,243**	**$ (15,301)**	**$ 911**	**$ 35,082**
Capital grants, gifts and conveyances	$ 3,472	$ 36,489	$ 31,985	$ 9,697	$ 44,363	$ 7,279	$ 7,080	$ 7,548	$ 25,173	$ 12,315
Capital appropriations - Research Infrastructure Capital Financing	9,594	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901
Capital commitment - State Lottery Revenue	22,169	11,604	9,599	6,470	-	-	-	-	-	-
Additions to permanent endowments	3,032	2,793	4,831	2,231	2,415	2,726	1,850	3,315	2,542	3,925
Increase/(Decrease) in Net Position	**$ 108,617**	**$ 194,211**	**$ 78,967**	**$ 92,637**	**$ 56,974**	**$ 95,484**	**$ 92,426**	**$ 9,815**	**$ 42,879**	**$ 62,223**
Total Revenues	$2,040,878	$2,042,135	$1,832,304	$1,791,605	$1,684,756	$1,651,233	$1,558,880	$1,456,588	$1,459,060	$1,385,436
Total Expenses	1,932,261	1,847,924	1,753,337	1,698,968	1,627,782	1,555,749	1,466,454	1,446,773	1,416,181	1,323,213
Increase/(Decrease) in Net Position	**$ 108,617**	**$ 194,211**	**$ 78,967**	**$ 92,637**	**$ 56,974**	**$ 95,484**	**$ 92,426**	**$ 9,815**	**$ 42,879**	**$ 62,223**

** In compliance with Arizona Revised Statues 35-391, the University of Arizona discloses the following: For fiscal year 2016, the University received a rebate in the amount of $1.54 million from J.P. Morgan for Purchase Card purchases for the year.*

Change in Net Position (continued)

(Expressed as a percent of Total Revenues / Total Expenses)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net of scholarship allowance	29.8	27.2	26.5	25.8	24.4	23.0	21.1	18.5	15.9	15.1
Federal grants and contracts	13.9	14.2	16.8	20.4	21.5	21.4	20.8	20.8	20.3	24.5
State grants and contracts	0.7	0.4	0.6	0.7	0.8	2.6	1.8	1.7	1.4	1.1
Local grants and contracts	0.1	0.1	0.1	0.2	1.6	0.0	0.0	0.0	0.0	0.2
Nongovernment grants and contracts	11.9	8.5	5.2	5.2	4.6	3.9	4.8	4.6	4.4	4.6
Sales and services of educational departments	2.6	2.5	2.4	2.0	3.0	2.2	1.9	2.1	1.8	1.8
Auxiliary enterprises	10.1	10.0	10.4	10.6	10.2	10.4	10.6	10.6	10.6	10.4
Other operating revenues	0.7	1.5	0.9	0.8	0.6	0.6	0.6	0.7	1.0	0.9
Total Operating Revenues	**69.8**	**64.4**	**63.0**	**65.6**	**66.7**	**64.1**	**61.7**	**59.0**	**55.3**	**58.6**
Expenses										
Operating Expenses										
Educational and general										
Instruction	23.8	22.6	24.3	23.0	23.9	23.8	24.4	24.7	24.4	24.5
Research	20.2	22.8	22.6	25.6	26.2	26.0	26.9	26.6	26.4	26.5
Public Service	4.1	4.2	4.8	5.4	4.7	4.8	4.8	4.8	5.0	4.9
Academic support	17.8	14.3	11.6	10.2	9.8	8.0	6.8	7.3	7.3	7.2
Student services	2.7	2.6	2.6	2.5	2.4	2.1	1.9	2.0	2.1	2.1
Institutional support	6.7	7.4	6.7	5.9	6.0	5.8	5.7	5.9	6.0	5.9
Operation and maintenance of plant	4.4	4.7	4.9	5.2	5.4	5.6	5.9	5.7	6.0	6.0
Scholarships and fellowships	2.7	3.1	3.7	3.4	3.2	3.6	3.8	3.2	3.0	2.9
Auxiliary enterprises	8.5	9.0	9.2	9.2	9.1	10.2	9.8	10.0	9.9	9.9
Depreciation	6.5	6.8	6.7	6.7	6.6	6.9	6.9	6.9	6.9	7.1
Total Operating Expenses	**97.4**	**97.5**	**97.1**	**97.2**	**97.3**	**96.8**	**96.9**	**97.2**	**97.1**	**97.1**
Operating loss	**(22.4)**	**(23.8)**	**(29.9)**	**(26.6)**	**(27.3)**	**(27.1)**	**(29.5)**	**(37.5)**	**(38.9)**	**(34.1)**
Nonoperating Revenues (Expenses)										
State operating appropriations	11.8	13.2	14.5	14.2	15.9	20.0	21.2	24.0	28.6	28.1
Share of State sales tax revenues	1.2	1.2	1.3	1.2	1.2	1.2	1.3	1.5	1.9	2.2
Federal grants and appropriations	3.8	3.9	4.3	4.6	4.6	4.9	4.8	4.3	4.0	0.0
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	1.8	4.2	0.0	0.0
State and other government grants	0.3	0.7	0.9	1.0	0.1	0.2	0.2	0.3	0.2	0.0
Nongovernment grants	6.3	5.6	5.0	5.5	0.3	0.2	0.3	0.2	0.2	0.0
Gifts	4.0	4.4	4.3	4.2	5.7	5.3	5.1	5.4	4.9	4.2
Investment income	0.5	0.3	2.4	1.2	0.2	1.7	1.2	(1.4)	0.3	3.0
Interest expense on debt	(2.6)	(2.5)	(2.9)	(2.8)	(2.7)	(3.2)	(3.1)	(2.8)	(2.9)	(2.9)
Gain on Sale of Capital Assets	-	2.3	-	-	-	-	-	-	-	-
Other nonoperating revenues, net	0.5	0.9	1.1	0.8	1.6	0.8	1.0	0.7	1.7	1.8
Net Nonoperating Revenues	**25.9**	**30.3**	**30.9**	**29.9**	**27.0**	**31.4**	**33.9**	**36.4**	**39.0**	**36.6**
Income before Capital and Endowment Additions	**3.4**	**6.5**	**1.0**	**3.3**	**(0.2)**	**4.3**	**4.4**	**(1.1)**	**0.1**	**2.5**
Capital grants, gifts and conveyances	0.2	1.8	1.7	0.5	2.6	0.4	0.5	0.5	1.7	0.9
Capital appropriations	0.5	0.5	0.8	0.8	0.8	0.9	0.9	1.0	1.0	0.8
Capital commitment - State Lottery Revenue	1.1	0.6	0.5	0.4	-	-	-	-	-	-
Additions to permanent endowments	0.1	0.1	0.3	0.1	0.1	0.2	0.1	0.2	0.2	0.3
Increase/(Decrease) in Net Position	**5.3**	**9.5**	**4.3**	**5.2**	**3.4**	**5.8**	**5.9**	**0.7**	**2.9**	**4.5**

Change in Net Position (continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net of scholarship allowance	9.7	14.4	5.0	12.4	8.3	15.1	22.3	16.4	10.5	8.3
Federal grants and contracts	(2.7)	(5.6)	(15.9)	1.1	2.7	8.6	7.2	2.3	(12.8)	(1.9)
State grants and contracts	74.7	(28.0)	(3.5)	(17.1)	(67.4)	50.6	15.6	22.1	30.4	24.8
Local grants and contracts	(12.6)	8.7	(41.3)	(89.8)	100.0	N/A	N/A	N/A	(100.0)	18.0
Nongovernment grants and contracts	39.5	81.6	3.8	19.2	20.3	(13.3)	10.1	4.4	1.6	(0.1)
Sales and services of educational departments	2.9	16.1	23.3	(29.1)	38.1	27.2	(3.6)	16.1	5.3	3.7
Auxiliary enterprises	1.5	6.6	0.5	11.2	(0.2)	3.5	7.0	0.4	7.1	8.9
Other operating revenues	(52.4)	81.5	14.7	31.0	2.2	8.9	(5.3)	(25.5)	13.8	19.6
Total Operating Revenues	**8.3**	**14.0**	**(1.8)**	**4.5**	**6.2**	**10.0**	**11.8**	**6.6**	**(0.7)**	**3.5**
Expenses										
Operating Expenses										
Educational and general										
Instruction	10.2	(2.0)	8.7	0.8	5.0	3.3	0.1	3.6	6.3	5.2
Research	(7.3)	6.4	(8.9)	2.2	5.1	2.6	2.5	3.1	6.5	(0.3)
Public Service	0.5	(7.5)	(7.2)	17.9	4.2	5.5	0.8	(2.3)	9.6	2.4
Academic support	30.3	29.9	17.4	9.2	28.2	23.3	(4.8)	1.9	8.2	6.6
Student services	12.4	1.7	8.8	9.0	20.7	17.3	(2.2)	(3.2)	6.6	9.3
Institutional support	(5.0)	15.6	18.1	2.4	7.8	9.0	(2.6)	(0.5)	9.4	0.1
Operation and maintenance of plant	(3.1)	1.1	(3.0)	1.6	0.3	0.9	3.9	(2.7)	7.6	17.4
Scholarships and fellowships	(9.4)	(10.8)	10.2	10.8	(5.5)	0.4	18.5	11.5	9.1	(0.3)
Auxiliary enterprises	(1.8)	3.9	2.5	5.4	(6.3)	10.3	(0.4)	2.8	7.8	7.0
Depreciation	0.5	6.9	3.0	5.4	(0.2)	6.5	1.6	1.6	4.3	10.8
Total Operating Expenses	**4.5**	**5.8**	**3.1**	**4.3**	**5.2**	**5.9**	**1.1**	**2.2**	**7.0**	**4.4**
Operating loss	**(5.9)**	**(11.3)**	**15.3**	**3.7**	**2.8**	**(2.8)**	**(15.8)**	**(3.9)**	**20.3**	**5.9**
Nonoperating Revenues (Expenses)										
State operating appropriations	(10.8)	2.1	4.1	(5.2)	(18.7)	0.0	(5.3)	(16.3)	6.9	8.9
Share of State sales tax revenues	0.2	5.9	13.5	2.1	2.0	(0.7)	(10.8)	(20.5)	(7.8)	49.4
Federal grants and appropriations	(2.4)	0.0	(4.5)	7.5	(4.5)	8.9	17.6	7.7	N/A	N/A
Federal fiscal stabilization funds	N/A	N/A	N/A	N/A	(100.0)	(97.3)	(53.5)	N/A	N/A	N/A
State and other government grants	(60.3)	(13.5)	(5.3)	825.5	(46.8)	2.7	(27.0)	30.4	N/A	N/A
Nongovernment grants	12.0	24.5	(7.4)	2,241.3	41.5	(24.0)	47.3	(4.6)	N/A	N/A
Gifts	(10.1)	14.9	5.0	(22.5)	10.1	10.3	1.3	9.5	22.8	13.6
Investment income	51.3	(84.6)	109.7	508.9	(88.2)	58.2	(191.8)	(572.9)	(90.1)	63.8
Interest expense on debt	7.5	(8.5)	6.2	7.3	(12.0)	11.9	10.2	(0.6)	7.0	22.3
Gain on Sale of Capital Assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other nonoperating revenues, net	(47.6)	(9.5)	48.9	(51.4)	99.6	(13.8)	57.9	(58.8)	(1.7)	(13.2)
Net Nonoperating Revenues	**(14.6)**	**9.1**	**5.8**	**17.8**	**(12.1)**	**(2.0)**	**(0.4)**	**(6.8)**	**12.1**	**12.0**
Income before Capital and Endowment Additions	**(46.8)**	**622.0**	**(69.5)**	**(1,578.6)**	**(105.7)**	**2.9**	**(552.5)**	**(1,779.6)**	**(97.4)**	**418.8**
Capital grants, gifts and conveyances	(90.5)	14.1	229.8	(78.1)	509.5	2.8	(6.2)	(70.0)	104.4	(48.7)
Capital appropriations	(14.4)	(21.4)	0.0	0.0	0.0	0.0	0.0	0.0	30.7	N/A
Capital commitment - State Lottery Revenue	91.0	20.9	48.4	100.0	-	-	-	-	-	-
Additions to permanent endowments	8.6	(42.2)	116.5	(7.6)	(11.4)	47.4	(44.2)	30.4	(35.2)	136.3
Increase/(Decrease) in Net Position	**(44.1)**	**145.9**	**(14.8)**	**62.6**	**(40.3)**	**3.3**	**841.7**	**(77.1)**	**(31.1)**	**91.8**

Operating Expenses by Natural Classification

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Personal Services and Benefits	$ 1,248,749	$ 1,138,615	$ 1,048,926	$ 1,005,283	$ 981,904	$ 953,033	$ 912,762	$ 921,236	$ 898,364	$ 838,739
Supplies and Services	454,215	479,021	470,546	472,323	445,084	393,371	355,586	342,581	339,824	316,452
Scholarships and Fellowships	54,094	59,125	66,488	60,374	48,842	51,128	51,803	42,412	38,788	35,597
Depreciation	125,455	124,870	116,781	113,345	107,561	107,770	101,226	99,657	98,084	93,999
Total Operating Expenses by Natural Classification	**$ 1,882,513**	**$ 1,801,631**	**$ 1,702,741**	**$ 1,651,325**	**$ 1,583,391**	**$ 1,505,302**	**$ 1,421,377**	**$ 1,405,886**	**$ 1,375,060**	**$ 1,284,787**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	66.3	63.2	61.6	60.9	62.0	63.3	64.2	65.5	65.3	65.3
Supplies and Services	24.1	26.6	27.6	28.5	28.1	26.1	25.0	24.4	24.7	24.6
Scholarships and Fellowships	2.9	3.3	3.9	3.7	3.1	3.4	3.6	3.0	2.8	2.8
Depreciation	6.7	6.9	6.9	6.9	6.8	7.2	7.1	7.1	7.1	7.3
Total Operating Expenses by Natural Classification	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	9.7	8.6	4.3	2.4	3.0	4.4	(0.9)	2.5	7.1	4.0
Supplies and Services	(5.2)	1.8	(0.4)	6.1	13.1	10.6	3.8	0.8	7.4	4.7
Scholarships and Fellowships	(8.5)	(11.1)	10.1	23.6	(4.5)	(1.3)	22.1	9.3	9.0	(4.8)
Depreciation	0.5	6.9	3.0	5.4	(0.2)	6.5	1.6	1.6	4.3	10.8
Total Operating Expenses by Natural Classification	**4.5**	**5.8**	**3.1**	**4.3**	**5.2**	**5.9**	**1.1**	**2.2**	**7.0**	**4.4**

Academic Year Tuition and Required Fees

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Resident Undergraduate										
University of Arizona	$ 11,424	$ 10,957	$ 10,391	$ 10,035	$ 10,035	$ 8,237	$ 6,842	$ 5,542	$ 5,048	$ 4,766
percent increase/(decrease) from prior year	4.3%	5.4%	3.5%	0.0%	21.8%	20.4%	23.5%	9.8%	5.9%	6.0%
PAC-12 Public Average	$ 10,866	$ 10,217	$ 10,150	$ 10,294	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322	$ 5,809
percent increase/(decrease) from prior year	6.4%	0.7%	-1.4%	4.7%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%
ABOR Peers Average	$ 11,454	$ 11,289	$ 11,130	$ 11,012	$ 10,659	$ 9,855	$ 8,928	$ 8,435	$ 7,917	$ 7,489
percent increase/(decrease) from prior year	1.5%	1.4%	1.1%	3.3%	8.2%	10.4%	5.9%	6.5%	5.7%	6.7%
Non-Resident Undergraduate										
University of Arizona	$ 32,652	$ 29,421	$ 27,073	$ 26,231	$ 25,494	$ 24,597	$ 22,251	$ 18,676	$ 16,282	$ 14,972
percent increase/(decrease) from prior year	11.0%	8.7%	3.2%	2.9%	3.6%	10.5%	19.1%	14.7%	8.7%	9.4%
PAC-12 Public Average	$ 30,492	$ 28,088	$ 27,698	$ 28,062	$ 27,510	$ 26,753	$ 25,123	$ 22,812	$ 21,357	$ 20,100
percent increase/(decrease) from prior year	8.6%	1.4%	-1.3%	2.0%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%
ABOR Peers Average	$ 31,480	$ 30,159	$ 29,315	$ 28,756	$ 27,918	$ 26,512	$ 24,960	$ 23,500	$ 22,256	$ 21,046
percent increase/(decrease) from prior year	4.4%	2.9%	1.9%	3.0%	5.3%	6.2%	6.2%	5.6%	5.8%	6.2%
Resident Graduate										
University of Arizona	$ 12,062	$ 11,723	$ 11,511	$ 11,122	$ 10,825	$ 9,027	$ 7,632	$ 6,332	$ 5,768	$ 5,452
percent increase/(decrease) from prior year	2.9%	1.8%	3.5%	2.7%	19.9%	18.3%	20.5%	9.8%	5.8%	10.1%
PAC-12 Public Average	$ 12,897	$ 12,007	$ 11,710	$ 11,810	$ 11,494	$ 10,321	$ 9,824	$ 9,093	$ 8,516	$ 7,725
percent increase/(decrease) from prior year	7.4%	2.5%	-0.9%	2.8%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%
ABOR Peers Average	$ 13,760	$ 13,247	$ 13,031	$ 12,770	$ 12,339	$ 11,515	$ 10,853	$ 10,183	$ 9,440	$ 8,891
percent increase/(decrease) from prior year	3.9%	1.7%	2.0%	3.5%	7.2%	6.1%	6.6%	7.9%	6.2%	7.4%
Non-Resident Graduate										
University of Arizona	$ 30,384	$ 28,705	$ 27,383	$ 26,533	$ 25,787	$ 24,889	$ 22,544	$ 18,969	$ 16,574	$ 11,476
percent increase/(decrease) from prior year	5.8%	4.8%	3.2%	2.9%	3.6%	10.4%	18.8%	14.5%	44.4%	-17.6%
PAC-12 Public Average	$ 27,336	$ 25,622	$ 24,918	$ 24,558	$ 24,051	$ 22,722	$ 21,823	$ 20,513	$ 19,002	$ 17,936
percent increase/(decrease) from prior year	6.7%	2.8%	1.5%	2.1%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%
ABOR Peers Average	$ 28,077	$ 27,474	$ 26,995	$ 26,456	$ 25,682	$ 24,507	$ 23,465	$ 22,504	$ 21,484	$ 20,797
percent increase/(decrease) from prior year	2.2%	1.8%	2.0%	3.0%	4.8%	4.4%	4.3%	4.7%	3.3%	4.9%

Source: University of Arizona Fact Book
A complete list of the University of Arizona's fifteen ABOR peers can be found at http://factbook.arizona.edu.
Tuition rates are approved by the Arizona Board of Regents. Pac-12 Tuition and Fees were acquired from University websites.

Principal Revenue Sources

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and Fees, net of scholarship allowance	**$ 608,679**	**$ 554,768**	**$ 484,809**	**$ 461,580**	**$ 410,507**	**$ 379,199**	**$ 329,586**	**$ 269,447**	**$ 231,536**	**$ 209,521**
percent of total revenue	30%	27%	26%	26%	24%	23%	21%	18%	16%	15%
percent increase/(decrease) from prior year	10%	14%	5%	12%	8%	15%	22%	16%	11%	8%
State of Arizona Government										
State and local grants and contracts	$ 18,604	$ 12,905	$ 16,054	$ 17,639	$ 43,979	$ 46,244	$ 31,569	$ 27,860	$ 23,483	$ 20,886
State appropriations	241,257	270,538	265,038	254,654	268,533	330,297	330,297	348,941	416,658	389,897
Technology and research initiatives funding	25,025	24,964	23,576	20,773	20,353	19,954	20,102	22,547	28,360	30,744
Capital appropriations and capital commitments (1)	31,763	22,808	23,852	20,723	14,253	14,253	14,253	14,253	14,253	10,901
AZ State Government	**$ 316,649**	**$ 331,215**	**$ 328,520**	**$ 313,789**	**$ 347,118**	**$ 410,748**	**$ 396,221**	**$ 413,601**	**$ 482,754**	**$ 452,428**
percent of total revenue	16%	16%	18%	18%	21%	25%	25%	28%	33%	33%
percent increase/(decrease) from prior year	-4%	1%	5%	-10%	-15%	4%	-4%	-14%	7%	15%
Federal Government										
Federal grants and contracts	$ 283,083	$ 290,967	$ 308,291	$ 366,363	$ 362,478	$ 352,835	$ 324,919	$ 303,115	$ 296,338	$ 319,497
Federal fiscal stabilization funds	-	-	-	-	-	755	28,313	60,824	-	-
Financial aid grants	52,037	52,165	51,290	49,469	49,239	48,182	42,275	28,099	23,992	20,225
Capital grants	-	-	-	-	-	-	-	-	-	-
Federal Government	**$ 335,120**	**$ 343,132**	**$ 359,581**	**$ 415,832**	**$ 411,717**	**$ 401,772**	**$ 395,507**	**$ 392,038**	**$ 320,330**	**$ 339,722**
percent of total revenue	16%	17%	20%	23%	24%	24%	25%	27%	22%	25%
percent increase/(decrease) from prior year	-2%	-5%	-14%	1%	2%	2%	1%	22%	-6%	-2%
Total from principal revenue payers	**$ 1,260,448**	**$ 1,229,115**	**$ 1,172,910**	**$ 1,191,201**	**$ 1,169,342**	**$ 1,191,719**	**$ 1,121,314**	**$ 1,075,086**	**$ 1,034,620**	**$ 1,001,671**
percent of total revenue	62%	60%	64%	66%	69%	72%	72%	74%	71%	72%
percent increase/(decrease) from prior year	3%	5%	-2%	2%	-2%	6%	4%	4%	3%	7%

(1) Includes Arizona Lottery capital commitment received in FY 2013, FY 2014 , FY 2015, and FY 2016

Due to the economic downturn in FY 2009, state appropriation funding decreased and tuition rates were increased to offset the decrease in state appropriation.

Long-term Debt

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
System Revenue Bonds and SPEED Revenue Bonds	$ 953,005	$ 984,265	$ 788,685	$ 811,285	$ 686,090	$ 637,140	$ 622,265	$ 498,650	$ 319,005	$ 297,015
Plus Unamortized Premium/(Discount)	91,269	68,835	36,311	37,823	26,002	17,787	15,128	16,288	8,866	8,057
Less Deferred amount on Refundings *	-	-	-	(8,179)	(5,109)	(3,225)	(3,880)	(4,563)	(5,246)	(5,500)
Net System Revenue Bonds and SPEED Revenue Bonds	**$ 1,044,274**	**$ 1,053,100**	**$ 824,996**	**$ 840,929**	**$ 706,983**	**$ 651,702**	**$ 633,513**	**$ 510,375**	**$ 322,625**	**$ 299,572**
Certificates of Participation	$ 331,861	$ 354,736	$ 377,990	$ 400,720	$ 425,530	$ 459,951	$ 475,439	$ 489,859	$ 503,723	$ 517,007
Plus Unamortized Premium/(Discount)	26,478	29,001	19,145	20,864	22,878	5,313	5,737	6,161	6,585	7,009
Less Deferred amount on Refundings *	-	-	-	(13,301)	(14,575)	(8,678)	(9,493)	(10,307)	(11,121)	(11,957)
Net Certificates of Participation	**$ 358,339**	**$ 383,737**	**$ 397,135**	**$ 408,283**	**$ 433,833**	**$ 456,586**	**$ 471,683**	**$ 485,713**	**$ 499,187**	**$ 512,059**
Total Bonds Payable	$ 1,044,274	$ 1,053,100	$ 824,996	$ 840,929	$ 706,983	$ 651,702	$ 633,513	$ 510,375	$ 322,625	$ 299,572
COPs Payable	358,339	383,737	397,135	408,283	433,833	456,586	471,683	485,713	499,187	512,059
Capital and Operating Leases Payable	17,134	41,699	37,555	38,543	36,957	38,605	39,877	51,621	54,527	55,609
Total	**$ 1,419,747**	**$ 1,478,536**	**$ 1,259,686**	**$ 1,287,755**	**$ 1,177,773**	**$ 1,146,893**	**$ 1,145,073**	**$ 1,047,709**	**$ 876,339**	**$ 867,240**
Long Term Debt (whole dollars)										
per student FTE	$ 32,773	$ 34,881	$ 30,881	$ 31,943	$ 30,058	$ 30,121	$ 30,860	$ 29,312	$ 25,218	$ 25,144
per Dollar of State Appropriations and State Capital Appropriations	$ 5.66	$ 5.25	$ 4.51	$ 4.79	$ 4.16	$ 3.33	$ 3.32	$ 2.88	$ 2.03	$ 2.16
per Dollar of Total Grants and Contracts	$ 1.91	$ 2.16	$ 2.07	$ 1.89	$ 2.08	$ 2.09	$ 2.24	$ 2.24	$ 1.92	$ 2.04
Data Used in Above Calculations										
Total Student FTE	43,321	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491
State appropriations and State Capital Appropriations	$ 250,851	$ 281,742	$ 279,291	$ 268,908	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798
Grants and Contracts	$ 743,216	$ 685,400	$ 609,596	$ 682,620	$ 566,607	$ 548,103	$ 510,868	$ 468,766	$ 455,794	$ 424,882

** There will no longer be deferred amounts on refunding reported as liabilities due to the implementation of GASB Statement No. 65 beginning in FY 2014.*

Summary of Ratios

Summary of Composite Financial Index Ratios

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.14**	**0.12**	**0.36**	**0.34**	**0.31**	**0.35**	**0.34**	**0.31**	**0.32**	**0.33**
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	1.05	0.90	2.71	2.56	2.33	2.63	2.56	2.33	2.41	2.48
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.37	0.32	0.95	0.89	0.82	0.92	0.89	0.82	0.84	0.87
= Ratio 10.00 Cap Subtotal	0.37	0.32	0.95	0.89	0.82	0.92	0.89	0.82	0.84	0.87
+ Return on Net Assets Ratio	**6.2%**	**17.5%**	**9.3%**	**8.5%**	**1.4%**	**10.4%**	**9.2%**	**(3.6%)**	**4.6%**	**10.3%**
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	3.10	8.75	4.65	4.25	0.70	5.20	4.60	(1.00)	2.30	5.15
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.62	1.75	0.93	0.85	0.14	1.04	0.92	(0.20)	0.46	1.03
= Ratio 10.00 Cap Subtotal	0.62	1.75	0.93	0.85	0.14	1.04	0.92	(0.20)	0.46	1.03
+ Net Operating Revenues Ratio	**3.7%**	**7.3%**	**1.4%**	**3.8%**	**(0.3%)**	**4.6%**	**4.8%**	**(1.5%)**	**0.2%**	**2.7%**
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	2.85	5.62	1.08	2.92	(0.23)	3.54	3.69	(1.00)	0.15	2.08
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.28	0.56	0.11	0.29	(0.02)	0.35	0.37	(0.10)	0.02	0.21
= Ratio 10.00 Cap Subtotal	0.28	0.56	0.11	0.29	(0.02)	0.35	0.37	(0.10)	0.02	0.21
+ Viability Ratio	**0.2**	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.5**
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.48	0.48	1.44	1.20	1.20	1.20	1.20	1.20	1.44	1.20
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.17	0.17	0.50	0.42	0.42	0.42	0.42	0.42	0.50	0.42
= Ratio 10.00 Cap Subtotal	0.17	0.17	0.50	0.42	0.42	0.42	0.42	0.42	0.50	0.42
Composite Financial Index	**1.44**	**2.80**	**2.49**	**2.46**	**1.35**	**2.73**	**2.60**	**0.94**	**1.82**	**2.53**
Composite Financial Index with 10.00 Cap	**1.44**	**2.80**	**2.49**	**2.46**	**1.35**	**2.73**	**2.60**	**0.94**	**1.82**	**2.53**

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators. Composite Financial Index calculation includes component unit information. Detail of ratio calculations are on the following pages.

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775
Unrestricted Net Assets - Component Units	44,154	43,592	39,419	33,945	31,686	31,848	28,178	25,095	30,371	27,784
Expendable Restricted Net Assets	238,522	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550
Temporarily Restricted Net Assets - Component Units	122,486	126,134	125,534	114,430	105,820	138,951	138,133	141,096	147,555	153,653
Investment in Plant - Component Units	(33,163)	(32,712)	(31,088)	(30,743)	(29,792)	(29,720)	(26,616)	(14,841)	(15,033)	(15,572)
Expendable Net Assets	**$ 291,034**	**$ 231,615**	**$ 668,862**	**$ 603,458**	**$ 540,876**	**$ 571,950**	**$ 521,726**	**$ 471,546**	**$ 478,681**	**$ 465,190**
Operating Expenses	$ 1,882,513	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787
Nonoperating Expenses	49,748	46,293	50,596	47,643	44,391	50,447	45,077	40,887	41,121	38,426
Component Unit Total Expenses	110,428	130,081	119,033	87,516	129,492	85,761	80,778	74,779	87,471	70,816
Total Expenses	**$ 2,042,689**	**$ 1,978,005**	**$ 1,872,370**	**$ 1,786,484**	**$ 1,757,274**	**$ 1,641,510**	**$ 1,547,232**	**$ 1,521,552**	**$ 1,503,652**	**$ 1,394,029**
Expendable Net Assets	$ 291,034	$ 231,615	$ 668,862	$ 603,458	$ 540,876	$ 571,950	$ 521,726	$ 471,546	$ 478,681	$ 465,190
Total Expenses	$ 2,042,689	$ 1,978,005	$ 1,872,370	$ 1,786,484	$ 1,757,274	$ 1,641,510	$ 1,547,232	$ 1,521,552	$ 1,503,652	$ 1,394,029
Ratio	**0.14**	**0.12**	**0.36**	**0.34**	**0.31**	**0.35**	**0.34**	**0.31**	**0.32**	**0.33**

Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increasing amount over time denote strength.

Summary of Ratios – Continued

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
RETURN ON NET ASSETS RATIO										
Change in Net assets	$ 96,154	$ 229,469	$ 163,058	$ 138,868	$ 21,734	$ 151,930	$ 122,890	$ (50,153)	$ 60,623	$ 124,132
Total Net Assets (Beginning of Year)	$ 1,539,071	$ 1,309,602	$ 1,755,900	$ 1,629,107	$ 1,607,373	$ 1,455,443	$ 1,332,553	$ 1,382,832	$ 1,322,088	$ 1,209,185
Ratio	**6.2%**	**17.5%**	**9.3%**	**8.5%**	**1.4%**	**10.4%**	**9.2%**	**(3.6%)**	**4.6%**	**10.3%**

Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital and Endowment Additions	$ 70,350	$ 132,121	$ 18,299	$ 59,986	$ (4,057)	$ 71,226	$ 69,243	$ (15,301)	$ 911	$ 35,082
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	562	4,173	5,474	2,259	(162)	3,670	3,083	(5,276)	2,587	3,300
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 70,912	$ 136,294	$ 23,773	$ 62,245	$ (4,219)	$ 74,896	$ 72,326	$ (20,577)	$ 3,498	$ 38,382
Total Operating Revenues	$ 1,424,770	$ 1,315,091	$ 1,153,967	$ 1,175,364	$ 1,124,228	$ 1,058,622	$ 961,960	$ 860,049	$ 806,801	$ 812,285
State Appropriation and State related revenues	271,891	309,640	304,967	292,688	290,751	353,757	353,814	376,169	448,607	420,641
Non-capital Gifts and Grants, net	80,890	89,975	78,287	74,530	96,201	87,355	79,164	78,156	71,348	58,083
Financial aid trust	2,880	3,030	3,154	3,193	3,042	2,972	2,832	2,992	3,113	2,220
Investment Income/(Loss), net	10,046	6,638	43,229	20,619	3,386	28,686	18,133	(19,749)	4,176	42,163
Component Units Total Unrestricted Revenue	110,779	134,054	124,081	89,506	107,967	83,484	83,422	69,899	89,924	74,253
Adjusted Net Operating Revenues	$ 1,901,256	$ 1,858,428	$ 1,707,685	$ 1,655,900	$ 1,625,575	$ 1,614,876	$ 1,499,325	$ 1,367,516	$ 1,423,969	$ 1,409,645
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 70,912	$ 136,294	$ 23,773	$ 62,245	$ (4,219)	$ 74,896	$ 72,326	$ (20,577)	$ 3,498	$ 38,382
Adjusted Net Operating Revenues	$ 1,901,256	$ 1,858,428	$ 1,707,685	$ 1,655,900	$ 1,625,575	$ 1,614,876	$ 1,499,325	$ 1,367,516	$ 1,423,969	$ 1,409,645
Ratio	**3.7%**	**7.3%**	**1.4%**	**3.8%**	**(0.3%)**	**4.6%**	**4.8%**	**(1.5%)**	**0.2%**	**2.7%**

Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time, generally reflects strength.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
VIABILITY RATIO										
Unrestricted Net Assets	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775
Unrestricted Net Assets - Component Units	44,154	43,592	39,419	33,945	31,686	31,848	28,178	25,095	30,371	27,784
Expendable Restricted Net Assets	238,522	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550
Temporarily Restricted Net Assets - Component Units	122,486	126,134	125,534	114,430	105,820	138,951	138,133	141,096	147,555	153,653
Expendable Net Assets	$ 324,197	$ 264,327	$ 699,950	$ 634,201	$ 570,668	$ 601,670	$ 548,342	$ 486,387	$ 493,714	$ 480,762
University Long Term Debt, net capital leases with CUs	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240
Component Units Long Term Debt	4,255	5,279	6,682	8,105	9,344	10,487	9,374	9,109	9,829	10,559
Total Adjusted University Debt	$ 1,424,002	$ 1,483,815	$ 1,266,368	$ 1,295,860	$ 1,187,117	$ 1,157,380	$ 1,154,447	$ 1,056,818	$ 886,168	$ 877,799
Expendable Net Assets	$ 324,197	$ 264,327	$ 699,950	$ 634,201	$ 570,668	$ 601,670	$ 548,342	$ 486,387	$ 493,714	$ 480,762
Total Adjusted University Debt	$ 1,424,002	$ 1,483,815	$ 1,266,368	$ 1,295,860	$ 1,187,117	$ 1,157,380	$ 1,154,447	$ 1,056,818	$ 886,168	$ 877,799
Ratio	**0.2**	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.5**

Measures the ability of the institution to cover its debt as of the statement of net position date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength.

Summary of Ratios – Other Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss) before Capital and Endowment Additions	$ 70,350	$ 132,121	$ 18,299	$ 59,986	$ (4,057)	$ 71,226	$ 69,243	$ (15,301)	$ 911	$ 35,082
Capital appropriations	9,594	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901
Less: Non-capital Gifts	(80,890)	(89,975)	(78,287)	(74,530)	(96,201)	(87,355)	(79,164)	(78,156)	(71,348)	(58,083)
Less: Net investment return	(10,046)	(6,638)	(43,229)	(20,619)	(3,386)	(28,686)	(18,133)	19,749	(4,176)	(42,163)
Less: Other nonoperating revenue, net	(9,480)	(18,103)	(20,009)	(13,440)	(27,644)	(13,849)	(16,063)	(10,175)	(24,688)	(25,123)
Adjusted Income/(Loss) before Capital and Endowment Additions	$ (20,472)	$ 28,609	$ (108,973)	$ (34,350)	$ (117,035)	$ (44,411)	$ (29,864)	$ (69,630)	$ (85,048)	$ (79,386)
Total Operating Revenues	$ 1,424,770	$ 1,315,091	$ 1,153,967	$ 1,175,364	$ 1,124,228	$ 1,058,622	$ 961,960	$ 860,049	$ 806,801	$ 812,285
Less: Scholarships and Fellowships	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)
State Appropriation and share of sales tax	266,282	295,502	288,614	275,427	288,886	350,251	350,399	371,488	445,018	420,641
Federal fiscal stabilization funds	-	-	-	-	-	755	28,313	60,824	-	-
Financial aid grants	52,037	52,165	51,290	49,469	49,239	48,182	42,275	28,099	23,992	20,225
Grants and contracts (Nonoperating)	133,720	128,546	108,243	116,510	6,104	6,502	7,357	7,357	6,394	-
Financial Aid Trust Funds	2,880	3,030	3,154	3,193	3,042	2,972	2,832	2,992	3,113	2,220
Capital appropriations	9,594	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 1,837,475	$ 1,748,380	$ 1,555,452	$ 1,576,071	$ 1,433,277	$ 1,426,027	$ 1,352,073	$ 1,298,389	$ 1,257,711	$ 1,227,899
Adjusted Income/(Loss) before Capital and Endowment Additions	$ (20,472)	$ 28,609	$ (108,973)	$ (34,350)	$ (117,035)	$ (44,411)	$ (29,864)	$ (69,630)	$ (85,048)	$ (79,386)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 1,837,475	$ 1,748,380	$ 1,555,452	$ 1,576,071	$ 1,433,277	$ 1,426,027	$ 1,352,073	$ 1,298,389	$ 1,257,711	$ 1,227,899
Ratio	**1.1%**	**1.6%**	**(7.0%)**	**(2.2%)**	**(8.2%)**	**(3.1%)**	**(2.2%)**	**(5.4%)**	**(6.8%)**	**(6.5%)**

A more restrictive measure of whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflect strength.

Summary of Ratios – Other Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 1,882,513	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787
Less: Scholarships and Fellowships	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)
Interest on Debt	49,748	46,293	50,596	47,643	44,391	50,447	45,077	40,887	41,121	38,426
Total Adjusted Operating Expenses	$ 1,880,453	$ 1,790,766	$ 1,689,267	$ 1,640,823	$ 1,575,307	$ 1,500,239	$ 1,411,138	$ 1,400,100	$ 1,374,321	$ 1,284,840
Research Expenses	$ 391,122	$ 421,973	$ 396,680	$ 435,536	$ 425,993	$ 405,271	$ 395,008	$ 385,467	$ 373,943	$ 351,199
Total Adjusted Operating Expenses	$ 1,880,453	$ 1,790,766	$ 1,689,267	$ 1,640,823	$ 1,575,307	$ 1,500,239	$ 1,411,138	$ 1,400,100	$ 1,374,321	$ 1,284,840
Ratio	**21%**	**24%**	**23%**	**27%**	**27%**	**27%**	**28%**	**28%**	**27%**	**27%**

Measures the institution's research expense to the total operating expenses.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 608,679	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521
Financial Aid Grants	54,917	55,195	54,444	52,662	52,281	51,154	45,107	31,091	27,105	22,445
Less Scholarships and Fellowships	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)
Net Tuition and Fees	$ 611,788	$ 552,805	$ 475,183	$ 456,097	$ 410,313	$ 374,843	$ 319,377	$ 253,865	$ 216,781	$ 193,593
Net Tuition and Fees	$ 611,788	$ 552,805	$ 475,183	$ 456,097	$ 410,313	$ 374,843	$ 319,377	$ 253,865	$ 216,781	$ 193,593
Undergraduate, Graduate, and Professional FTE	43,321	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491
Net Tuition per Student (whole dollars)	**$ 14,122**	**$ 13,042**	**$ 11,649**	**$ 11,314**	**$ 10,472**	**$ 9,845**	**$ 8,607**	**$ 7,103**	**$ 6,238**	**$ 5,613**

Measures the institution's net student tuition and fees received per student.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 241,257	$ 270,538	$ 265,038	$ 254,654	$ 268,533	$ 330,297	$ 330,297	$ 348,941	$ 416,658	$ 389,897
Capital Appropriations	9,594	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901
Adjusted State Appropriations	$ 250,851	$ 281,742	$ 279,291	$ 268,907	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798
State Appropriations	$ 250,851	$ 281,742	$ 279,291	$ 268,907	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798
Undergraduate, Graduate, and Professional FTE	43,321	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491
State Appropriation per Student (whole dollars)	**$ 5,791**	**$ 6,647**	**$ 6,847**	**$ 6,670**	**$ 7,217**	**$ 9,049**	**$ 9,286**	**$ 10,161**	**$ 12,400**	**$ 11,620**

Measures the institution's dependency on state appropriations.

Summary of Ratios – Debt Related Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775
Expendable Restricted Net Assets	238,522	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550
Expendable Net Assets	**$ 157,557**	**$ 94,601**	**$ 534,997**	**$ 485,826**	**$ 433,162**	**$ 430,871**	**$ 382,031**	**$ 320,196**	**$ 315,788**	**$ 299,325**
Expendable Net Assets	$ 157,557	$ 94,601	$ 534,997	$ 485,826	$ 433,162	$ 430,871	$ 382,031	$ 320,196	$ 315,788	$ 299,325
Total Adjusted University Debt	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240
Ratio	**0.11**	**0.06**	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**	**0.4**	**0.3**

Measures the ability of the institution to cover its debt using expendable resources as of the statement of net position date.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775
Expendable Restricted Net Assets	238,522	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550
Non-expendable Restricted Net Assets	134,356	138,464	138,512	122,635	113,968	115,307	101,263	94,307	94,610	118,585
Total Financial Resources	**$ 291,913**	**$ 233,065**	**$ 673,509**	**$ 608,461**	**$ 547,130**	**$ 546,178**	**$ 483,294**	**$ 414,503**	**$ 410,398**	**$ 417,910**
Total Financial Resources	$ 291,913	$ 233,065	$ 673,509	$ 608,461	$ 547,130	$ 546,178	$ 483,294	$ 414,503	$ 410,398	$ 417,910
Total Bonds, COPs and Capital Leases	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240
Ratio	**0.21**	**0.16**	**0.5**	**0.5**	**0.5**	**0.5**	**0.4**	**0.4**	**0.5**	**0.5**

A broader measure of the ability of the institution to cover its debt as of the statement of net position date.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (287,171)	$ (336,897)	$ (402,380)	$ (362,458)	$ (404,778)	$ (319,362)	$ (385,905)	$ (414,248)	$ (470,716)	$ (385,799)
State Appropriations and Federal Stabilization Funds	241,257	270,538	265,038	254,654	268,533	331,052	358,610	409,765	416,658	389,897
Share of State Sales Tax - TRIF	25,025	24,964	23,576	20,773	20,353	19,954	20,102	22,547	28,360	30,744
Non-capital Grants and Contracts, Gifts, Other (1)	292,033	297,837	265,817	274,104	179,581	175,567	189,142	209,509	136,409	58,083
Adjusted Cash Flow from Operations	**$ 271,144**	**$ 256,442**	**$ 152,051**	**$ 187,073**	**$ 63,689**	**$ 207,211**	**$ 181,949**	**$ 227,573**	**$ 110,711**	**$ 92,925**
Total Adjusted University Debt Outstanding	1,419,747	1,478,536	1,259,686	1,287,755	1,177,773	1,146,893	1,145,073	1,047,709	876,339	867,240
Adjusted Cash Flow from Operations	$ 271,144	$ 256,442	$ 152,051	$ 187,073	$ 63,689	$ 207,211	$ 181,949	$ 227,573	$ 110,711	$ 92,925
Ratio	**5.24**	**5.77**	**8.28**	**6.88**	**18.49**	**5.53**	**6.29**	**4.60**	**7.92**	**9.33**

(1) Includes: Financial aid grants, grants and contracts, private gifts, and financial aid trust funds.

Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$ 49,748	$ 46,293	$ 50,596	$ 47,643	$ 44,391	$ 50,447	$ 45,077	$ 40,887	$ 41,121	$ 38,426
Principal Paid on Debt and Leases	254,284	197,381	47,605	120,436	241,680	42,572	52,272	41,241	59,645	131,674
Less: Principal Paid from Refinancing Activities	(181,440)	(157,050)	-	(71,115)	(199,835)	-	-	-	(17,970)	(100,595)
Debt Service	**$ 122,592**	**$ 86,624**	**$ 98,201**	**$ 96,964**	**$ 86,236**	**$ 93,019**	**$ 97,349**	**$ 82,128**	**$ 82,796**	**$ 69,505**
Debt Service	$ 122,592	$ 86,624	$ 98,201	$ 96,964	$ 86,236	$ 93,019	$ 97,349	$ 82,128	$ 82,796	$ 69,505
Operating Expenses	$ 1,882,513	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787
Ratio	**6.5%**	**4.8%**	**5.8%**	**5.9%**	**5.4%**	**6.2%**	**6.8%**	**5.8%**	**6.0%**	**5.4%**

Measures the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. The ratio measures the relative cost of debt to overall expenses and a declining trend is generally desirable, however the ratio can spike during times of specific funding activity.

Debt Service Coverage for Senior Lien System and Subordinate Lien System Revenue Bonds

(in thousands of dollars)

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and Fees, net of scholarship allowance	$ 608,679	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521
Receipts from Other Major Revenue Sources (Facilities Revenues)	402,760	397,917	374,153	351,162	339,498	339,520	315,907	305,137	305,881	290,812
Net Revenues Available for Debt Service	**$ 1,011,439**	**$ 952,685**	**$ 858,962**	**$ 812,742**	**$ 750,005**	**$ 718,719**	**$ 645,493**	**$ 574,584**	**$ 537,417**	**$ 500,333**
Senior Lien Bonds Debt Service										
Interest on Debt	$ 24,121	$ 23,290	$ 24,887	$ 23,379	$ 21,030	$ 22,984	$ 24,593	$ 15,437	$ 14,978	$ 14,166
Principal Paid on Debt	25,205	21,575	22,600	21,895	17,375	24,720	23,860	22,725	21,235	17,440
Senior Lien Bonds Debt Service Requirements	**$ 49,326**	**$ 44,865**	**$ 47,487**	**$ 45,274**	**$ 38,405**	**$ 47,704**	**$ 48,453**	**$ 38,162**	**$ 36,213**	**$ 31,606**
Coverage	**20.51**	**21.23**	**18.09**	**17.95**	**19.53**	**15.07**	**13.32**	**15.06**	**14.84**	**15.83**

Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year

Subordinate Lien Bonds Debt Service										
Interest on Debt	$ 21,412	$ 14,442	$ 13,362	$ 11,176	$ 10,450	$ 5,586	-	-	-	-
Principal Paid on Debt	-	-	-	-	-	-	-	-	-	-
Subordinate Lien Bonds Debt Service Requirements	**$ 21,412**	**$ 14,442**	**$ 13,362**	**$ 11,176**	**$ 10,450**	**$ 5,586**	**-**	**-**	**-**	**-**
Combined Senior/Subordinate Lien Debt Service	**$ 70,738**	**$ 59,307**	**$ 60,849**	**$ 56,450**	**$ 48,855**	**$ 53,291**	**$ 48,453**	**$ 38,162**	**$ 36,213**	**$ 31,606**
Coverage	**14.30**	**16.06**	**14.12**	**14.40**	**15.35**	**13.49**	**13.32**	**15.06**	**14.84**	**15.83**

Debt Service Assurance Agreement and SPEED Bond Resolution Covenant: The Gross Revenues of the University for each fiscal year will be at least 100% of the annual debt service due on all outstanding parity bonds and subordinate obligations.

Admissions, Enrollment and Degrees Earned

(Fall Enrollment)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ADMISSIONS - FRESHMEN										
Applications	35,236	32,723	26,481	26,329	26,871	26,626	24,625	22,544	21,199	16,609
Accepted	26,961	24,417	20,546	20,251	19,175	20,065	19,207	18,158	16,853	14,293
Enrolled	7,466	7,744	6,881	7,401	7,300	7,025	6,966	6,709	6,569	6,009
Accepted as Percentage of Application	77%	75%	78%	77%	71%	75%	78%	81%	79%	86%
Enrolled as Percentage of Accepted	28%	32%	33%	37%	38%	35%	36%	37%	39%	42%
Average SAT scores - Total	1121	1113	1114	1116	1109	1100	1104	1103	1107	1109
Verbal	541	549	549	550	547	543	547	526	547	547
Math	553	564	565	566	561	557	561	543	561	563
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	43,321	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491
Undergraduate, Graduate and Professional Headcount	43,088	42,236	40,621	40,223	39,236	39,086	38,767	38,057	37,217	36,805
Men (Headcount)	20,833	20,345	19,520	19,264	18,729	18,734	18,440	18,084	17,535	17,455
Percentage of Total	48.3%	48.2%	48.1%	47.9%	47.7%	47.9%	47.6%	47.5%	47.1%	47.4%
Women (Headcount)	22,255	21,891	21,101	20,959	20,507	20,352	20,327	19,973	19,682	19,350
Percentage of Total	51.7%	51.8%	51.9%	52.1%	52.3%	52.1%	52.4%	52.5%	52.9%	52.6%
African American (Headcount)	1,510	1,402	1,266	1,540	1,487	1,438	1,341	1,221	1,142	1,041
Percentage of Total	3.5%	3.3%	3.1%	3.8%	3.8%	3.7%	3.5%	3.2%	3.1%	2.8%
White (Headcount)	22,198	22,050	21,825	22,303	22,485	23,099	23,599	23,476	23,193	23,032
Percentage of Total	51.5%	52.2%	53.7%	55.4%	57.3%	59.1%	60.9%	61.7%	62.3%	62.6%
Other (Headcount)	19,380	18,784	17,530	16,380	15,264	14,549	13,827	13,360	12,882	12,732
Percentage of Total	45.0%	44.5%	43.2%	40.7%	38.9%	37.2%	35.7%	35.1%	34.6%	34.6%
DEGREES EARNED										
Bachelor's	6,745	6,370	6,494	6,351	6,195	5,827	5,914	5,612	5,568	5,613
Master's	1,756	1,706	1,667	1,574	1,569	1,337	1,502	1,418	1,399	1,446
Doctoral	528	475	450	455	445	471	479	451	461	395
Professional	411	395	404	395	368	353	345	326	354	303

Sources: University of Arizona Fact Book and Office of Institutional Research & Planning

Demographic Data

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Arizona Population	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681	6,029,141
Arizona Personal Income (in millions)	$ 266,756	$ 261,314	$ 249,027	$ 235,781	$ 227,287	$ 216,590	$ 212,873	$ 226,465	$ 218,588	$ 206,958
Arizona Per Capita Personal Income	$ 39,060	$ 37,895	$ 36,823	$ 35,979	$ 35,062	$ 33,773	$ 33,560	$ 36,059	$ 35,441	$ 34,326
Arizona Unemployment Rate	5.60%	5.90%	6.90%	8.00%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%

Sources: U.S. Bureau of Economic Analysis & Arizona Department of Administration and Bureau of Labor Statistics

Principal Employers

Employer	Calendar Year Ended December 31, 2016 Full-Time Equivalent Employees	Rank	Percentage of Total County Employment	Calendar Year Ended December 31, 2007 Full-Time Equivalent Employees	Rank	Percentage of Total County Employment
University of Arizona	11,251	1	2.30%	10,354	2	2.30%
Raytheon Missile Systems	9,600	2	2.00%	11,184	1	2.50%
State of Arizona	8,580	3	1.80%	9,927	3	2.20%
Davis Monthan AFB	8,406	4	1.80%	8,233	5	1.80%
Pima County Government	7,060	6	1.50%	7,290	7	1.60%
Tucson Unified School District	6,770	5	1.40%	7,419	6	1.60%
Banner - University Medicine	6,272	7	1.30%			
US Border Patrol	5,739	8	1.20%			
Freeport-McMoran Copper	5,530	9	1.20%			
Wal-Mart Stores, Inc.	5,500	10	1.10%	5,625	9	1.20%
Fort Huachuca				9,119	4	2.00%
City of Tucson				5,848	8	1.30%
Phelps Dodge				4,900	10	1.10%
Total	**74,708**		**15.60%**	**79,899**		**17.60%**
Total Work Force			**479,107**			**453,500**

Sources: Pima County CAFR FY 2007, Arizona Daily Star 200 FY 2016

Faculty and Staff

Fall employment of fiscal year	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
FACULTY										
Full-time	2,363	2,343	2,297	2,246	2,229	2,160	2,165	2,088	2,055	2,031
Part-time	795	801	752	776	693	642	591	657	644	588
Total Faculty	**3,158**	**3,144**	**3,049**	**3,022**	**2,922**	**2,802**	**2,756**	**2,745**	**2,699**	**2,619**
Percentage Tenured	49.4%	48.0%	49.5%	50.0%	51.6%	54.1%	55.8%	56.8%	57.4%	59.1%
Tenured Track - Dept. Head	89	90	91	97	98	96	94	-	-	-
Tenured Track - Faculty	1,470	1,420	1,419	1,413	1,409	1,419	1,445	1,559	1,549	1,548
Total Tenured Track	1,559	1,510	1,510	1,510	1,507	1,515	1,539	1,559	1,549	1,548
STAFF										
Full-time	7,786	7,775	7,663	7,506	7,407	7,260	7,168	7,495	7,515	7,378
Part-time	4,586	4,696	4,630	4,770	4,832	4,772	4,472	4,423	4,362	4,469
Total Staff	**12,372**	**12,471**	**12,293**	**12,276**	**12,239**	**12,032**	**11,640**	**11,918**	**11,877**	**11,847**
Total Faculty and Staff	**15,530**	**15,615**	**15,342**	**15,298**	**15,161**	**14,834**	**14,396**	**14,663**	**14,576**	**14,466**

Source: University of Arizona Fact Book (FY 2007 - 16) & Institutional Analysis

Capital Assets

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Academic/Support Facilities	651	643	647	622	621	593	584	580	590	587
Auxiliary Facilities	74	74	71	70	71	68	69	63	67	65
Total	**725**	**717**	**718**	**692**	**692**	**661**	**653**	**643**	**657**	**652**

Source: University of Arizona Capital Improvement Plan from Real Estate Administration

Photo: UA Marketing Communications & Brand Management

Credits

Content

Duc Ma
Interim Associate Vice President, Financial Services

Nicole Salazar
Comptroller, Financial Services Office

Bethany Prim
Assistant Comptroller, Financial Services Office

Susan Richmond
Assistant Director, Capital Finance

Tammy Strom
Assistant Director, Operations

Steve Kelly
Assistant Director, Investments

Jennifer Pfennig
Senior Accounting Manager, Financial Services Office

Design

Joe Gallegos
Senior Website Designer/Developer, Financial Services Office

Contributions by Financial Services Office staff

Will Ames, Michael Aramian, Ron Blank, Rick Bishop, Shawn Clodfelter, Angelica Custer, Kristina Deblois, Denise Dellinger, Jani Fisk, Michael Florian, Leo Garcia-Iniguez-Madero, Lisa Granados, Janet Gurton, Kelsey Haight, Matthew Hohl, Lizbeth Holguin, Norma Izabal-Cardenas, Luis Guerrero, Fay Johnson, Jodi Ketchmark, Marie Langlais, Andrea Lee, Eric Lee, Justin Mannin, Amy Miller, Michael Mitchell, Austin Morrell, Najah Muzahem, Melinda Pelusi, Chris Pings, Pamela Prokop, Marian Smith, Melissa Vemulapalli, Julie Villaverde, Macy Walker, Renee Williams, Ziyi Ye, Purchase Order team, Disbursement Voucher team, Travel team, Customer Service and Scanning team, Check Control team, Payroll Operations team, Procurement & Contracting Services team, Administration team, Information Technology team, Initiatives & Outreach team, Bursar's Office team, and University Information Technology Services team including University Analytics & Institutional Research

Contributions by Financial Services Office students

Brandon Bibbs, Desiree Hong, Kyler Kartchner, Chantel Leon, Sarah Salah, and Anna Vaughan

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