Arizona State University

Comprehensive Annual Financial Report

Year Ended June 30, 2016

An Enterprise Fund of the State of Arizona

Front Cover. The Beus Center for Law and Society (BCLS) is the new home to the Sandra Day O'Connor College of Law at Arizona State University. Other BCLS occupants include the Lincoln Center for Applied Ethics, The McCain Institute for International Leadership, the Sandra Day O'Connor Institute, Arizona Voice for Crime Victims, Arizona Justice Project and the ASU Alumni Law Group - the nation's first teaching law firm that also helps the community gain access to affordable legal services.

Comprehensive Annual Financial Report

Year Ended June 30, 2016

Arizona State University

Included as an Enterprise Fund of the State of Arizona
Prepared by the ASU Financial Services Office

Arizona State University

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Introductory Section

Message from President Michael Crow

This year marked the 130th anniversary of the founding of Arizona State University. ASU has traveled a unique path in its evolution from a rural teacher's college to a world-class knowledge enterprise committed to knowledge creation, innovation, meaningful impact to our community and global engagement. A cornerstone of the continued advancement of ASU's complex mission is effective management of financial resources and a focus on efficient operations at all levels of the organization as detailed in this Comprehensive Annual Financial Report.

At ASU, we have an unconditional commitment to the public trust to provide our students with the resources needed to become master learners – individuals who are highly adaptive to and productive in changing economies and societies and are well-equipped to develop solutions to complex problems. And, I am pleased to say that once again, ASU has proven what it takes to be #1 in innovation by advancing significant and strategic partnerships, programs and initiatives that underscore our commitment to inclusion; research & discovery for the public good; and maximum societal impact.

For example, while law schools across the country face enrollment challenges, for fall 2016 the Sandra Day O' Connor College of Law welcomed its largest class in the school's history. This success is fueled by innovative programs, year-after-year job placement success, and strong community support. Students were also attracted to the new Beus Center for Law and Society, pictured on the front of this year's CAFR, a state-of-the-art facility located in downtown Phoenix, the heart of Arizona's business, legal and political community. In addition to the Sandra Day O' Connor College of Law, the center will house the nation's first teaching law firm, a law library open to the public, and a legal triage service to help the public find support.

Additionally, researchers at ASU continue to experience unprecedented success. For the first time in its history, ASU's total research expenses are expected to exceed $500 million in fiscal year 2016, as ASU continues to find solutions to global problems, including world health issues. ASU experts are currently committed to finding solutions to stop the advance of the Zika virus. Researchers from the Wyss Institute in Boston and ASU partnered to develop a low-cost practical diagnostic test that can be easily administered, even in areas where medical expertise is scarce making an accurate diagnosis of Zika infection challenging. Since a vaccine may be years away, developing a widely available diagnostic test to confirm infection and monitor the geographic range of the disease is a critical step in limiting the spread of the virus. This Zika virus test was recently named a 2016 Best of What's New award winner by Popular Science magazine recognizing the test as a breakthrough innovation.

We continue to expand our global engagement efforts and to enhance our capacity to build a safer, more secure world. ASU, King's College London and the University of New South Wales Australia have come together to form the PLuS Alliance, a new partnership to help find research-led solutions to global challenges and expand access to world-class learning. This partnership will combine the unique talents, ideas and specialties of our university communities to formulate new solutions and technologies to address significant issues related to health, social justice, sustainability and innovation, and deliver an exceptional international learning experience that builds on ASU's established record of innovative online course delivery.

One of the keys to solving the challenges facing humankind is greater access to education so that talented men and women around the world can acquire the training and knowledge needed to join a workforce that operates across cultures and borders. ASU will continue its evolution in order to provide innovative solutions to education, remain an engaged partner in resolving issues within our community, and use our research capacity to achieve solutions to global problems. The success of ASU over the last 130 years had been nothing short of remarkable and I know our faculty, staff and students of Arizona State University are unwavering in their commitment to continue our trajectory.

Thank you for your interest in ASU.

December 9, 2016

Dear President Crow, Members of the Arizona Board of Regents, and University Stakeholders:

We are pleased to present the Arizona State University *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2016. The report includes the annual financial statements, Management's Discussion and Analysis (MD&A) and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. We believe our system of internal controls is robust and sufficient to disclose material deficiencies in controls and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. 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 material misstatements.

The University's internal auditors also perform fiscal, compliance and performance audits. University Audit and Advisory Services prepares an annual audit plan based on ASU's Enterprise Risk Assessment Model. The audit plan is approved by the President and submitted to the Arizona Board of Regents Audit Committee.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. 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 and the Arizona Board of Regents. The audit of the University's federal assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. For the year ended June 30, 2016, the State of Arizona Office of the Auditor General has issued an unmodified opinion on Arizona State University's financial statements, the most favorable outcome possible. The independent auditors' report is displayed in the front of the financial section of the Report.

ASU remains committed to effective budgetary planning and sound financial management as it pursues excellence in teaching, research and public service. We have prepared the Management's Discussion and Analysis (MD&A) to provide a narrative introduction, overview and analysis of the basic financial statements, as well as information regarding the University's financial position and the results of operations for the year ended June 30, 2016. The MD&A is located immediately following the independent auditors' report, complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

ASU's charter, mission and goals demonstrate leadership in both academic outcomes and accessibility to our programs. ASU strives to establish national standing in academic quality and impact of all ASU colleges and schools; to establish ASU as a global center for interdisciplinary research, discovery and development; and to enhance our local impact and social embeddedness. These aspirations provide the framework for ASU's continued development as a leading, global research university.

ASU offers more than 600 undergraduate and graduate degree programs led by expert faculty from highly-ranked colleges and schools. Each distinctive academic program exemplifies the hallmark of ASU-- an exceptional education inspired by vision, scholarship and creativity. All ASU graduate and undergraduate academic programs are fully accredited by the North Central Association's Higher Learning Commission. Many programs also maintain additional accreditation through specialized accrediting agencies.

ASU was founded as the Territorial Normal School in 1885 by an act of the Thirteenth Territorial Legislature, in response to the growing demand for teachers and leaders in the region. In 1915, agriculture was added to the curriculum in response to the completion of the Roosevelt Dam and subsequent expansion of irrigated farming in the area. In 1958, after a series of name changes, the citizens of Arizona voted in favor of a ballot proposition to change the name of the institution to Arizona State University. ASU today is composed of five campuses in the metropolitan Phoenix area, ASU Online, and programs in Lake Havasu City, Arizona near the Arizona/California border.

The Arizona Board of Regents (ABOR) governs Arizona State University, as well as the state's other two public universities. ABOR is composed of twelve members, including appointed, ex-officio, and student regents. The Governor of Arizona appoints and the Arizona Senate confirms the eight appointed regents to staggered, eight-year terms as voting members of ABOR. The Governor and Superintendent of Public Instruction serve as ex-officio, voting members while they hold office. Two student regents serve staggered two-year terms, the first year as a nonvoting board member and the second year as a voting member.

The University is considered a part of the reporting entity for the State of Arizona's financial reporting purposes and is included in the State's *Comprehensive Annual Financial Report*. The financial reporting entity for ASU's financial statements is comprised of the University and ten component units. The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) reporting requirements. Separate financial statements for the University's nine discretely presented component units are compiled in accordance with GASB Statement Nos. 39 and 61, and include the ASU Foundation for A New American University; Arizona Capital Facilities Finance Corporation; ASU Alumni Association; Arizona State University Research Park, Inc.; Downtown Phoenix Student Housing, LLC; Sun Angel Endowment; Sun Angel Foundation; ASU Preparatory Academy, Inc. and the Thunderbird School of Global Management. The component units are non-profit, tax-exempt organizations and are discretely presented component units based on the nature and significance of their relationship to the University.

The University is responsible for using its resources to fulfill its educational, research and public service mission. It also is responsible for planning, developing and controlling budgets within authorized allocations in accordance with University, Arizona Board of Regents, state, and federal policies. The University submits its annual operating budget, which includes revenue from state appropriations, student tuition and fees, auxiliary enterprises, grants and contracts, private gifts and other income, to ABOR for approval. The state legislature reviews the University's local funds budget and adopts and appropriates the general purpose funds budget through legislation. The University monitors budgets with controls incorporated into its enterprise financial system. In addition, colleges and departments utilize financial reports to review financial transactions and monitor budgets. The University also provides periodic financial reporting to the Arizona Board of Regents. The report includes a comparison of budget to actual, projections for revenues, expenses and net position for the fiscal year end, and variance explanations.

Arizona Economy

The following economic summary is based on the Arizona Department of Administration Employment Forecast, released on March 23, 2016.

The Office of Employment and Population Statistics within the Arizona Department of Administration is forecasting gradual gains in Arizona nonfarm employment for the 2015-2017 projection time period. A gain of 143,300 nonfarm jobs is expected from 2015 through 2017. In the current forecast, the rate of growth projected for total nonfarm employment is 2.84 percent annually, as the overall employment situation in Arizona continues to improve. Arizona continues to outpace the U.S. averages for growth in population, nonfarm employment and real personal income.

Growth in real GDP, real personal income, employment, retail sales and continued drops in the U.S. and Arizona unemployment rates are economic factors that will continue to impact the economy's growth rate positively. Labor force participation rates have increased and unemployment levels state-wide have declined. Residential and commercial real estate markets in Arizona and the Phoenix metropolitan area have shown continued signs of improvement.

Despite increases in disposable income, constrained budgets persist for a large number of households. Real median household income in the U.S. and Arizona remains below the peak level prior to the recession that began in 2007. Arizona's mining sector has seen sharp declines due to low growth rates in world commodities markets, and Arizona export markets have seen a decline as the U.S. dollar strengthens versus foreign currencies.

Planning and Initiatives

As part of the Arizona Board of Regents' strategic plan, *Impact Arizona*, key performance metrics are used to measure the success of ASU and the other state universities in achieving institutional and system-wide goals. *Impact Arizona* goals measure progress in delivering a high-quality university education; increasing the number of Arizonans with a college degree or certificate; creating new knowledge, collaborations, inventions and technology to solve critical problems; and engaging our communities through initiatives and partnerships to improve Arizona's economy and competitiveness. Key measures of progress toward achieving these goals are continually reviewed and monitored by ABOR and the universities. Overarching ASU goals as part of this strategic plan include demonstrating leadership in academic excellence and accessibility; achieving national standing in academic quality and impactful colleges and schools in every field; obtaining recognition as a global center for interdisciplinary research, discovery and development; and enhancing local impact and social embeddedness.

ASU continues to pursue aggressively programs and activities that are in line with its Charter:

> ASU is a comprehensive public research university measured not by whom it excludes, but by whom it includes and how they succeed; advancing research and discovery of public value; and assuming fundamental responsibility for the economic, social, cultural and overall health of the communities it serves.

This charter serves as an enduring commitment to the citizens of Arizona that ASU will fulfill its responsibility to provide access to affordable public education and will continue to serve the State of Arizona through its research and economic development activities.

Eight design aspirations guide ASU's ongoing evolution as a *New American University*. ASU integrates these institutional aspirations in innovative ways to demonstrate excellence, access and impact. The design aspirations of ASU are:

1. **Leverage place** by embracing our cultural, socioeconomic and physical setting
2. **Transform society** by catalyzing social change and being connected to social needs
3. **Value entrepreneurship** by encouraging innovation
4. **Conduct use-inspired research** through research which has purpose and impact
5. **Enable student success** by committing to the success of each student
6. **Fuse intellectual disciplines**, by creating knowledge that transcends academic disciplines
7. **Be socially embedded** by connecting with communities through mutually beneficial partnerships
8. **Engage globally** through interaction with people and issues within Arizona, nationally and internationally

Recent achievements and ongoing initiatives which demonstrate advancement of ASU's design aspirations include the following:

- In the 2016 U.S. News & World Report college rankings, ASU is ranked the nation's most innovative school for the second year in a row from among over 1,500 institutions. The honor is a testament to ASU's reputation among its peers. College presidents, provosts and admissions officers around the U.S. nominated ASU for its leadership in innovation. Criteria used to evaluate schools included innovations in curriculum, technology, students, faculty, campus life and facilities. Other notable rankings on the list include: #2 Stanford University, #3 Massachusetts Institute of Technology, #5 University of Maryland and #7 Georgia Institute of Technology.
- ASU continues to be nationally recognized for its sustainability efforts and achievements. ASU recently accepted the 2016 Climate Leadership Award among four-year institutions from Second Nature and the U.S. Green Building Council, beating out other finalists that included Duke University, UCLA and the University of Illinois, and earned the 6th rank on the Sierra Club's "Cool Schools" rankings, moving into

the top 10 in the nation for the first time. ASU also continues to expand its solar footprint, partnering with Arizona Public Service to develop and operate a 29 MWdc solar facility at the Saguaro Generating Station near Red Rock, Arizona which, when combined with ASU's existing solar projects portfolio, will drive ASU's solar energy production beyond the 50 MWdc milestone.
- ASU recently added two Nobel Prize winners to its faculty. Frank Wilczek, a theoretical physicist and mathematician who shared the Nobel Prize in Physics in 2004, joins the Physics department, and Sidney Altman, who shared the 1989 Nobel Prize in Chemistry, joins ASU's College of Liberal Arts and Sciences and the School of Life Sciences. ASU also enjoyed success as the top producer of prestigious Fulbright scholars among research institutions, with 10 awards to faculty members in 2016.   ASU's students also performed strongly, ranking fifth in the nation among research institutions in producing the highest number of Fulbright scholarships to students, with 22 recipients.
- ASU continued to add significant academic, research, and support facilities in 2016, including the new Beus Center for Law and Society in downtown Phoenix, home of the nationally-recognized Sandra Day O'Connor College of Law, and Phase two of the Sun Devil Stadium reinvention project. The Palo Verde Main residence hall, a public-private partnership that will house students from the Ira A. Fulton Schools of Engineering on the Tempe campus, and the Student Pavilion, designed to be ASU's first Net Zero Energy Building, using no more energy annually than can be produced on site, are both scheduled to open in the fall of 2017.

ASU has achieved steady increases in net position over the past decade, while simultaneously pursuing new opportunities in furtherance of the *New American University*. For example, with the completion of the Thunderbird School integration, we look forward to leveraging Thunderbird's extensive and well-respected executive education programs to expand executive education opportunities in fields of study offered across the University. ASU will continue to accelerate curriculum innovations through outreach opportunities made possible by ASU EdPlus, and will enhance our partnership with the State of Arizona to create a coalition of political support for investments in education, while pursuing investment partnerships to support economic development.

Awards and Acknowledgements

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. To receive a Certificate of Achievement, a report issuer must publish an easily readable and efficiently organized CAFR, and must satisfy both generally accepted accounting principles and applicable legal requirements. The University will submit its CAFR for the fiscal year ended June 30, 2016 to the GFOA and anticipates this year's report will continue to meet the requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts of the Financial Services Office and other University administrators, faculty and staff. In addition, the State of Arizona Office of the Auditor General provided invaluable assistance.

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona State University

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

2015

ASU Organizational Chart

As of June 30, 2016

Michael M. Crow
President

- **Mark Searle**
  Executive Vice President and University Provost
- **Morgan R. Olsen**
  Executive Vice President, Treasurer and Chief Financial Officer
- **Sethuraman Panchanathan**
  Executive Vice President for ASU Knowledge Enterprise Development and Chief Research and Innovation Officer
- **José A. Cárdenas**
  Senior Vice President and General Counsel
- **Daniel P. Dillon, Jr**
  Senior Vice President for Enterprise Marketing and Chief Marketing Officer
- **James W. O'Brien**
  Senior Vice President for University Affairs and Chief of Staff
- **James A. Rund**
  Senior Vice President for Educational Outreach and Student Services
- **Richard H. Stanley**
  Senior Vice President and University Planner
- **Christine K. Wilkinson**
  Senior Vice President and Secretary of the University
- **Raymond E. Anderson**
  Vice President for University Athletics

Arizona Board of Regents

As of June 30, 2016

Ex-Officio

Doug Ducey, *Governor of Arizona*

Diane Douglas, *Arizona Superintendent of Public Instruction*

Appointed

Greg Patterson, *Chair*
Tempe

William Ridenour, *Vice Chair*
Paradise Valley

Ram Krishna, *Secretary*
Yuma

Jay Heiler, *Treasurer*
Paradise Valley

LuAnn Leonard
Polacca

Rick Myers
Tucson

Larry Penley
Phoenix

Ron Shoopman
Tucson

Vianney Careaga, *Student Regent*
University of Arizona

Jared Gorshe, *Student Regent*
Northern Arizona University


POLICE

Financial Section

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 Arizona State University 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 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,* except for those of the Thunderbird School of Global Management and ASU Preparatory Academy, Inc.

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.

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 Arizona State University 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.

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Emphasis of matters

As discussed in Note A 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 discussed in Note A 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 18 through 25, schedule of the University's proportionate share of the net pension liability on page 64, and schedule of University contributions on page 65 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 68 and 69 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 have also issued our report dated December 9, 2016, 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. 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

December 9, 2016

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides readers of Arizona State University's financial statements an understanding of the financial position and revenue and expense activities for the year ended June 30, 2016. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes to the financial statements.

Arizona State University Reporting Entity

Arizona State University (ASU, University) is a knowledge enterprise committed to knowledge creation, innovation, meaningful impact to our community and global engagement. The University is comprised of an educational network of more than 600 academic undergraduate and graduate programs and majors across its campuses and online program. ASU's fall 2015 enrollment was over 91,000 students comprised of 74,000 undergraduate students and 17,000 graduate students, including over 20,000 online-only students participating in ASU's renowned online programs. ASU is an agency of the State of Arizona and is included in the State's *Comprehensive Annual Financial Report* (CAFR).

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. Financial information for FY 2015 is included in Management's Discussion and Analysis (MD&A) in order to illustrate increases and decreases with FY 2016 data. The financial statements and notes along with MD&A have been prepared in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

The University's financial statements encompass the University and its one blended component unit and nine discretely presented component units. MD&A focuses only on the University, unless otherwise stated. Information on the component units can be found in the component units' Statement of Financial Position and Statement of Activities, as well as *Note B – ASU Component Units, Note P – Summary Financial Information for ASU Component Units*, and Combining Statements of the nonmajor discretely presented component units.

Effective for FY 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*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 82, *Pension Issues–an amendment of GASB Statements No. 67, No 68, and No. 73*. GASB Statement No. 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. FY 2015 activity has been restated due to the implementation of GASB Statement No. 72 and the reclassification of a portion of land from capital assets to other investments. This activity has been posted as a prior period adjustment resulting in a restatement of beginning of the year net position. More information on the implementation of GASB Statement No. 72 and the other GASB statements, and the resulting prior period adjustment is included in *Note A – Basis of Presentation and Significant Accounting Policies.*

Financial Highlights for FY 2016

The University strengthened its financial foundation in FY 2016 with a $109 million increase in net position, compared to a $92 million increase in FY 2015. This represents the 11th straight year in which ASU reported an increase in net position. At June 30, 2016 the University had total assets of $3.6 billion and net position of $1.2 billion. Overall, FY 2016 funding sources and uses increased eight percent from FY 2015. Tuition and fees are ASU's primary revenue source (50 percent), with grants and contracts, state appropriations, and auxilary enterprise activities also providing significant resources. Over $1 billion was spent on instruction related expenses in FY 2016, representing almost one-half of the University's total expenses. Research and public service expenses of approximately $298 million comprised the second largest expense category.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and reports all assets, deferred outflows, liabilities and deferred inflows, and segregates assets and liabilities into current and non-current categories. Assets are resources controlled by ASU that can be used to support its mission and goals. A deferred outflow of resources is a use of net position that is applicable to future reporting periods. Liabilities are obligations of the university. A deferred inflow of resources is the acquisition of net position in future periods. The change in net position (assets plus deferred outflows of resources less liabilities plus deferred inflows of resources) between years is one indicator of whether the overall financial condition of the University has improved or worsened during the fiscal year. A summary comparison of the University's financial position as of June 30, 2016 and June 30, 2015 follows.

Condensed Summary of Net Position *(Dollars in millions)*	FY 2016	FY 2015 (as restated)
Assets		
Current assets	$ 264.7	$ 282.6
Noncurrent assets	1,108.2	1,016.2
Noncurrent capital assets, net	2,226.8	2,058.0
Total assets	**$ 3,599.7**	**$ 3,356.8**
Deferred outflows of resources	**$ 141.3**	**$ 131.7**
Liabilities		
Current liabilities	$ 374.6	$ 239.3
Noncurrent liabilities	613.3	532.0
Noncurrent long-term debt	1,489.5	1,525.0
Total liabilities	**$ 2,477.4**	**$ 2,296.3**
Deferred inflows of resources	**$ 42.5**	**$ 79.6**
Net position		
Net investment in capital assets	$ 778.9	$ 699.7
Restricted:		
Nonexpendable	70.5	64.8
Expendable	118.0	109.7
Unrestricted	253.7	238.4
Total net position	**$ 1,221.1**	**$ 1,112.6**

At June 30, 2016, ASU held total assets of $3.6 billion, reflecting a seven percent increase from June 30, 2015. Current assets are used to support operations and include cash and cash equivalents, short-term investments and accounts receivables. Current assets decreased slightly between years primarily due to a decrease in state appropriations receivable in FY 2016, partially offset by increased cash and cash equivalents and short-term investments. Beginning in FY 2009 the State of Arizona enacted a process to hold a portion of the university's state appropriation until approximately October 1 of the subsequent fiscal year. In FY 2016, the State reverted to funding the entire state appropriations commitment in the fiscal year it was allocated, resulting in a decrease in accounts receivable at the end of the year, and an increase in cash.

Noncurrent assets increased $261 million with other investments increasing by $105 million and net capital assets increasing by $169 million, along with a slight decrease in restricted cash and cash equivalents. A change in investment policy approved a realignment of operating fund investment portfolios to allow for the purchase of longer-term securities to enhance total returns, which resulted in the transfers of funds from short-term investment vehicles to longer term strategies. The increase in net capital assets was largely due to construction costs for the Beus Center for Law and Society, the new home of the ASU Sandra Day O'Connor School of Law, and renovation costs of Sun Devil Stadium.

Deferred outflows of resources increased $10 million between years including $6 million related to the University's interest rate swap and $5 million related to pension plans, offset by a decrease in unamortized loss on refunding debt. See *Note G – Interest Rate Swap Agreement* for more information on the increased interest rate swap value, *Note K – Retirement Plans* for more information on the University's pension plans and *Note F - Long-Term Debt and Lease Obligations* for information regarding the economic gain from refundings. Deferred inflows of resources decreased $37 million between years due to the decrease in projected and actual pension investment earnings.

Total liabilities increased $181 million for the year ended June 30, 2016 to almost $2.5 billion. Current liabilities increased $135 million primarily due to increased current long-term debt obligations related to the expiration of a variable rate demand bonds letter of credit which was replaced with a self-liquidity facility agreement. This reclassification of debt from non-current to current also resulted in a decrease in noncurrent long-term debt for the year. See *Note F – Long-Term Debt and Lease Obligations* for more information. The $81 million increase in noncurrent liabilities was primarily due to increased pension plans liability and the issuance of the 2015D System Revenue Bonds.

Net position increased $109 million between years to over $1.2 billion. As noted above, over the past eleven years the University has had modest but steady increases in net position allowing the University to accumulate unrestricted net position sufficient to absorb the reduction in net position related to implementation of GASB Statement No. 68 during FY 2015 and still maintain positive unrestricted net position. Net position is reported as follows:

- Net investment in capital assets represents the University's investment in capital assets such as equipment, buildings, land and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- Restricted-nonexpendable net position primarily represents the University's permanent endowment funds received from donors for the purpose of creating permanent funding streams for specific programs or activities. These funds are held in perpetuity and are not available for expenditure by the University. The earnings on these funds support the programs and activities as determined by donors.
- Restricted-expendable net position is the resources which the University is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or other external parties.
- Unrestricted net position is composed of all other funds available to ASU for purposes related to

its mission. Unrestricted net position is typically designated or committed for specific academic programs or research initiatives.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the University's operating results for the fiscal year. A positive increase in net position would typically indicate the financial condition of the University has improved over the prior year. In accordance with GASB, the University recognizes certain essential revenues such as state appropriations, financial aid grants, and private gifts, as nonoperating revenues even though those revenues are used to support the University's core instructional mission. A summary comparison of the University's activities for FY 2016 and FY 2015 follows.

Condensed Summary of Revenues, Expenses, and Changes in Net Position *(Dollars in millions)*

	FY 2016	FY 2015 (as restated)
Operating revenues		
Tuition and fees, net	$ 1,157.5	$ 1,021.0
Research grants and contracts	253.2	237.5
Auxiliary enterprises, net	149.7	145.0
Other operating revenues	83.9	79.2
Total operating revenues	$ 1,644.3	$ 1,482.7
Operating expenses	2,104.5	1,961.8
Operating loss	**$ (460.2)**	**$ (479.1)**
Net nonoperating revenues (expenses)		
State appropriations	$ 281.4	$ 338.0
Other nonoperating revenues	335.8	267.0
Nonoperating expenses	(76.0)	(63.2)
Income before other revenues, expenses, gains, or losses	$ 81.0	$ 62.7
Capital appropriations and other revenues	27.5	29.5
Increase in net position	**$ 108.5**	**$ 92.2**
Net position at beginning of year	1,112.6	1,020.4
Net position at end of year	**$ 1,221.1**	**$ 1,112.6**

Operating Revenues

Operating revenues represent resources generated by the University to fulfill its instruction, research, and public service missions. Student tuition and fees, research grants and contracts, and auxiliary enterprise activities are the primary operating revenues of the University.

Operating revenues increased $162 million, or eleven percent, to $1.6 billion in FY 2016 with the most significant increase occurring in net tuition and fees. The growth in tuition and fee revenues is primarily the result of a ten percent increase in enrollment, including a 23 percent rise in nonresident enrollment, and a modest increase in tuition and fee rates. Research grants and contracts revenue, primarily funded by federal agencies, reflected a seven percent increase between years. Grants and contracts revenue varies from year to year for many reasons, including availability of funding from specific sponsors, the close-out of particularly large projects and the start-up process for new projects.

Operating Expenses

Expenses are also categorized as operating or nonoperating per GASB. The University reports operating expenses by functional category (instruction, research, etc.) in the statement of revenues, expenses, and changes in net position and displays expenses by their natural classification (personal services and benefits, supplies and services, etc.) in *Note J – Operating Expenses by Natural Classification.*

Operating expenses increased $143 million or seven percent in FY 2016 with the increase largely reflecting the growth in enrollment. Instruction and academic support expenses experienced the largest increase, $81 million, spread across most academic areas of the University, with ASU Online showing one of the largest increases. The increase in ASU Online reflects the continued growth of the program which was recently recognized as a top tier program in the *U.S. News & World Report* listing of America's Best Online Programs. ASU was ranked among the top 15 online programs for bachelor's programs in 2016. Also included in FY 2016 functional expenses is $24 million of other postemployment benefits which are included due to materiality. See *Note L – Other Postemployment Benefits* for more information.

Nonoperating Revenues and Expenses

Due to the required classification of key revenue sources such as state appropriations, financial aid grants, and private gifts as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Total nonoperating revenues increased by $12 million between years with state appropriations decreasing by $57 million, offset by a $42 million increase in private gifts as well as increases in all other nonoperating revenue categories. The decrease in state appropriation was the result of State of Arizona concerns regarding its FY 2016 budget. The increase in private gifts was the result of a $21 million gift to the ASU Thunderbird School of Global Management from the related corporate entity (a component unit of ASU).

Combined Sources and Uses *(Dollars in millions)*	FY 2016		FY 2015		Percentage Change
Sources					
Tuition and fees, net	$ 1,157.5	50%	$ 1,021.0	48%	13%
Grants and contracts	309.9	14%	286.7	14%	8%
State appropriations (includes capital appropriations)	292.8	13%	353.0	17%	(17%)
Financial aid grants	124.2	5%	115.1	5%	8%
Auxiliary enterprises, net	149.7	7%	145.0	7%	3%
Private and capital gifts	106.2	5%	66.8	3%	59%
Sales and services	69.5	3%	67.2	3%	3%
Share of state sales tax (TRIF)	31.1	1%	26.5	1%	17%
Other sources	48.1	2%	35.9	2%	34%
Total sources	**$ 2,289.0**	**100%**	**$ 2,117.2**	**100%**	**8%**
Uses					
Instruction and academic support	$ 1,015.2	46%	$ 934.1	46%	9%
Research and public service	297.9	14%	281.0	14%	6%
Scholarships and fellowships and student services	263.8	12%	235.1	12%	12%
Institutional support and operation of plant	263.6	12%	253.8	12%	4%
Auxiliary enterprises	147.6	7%	143.2	7%	3%
Depreciation	116.4	5%	114.6	6%	2%
Interest on debt and other expenses	76.0	4%	63.2	3%	20%
Total uses	**$ 2,180.5**	**100%**	**$ 2,025.0**	**100%**	**8%**

Pat's Run participants crossing Tempe Town Lake. In 2016, over 30,000 individuals participated in the 12th annual Pat's Run event supporting the Pat Tillman Foundation which provides scholarships for Tillman scholars - military veterans and spouses who share Pat Tillman's spirit of service, learning and action.

Statement of Cash Flows

A summary comparison of cash flows for the University's FY 2016 and FY 2015 activities follows.

Condensed Summary of Cash Flows *(Dollars in millions)*	FY 2016	FY 2015
Cash provided by/(used for):		
Operating activities	$ (315.8)	$ (367.8)
Noncapital financing activities	702.8	604.2
Capital and related financing activities	(241.4)	(69.0)
Investing activities	(130.9)	(43.7)
Net increase in cash and cash equivalents	**$ 14.7**	**$ 123.7**
Cash and cash equivalents at beginning of year	294.6	170.9
Cash and cash equivalents at end of year	**$ 309.3**	**$ 294.6**

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. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, research grants and contracts, and auxiliary enterprises revenues. Operating expenses include employee salaries and benefits and vendor payments for services and supplies. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes cash from state appropriations, financial aid grants, and private gifts. Cash flows from capital financing activities include all capital assets and related long-term debt activities, including proceeds from the issuance of debt, capital asset purchases, and principal and interest paid on long-term debt. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and income earned on those investments.

Capital Assets and Debt Administration

The University is required by state statute and Arizona Board of Regents policy to prepare an annual Capital Improvement Plan (CIP). The CIP details the University's three-year strategic plan of space use and capital investments to enable the success of current and future students and maintain the University's commitment to the people of Arizona regarding research discovery and economic development. The CIP also outlines any plans to issue debt to finance capital acquisitions or construction to address space deficiencies in academic, research and student programs.

ASU's capital assets continue to grow in order to provide facilities to support the University's instruction, research and public service missions. Overall the university's capital assets, net of accumulated depreciation and deletions, increased by $169 million in FY 2016, an eight percent increase over FY 2015. Activity in FY 2016 primarily related to construction and renovation of academic facilities, as well as the second phase of a multi-year construction project to renovate and structurally reinforce ASU's landmark football stadium, Sun Devil Stadium. Key FY 2016 capital asset projects included the following:

- Opened in summer 2016, the **Beus Center for Law and Society** located on ASU's Downtown Phoenix campus serves as home to the Sandra Day O'Connor College of Law, the Arizona Legal Center, the McCain Institute for International Leadership, Arizona Voice for Crime Victims, the Arizona Justice Project and the Lincoln Center for Applied Ethics. The facility includes classrooms, an auditorium, faculty offices, conference spaces, student collaboration areas and will house public policy think tanks to collaborate on issues of justice, public discourse, social policy and personal freedom. The $129 million, 362,141 square-foot facility was funded by system revenue bonds, along with City of Phoenix support and private gifts.
- **Sun Devil Stadium** is a Phoenix area landmark and the largest public assembly building on the ASU campus. The Sun Devil Stadium renovation project is occurring in three phases to allow ASU football games to be scheduled in the stadium throughout the construction period without a significant impact on the fan experience. Phase 1 of the project was completed in summer 2015 and included construction of a new student section in the south end zone, infrastructure upgrades, enhanced concessions and food services, renovated and new restrooms, and ADA enhancements and elevators. Phase 2 was completed in summer 2016 and offers improved amenities including new seating, concessions and restrooms on the west side of the stadium. The lower bowl of the stadium and west side concourses were reconstructed and infrastructure, technology and accessibility issues were addressed.

Additional information about the University's capital assets is presented in *Note D – Capital Assets*.

A summary of the University's outstanding debt including average interest rates, final maturity and outstanding balances for its bonds, certificates of participation and capital leases, is presented in *Note F – Long-Term Debt and Lease Obligations*. In December 2015 the University issued $103 million in system revenue bonds to fund the Sun Devil Stadium Phase 2 renovations and university-wide classroom and information technology infrastructure improvements. In January 2016 the University issued $37 million of system revenue refunding bonds to refund various outstanding bonds of the University. The refunded debt is considered defeased and related liabilities are not included in the University's financial statements. ASU continues to maintain its long-term bond ratings of Aa3 from Moody's Investor Services and AA from Standard & Poor's.

ASU's Component Units

Included in this financial report are the financial statements of the University's component units discretely presented on separate pages from the financial statements of the University. The component units are reported in distinct financial statements due to their use of different financial reporting models than the University and to emphasize their separation from the University. ASU component units included in these statements are the ASU Foundation for A New American University (ASU Foundation), Arizona Capital Facilities Finance Corporation (ACFFC), ASU Alumni Association, Arizona State University Research Park, Inc., Downtown Phoenix Student Housing, LLC, Sun Angel Endowment, Sun Angel Foundation, ASU Preparatory Academy, Inc. and the Thunderbird School of Global Management (Thunderbird) corporate entity. Even though the component units support the University, they are not subsidiaries of the University. For more information on these component units, please refer to *Note B – ASU Component Units* and *Note P – Summary Financial Information for ASU Component Units*.

The financial statements for the University's blended component unit, the ASU Athletic Facilities District, are not included in this financial report as there was no activity as of June 30, 2016.

Condensed Summary of Financial Position for ASU Component Units *(Dollars in millions)*

	FY 2016	FY 2015
Assets		
Cash and investments	$ 872.5	$ 902.5
Capital assets, net	277.7	296.3
Receivables, net	223.8	181.5
Other assets	111.0	117.9
Total assets	**$ 1,485.0**	**$ 1,498.2**
Liabilities		
Long-term debt	$ 499.8	$ 514.4
Other liabilities	212.5	211.6
Total liabilities	**$ 712.3**	**$ 726.0**
Net assets		
Unrestricted	$ (2.9)	$ 29.1
Temporarily restricted	341.5	323.5
Permanently restricted	434.1	419.6
Total net assets	**$ 772.7**	**$ 772.2**

Condensed Summary of Activities for ASU Component Units *(Dollars in millions)*

	FY 2016	FY 2015
Revenues		
Contributions	$ 164.7	$ 156.5
Other revenues	116.2	156.6
Total revenues	**$ 280.9**	**$ 313.1**
Expenses		
Payments to the benefit of ASU	$ 128.4	$ 93.6
Other expenses	152.0	173.2
Total expenses	**$ 280.4**	**$ 266.8**
Transfers, interest, gains and losses		31.9
Increase in net assets	$ 0.5	$ 78.2
Net assets at beginning of year	772.2	694.0
Net assets at end of year	**$ 772.7**	**$ 772.2**

Combined ASU and ASU Component Units

ASU and its component units combined for an increase in net position/net assets of $109 million in FY 2016. The ASU Foundation had a $8 million increase in net assets in FY 2016, largely offset by decreased net assets in the other component units. The most notable change in revenues for the component units between years was a $27 million decrease in net investment income. Overall, restricted net assets of the component units increased by $33 million between years with a corresponding decrease in unrestricted net assets. Restricted net position/net assets must be spent in compliance with donor directions, and are typically restricted for use by a specific academic department or program.

End of the Year Net Position of ASU and Net Assets of ASU Component Units on a Combined Basis *(Dollars in millions)*

	FY 2016			FY 2015		
	ASU	ASU Component Units	Combined	ASU (as restated)	ASU Component Units	Combined (as restated)
Net investment in capital assets	$ 778.9		$ 778.9	$ 699.7		$ 699.7
Unrestricted net position/net assets	253.7	$ (2.9)	250.8	238.4	$ 29.1	267.5
Restricted net position/net assets:						
Expendable/Temporarily	118.0	341.5	459.5	109.7	323.5	433.2
Nonexpendable/Permanently	70.5	434.1	504.6	64.8	419.6	484.4
Net position/net assets at end of year	**$ 1,221.1**	**$ 772.7**	**$ 1,993.8**	**$ 1,112.6**	**$ 772.2**	**$ 1,884.8**

Economic Outlook

The State of Arizona reduced its investment in the Arizona university system for FY 2016 due to concerns over State revenue shortfalls, resulting in a $57 million reduction to ASU's investment from the State over the prior year. ASU managed this reduction through targeted tuition rate increases for non-resident students and international students while continuing to make strategic investments in key academic programs and pursuing collaborative partnerships.

For FY 2017 the state investment is currently budgeted to increase $13 million over FY 2016. Although important to ASU's overall revenues, state appropriations no longer comprise the largest component of ASU's revenue sources. Tuition and fees along with grant and contract revenues comprised the largest funding sources for the University in FY 2016, and are anticipated to continue that trend.

ASU's student enrollment has increased each of the last 10 years reported in this financial report. This trend continues into FY 2017 with ASU's fall 2016 enrollment exceeding 98,000 students, a 7.5% increase from fall 2015. At the same time ASU's students, faculty, and academic and research programs continue to receive national recognition. ASU is the top producer of Fulbright scholars and among the top producing schools for Fulbright student awards.

Kiplinger's Personal Finance's list of the top "best college values" of 2016 included ASU as a best values in public higher education for in-state and out-of-state students, as measured by academic quality, freshmen retention and persistence rates, and affordability. Kiplinger's rewards colleges who help students obtain degrees on time and within budget, key performance indicators of a school by students and their parents.

Through student retention programs at ASU such as me3, a unique system that guides and supports students in finding a major that fits his or her talents, and ASU's unique Major Maps step-by-step roadmap tailored to each degree program to keep students on track, ASU has achieved increased retention and graduation rates.

ASU has also been lauded as the **Most Innovative School** by the *U.S. News and World Report* for the past two years. *Popular Science* awarded ASU's work on developing a diagnostic test for the Zika virus, in conjunction with Harvard University, as one of the most innovative breakthroughs of 2016.

Partnerships and collaborations will help continue to drive ASU's role as a premier academic and research university. ASU and the Mayo Clinic recently announced a partnership aimed at transforming medical education and health care in the U.S. helping doctors reduce costs, simplify the system and save more lives. As far part of this alliance ASU is planning to build a 150,000 square-foot Health Solutions Innovation Center on land adjacent to the Mayo Clinic in Scottsdale (Arizona). The facility will feature a med-tech innovation accelerator, biomedical engineering and informatics research labs, as well as instruction space. This new alliance greatly expands an existing relationship between ASU and the Mayo Clinic which began more than a decade ago.

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Statement of Net Position

June 30, 2016 *(Dollars in thousands)*

Assets		
Current Assets:		
Cash and cash equivalents (Note C)	$	72,543
Short-term investments (Note C)		68,527
Accounts receivables, net		120,235
Other assets		3,344
Total Current Assets	$	264,649
Noncurrent Assets:		
Restricted cash and cash equivalents (Note C)	$	236,711
Endowment investments (Note C)		113,659
Other investments (Note C)		729,729
Student loans receivable, net		10,923
Other assets		200
Equity interest in Thunderbird		17,000
Capital assets, net (Note D)		2,226,823
Total Noncurrent Assets	$	3,335,045
Total Assets	**$**	**3,599,694**
Deferred Outflows of Resources		
Interest rate swap (Note G)	$	23,206
Unamortized loss on refunding debt		40,912
Pensions related (Note K)		77,199
Total Deferred Outflows of Resources	**$**	**141,317**
Liabilities		
Current Liabilities:		
Accounts payable	$	131,156
Compensated absences (Note I)		3,235
Unearned revenues		51,385
Funds held for others		29,054
Current portion of long-term debt (Note F) - Funded by:		
University operating revenues		127,881
State appropriations and other State monies		31,903
Total Current Liabilities	$	374,614
Noncurrent Liabilities:		
Compensated absences (Note I)	$	27,441
Other liabilities		3,558
Derivative instrument - Interest rate swap (Note G)		23,206
Pension plans payable (Note K)		535,170
Other postemployment benefits liability (Note L)		23,901
Long-term debt (Note F) - Funded by:		
University operating revenues		1,104,411
State appropriations and other State monies		385,122
Total Noncurrent Liabilities	$	2,102,809
Total Liabilities	**$**	**2,477,423**
Deferred Inflows of Resources		
Pensions related (Note K)	$	42,472
Net Position		
Net investment in capital assets	$	778,867
Restricted (Total of $188,521):		
Nonexpendable:		
Student aid		63,807
Academic department uses		6,737
Expendable:		
Student aid		38,907
Academic department uses		72,534
Capital projects and debt service		6,536
Unrestricted (Note H)		253,728
Total Net Position	**$**	**1,221,116**

See Notes to Financial Statements.

Statement of Financial Position

June 30, 2016 *(Dollars in thousands)*

Assets		
Cash and cash equivalents	$	43,784
Pledges receivables, net		177,252
Other receivables, net		46,542
Investments in securities		767,435
Other investments		61,312
Net direct financing leases		63,719
Property and equipment, net		277,684
Other assets		47,259
Total Assets	**$**	**1,484,987**
Liabilities		
Accounts payable and accrued liabilities	$	45,946
Deferred revenue		14,565
ASU endowment trust liability		113,659
Other liabilities		38,257
Long-term debt		499,844
Total Liabilities	**$**	**712,271**
Net Assets		
Unrestricted	$	(2,912)
Temporarily restricted		341,524
Permanently restricted		434,104
Total Net Assets	**$**	**772,716**

See Notes to Financial Statements.

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016 *(Dollars in thousands)*

Operating Revenues		
Student tuition and fees, net of scholarship allowances of $296,317	$	1,157,535
Research grants and contracts, including $207,389 in federal funding		
and $45,769 in nongovernmental funding		253,158
Sales and services -		
Auxiliary enterprises, net of scholarship allowances of $16,747		149,734
Educational departments		69,523
Other revenues		14,387
Total Operating Revenues	$	1,644,337
Operating Expenses (Note J)		
Educational and general -		
Instruction	$	749,722
Research		261,055
Public service		36,807
Academic support		265,540
Student services		111,018
Institutional support		155,172
Operation and maintenance of plant		108,454
Scholarships and fellowships		152,802
Auxiliary enterprises		147,562
Depreciation		116,381
Total Operating Expenses	$	2,104,513
Operating Loss	$	(460,176)
Nonoperating Revenues (Expenses)		
State appropriations	$	281,385
Share of state sales tax - technology and research initiatives fund		31,075
Financial aid grants, including $123,945 in federal funding		124,188
Grants and contracts, including $34,910 in federal funding		56,743
Private gifts		99,612
Financial aid trust funds, including $5,724 in state trust fund appropriations		14,833
Net investment return		9,382
Interest on debt		(59,972)
Other expenses		(16,039)
Net Nonoperating Revenues	$	541,207
Income Before Other Revenues, Expenses, Gains, or Losses	$	81,031
Capital appropriations - Research Infrastructure Capital Financing	$	11,422
Capital commitment - Arizona Lottery revenues		9,537
Capital grants and private gifts		4,937
Additions to permanent endowments		1,577
Increase in Net Position	$	108,504
Net Position at Beginning of Year, restated (Note A)		1,112,612
Net Position at End of Year	**$**	**1,221,116**

See Notes to Financial Statements.

Statement of Activities

Year ended June 30, 2016 *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues				
Contributions	$ 27,121	$ 124,059	$ 13,573	$ 164,753
Rental revenues	36,606			36,606
Sales and services	57,667	90		57,757
Net investment return	(10,853)	(5,853)	410	(16,296)
Net assets released from restrictions	100,399	(100,923)	524	
Grants and aid	17,344			17,344
Other revenues	20,081	695		20,776
Total Revenues	$ 248,365	$ 18,068	$ 14,507	$ 280,940
Expenses				
Payments to the benefit of ASU -				
Cash donation transfers to ASU	$ 108,015			$ 108,015
Vendor payments	10,176			10,176
Scholarship fund transfers to ASU	7,426			7,426
Rent payments to ASU	2,812			2,812
Management and general	95,581			95,581
Interest expense	20,909			20,909
Depreciation/amortization	17,334			17,334
Other expenses	18,136			18,136
Total Expenses	$ 280,389			$ 280,389
Increase in Net Assets,	(32,024)	18,068	14,507	551
Net Assets at Beginning of Year	29,112	323,456	419,597	772,165
Net Assets at End of Year	**$ (2,912)**	**$ 341,524**	**$ 434,104**	**$ 772,716**

See Notes to Financial Statements.

Statement of Cash Flows

Year ended June 30, 2016 *(Dollars in thousands)*

Cash Flows from Operating Activities	
Student tuition and fees	$ 1,144,782
Research grants and contracts	256,135
Sales and services of auxiliary enterprises	154,718
Sales and services of educational activities	67,695
Payments for employees' salaries and benefits	(1,160,915)
Payments to vendors for supplies and services	(609,261)
Payments for scholarships and fellowships	(175,359)
Student loans issued	(2,551)
Student loans collected	2,495
Other receipts	6,458
Net cash used for operating activities	$ (315,803)
Cash Flows from Noncapital Financing Activities	
State appropriations	$ 371,960
Share of state sales tax - technology and research initiatives fund	28,779
Grants and contracts	173,793
Private gifts for other than capital purposes	101,188
Financial aid trust funds	14,956
Direct lending program receipts	576,687
Direct lending program disbursements	(576,595)
Funds held for others received	221,508
Funds held for others disbursed	(209,479)
Net cash provided by noncapital financing activities	$ 702,797
Cash Flows from Capital and Related Financing Activities	
Capital appropriations - Research Infrastructure Capital Financing	$ 11,422
Build America Bonds - federal subsidy	3,705
Capital commitments, including Arizona Lottery revenue	5,123
Capital gifts and grants	3,374
Proceeds from issuance of capital debt	120,395
Purchases of capital assets	(266,219)
Principal paid on capital debt and leases	(59,860)
Interest paid on capital debt and leases	(59,358)
Net cash used for capital and related financing activities	$ (241,418)
Cash Flows from Investing Activities	
Purchases of investments, net	$ (149,408)
Interest received on investments	18,500
Net cash used for investing activities	$ (130,908)
Net increase in cash and cash equivalents	14,668
Cash and cash equivalents at beginning of year	294,586
Cash and cash equivalents at end of year	**$ 309,254**
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (460,176)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	116,381
Miscellaneous nonoperating expenses	(10,141)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Net pension plans payable	47,566
Deferred outflows of resources related to pensions	(4,718)
Deferred inflows of resources related to pensions	(37,144)
Net other postemployment benefits liability	23,901
Receivables, net	(4,483)
Accounts payable and accrued liabilities	5,306
Compensated absences	662
Unearned revenues	6,709
Other assets	334
Net cash used for operating activities	$ (315,803)
Significant Noncash Transactions	
Refinancing of long-term debt	$ 44,642
Unrealized gain on investments	5,921
Amortization of bond premium	(5,463)
Loss on disposal of capital assets, net	(9,722)

See Notes to Financial Statements.

June 30, 2016

Note A - Basis of Presentation and Significant Accounting Policies

The accounting policies of Arizona State University (ASU, University) conform to U.S. generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

Arizona State University is one of the largest public research universities in the United States under a single administration. Located on five campuses across metropolitan Phoenix, ASU had fall 2015 enrollment of 91,357 students. The accompanying statements of the University include the activity of the Tempe campus, West campus (located in northwest Phoenix adjacent to Glendale), Polytechnic campus (located in Mesa), the Downtown Phoenix campus, Thunderbird campus (located in Glendale), and the University's extensive online programs, as well as its component units. Information on component units can be found in *Note B - ASU Component Units* and *Note P - Summary Financial Information for ASU Component Units*.

For financial reporting purposes, the University's portion of the statements includes those funds directly controlled by the University. Control by the University is determined on the basis of financial accountability. The University is classified as a state instrumentality per Internal Revenue Code Section 115. Since fiscal responsibility for the University remains with the State of Arizona, the University is considered a part of the reporting entity for the State's financial reporting purposes.

ASU's Basis of Presentation and Accounting

The accompanying financial statements of the University include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows, each of which provide a comprehensive, entity-wide perspective of the University. The statement of net position provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at the end of the fiscal year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions, or availability of assets to satisfy the University's obligations. The statement of revenues, expenses, and changes in net position provides information about the University's financial activities during the fiscal year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital additions and additions to endowments. 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 and related financing, or investing activities.

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,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and GASB Statement No. 82, *Pension Issues–an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB statement No. 72 by the University resulted in a restatement of net position as of July 1, 2015, due to the recognition of prior period activity.

GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 established the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles. The implementation of these standards had no effect on the financial statements.

GASB Statement No. 82 amended GASB Statements No. 67, No. 68, and No. 72 requirements regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this standard effected the amounts presented in the Required Supplementary Information for the University's covered payroll.

For financial reporting purposes under GASB, the University is considered a public institution engaged only in business-type activities. Accordingly, the University's financial statements have been presented under the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus emphasizes the long-term effects of operations on overall net resources (i.e., total assets, total deferred outflows of resources, total liabilities, and total deferred inflows of resources). The statement of revenues, expenses, and changes in net position prepared using the economic resources measurement focus includes only transactions and events that increase or decrease net position during the year. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, or benefit has been received. All significant intra-university transactions have been eliminated.

Restatement of Net Position

The implementation of GASB Statement No. 72 requires the fair value presentation of investments which resulted in the following restatement to the University's net position reported as of June 30, 2015 (*Dollars in thousands*):

Net position at June 30, 2015, as previously reported	$ 1,054,762
GASB 72 adjustments	57,850
Net position at July 1, 2015, as restated	$ 1,112,612

Included in the restatement of Net Position is a reclassification of land previously recorded as a capital asset of $18.9 million. This amount and the remaining impact of the implementation of GASB Statement No. 72 resulted in a decrease to the University's net investment in capital assets and an increase in the University's unrestricted net position.

Summary of Significant Accounting Policies

Cash and cash equivalents. In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, all highly liquid investments with an original maturity of three months or less, are considered to be cash and cash equivalents. Funds invested in money market funds or through the State Treasurer's Local Government Investment Pool are also considered cash equivalents. In accordance with GASB, all restricted cash and cash equivalents, including funds held by a bond trustee, are shown as noncurrent cash and cash equivalents.

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, the University administration considers long and short-term needs, total investment return and price level trends, and general economic conditions. For FY 2016, the spending rate utilized the constant growth spending methodology which increases spending distributions by the trailing one-year inflation rate (as measured by CPI-U, Consumer Price Index for all Urban Consumers) annually, as long as distributions do not exceed 4.25 percent or fall below 3.25 percent of the trailing 12 quarter average market value of each endowment fund. Donor restricted endowments that are available for expenditure are reported as restricted expendable on the statement of net position.

Investments. Short-term, endowment, and other investments are stated at fair value at June 30, 2016. Fair value typically is the quoted market price for investments. Investment returns include realized and unrealized gains and losses on investments.

Receivables. Total receivables at June 30, 2016 were $131.2 million. Included in the receivables balance are $78.5 million related to tuition and fee payments due from students and others making payments on behalf of students. Additionally, there are $6.8 million in receivables from Federal grant sponsors, primarily for the reimbursement of allowable expenses made pursuant to the University's grants and contracts and $9.5 million in receivables for SPEED bonds lottery revenues.

Student loans receivable. Loans receivable from students bear interest primarily at 5 percent and are generally repayable in installments to the University over a ten-year period commencing nine months from date of separation from the University. Student loans receivable is recorded net of an allowance for estimated uncollectible amounts and related collection costs.

Capital assets. Capital assets are recorded at cost at the date of acquisition or donation in the case of gifts. The University's capitalization policy includes all equipment and works of art and historical treasures with a unit cost of $5,000 or more. In addition, all equipment under a unit cost of $5,000 purchased in bulk for a newly constructed, acquired, or leased facility to become initially operational is also capitalized on a vintage concept basis and depreciated over five years. All books acquired for use in University libraries are capitalized as a collection. Intangible assets with a unit price of $5,000,000 or more are capitalized. New construction, as well as renovations to buildings, infrastructure, and land improvements that have a project cost of at least $100,000 are capitalized. Interest incurred during the construction phase of projects is capitalized, net of interest earned on the invested proceeds over the same period. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for non-research buildings and infrastructure, 10 to 50 years for research buildings, 10 years for library books, 7 years for intangible assets, and 5 to 12 years for equipment. The University does not depreciate works of art and historical treasures that are considered inexhaustible and are held for exhibition, education, research, and public service.

The University utilizes the componentized depreciation method for its research buildings, which is consistent with the method used for government cost-reimbursement purposes. Under the componentized depreciation method, building costs are segregated into component categories with useful lives ranging from 10 to 50 years, and depreciated on a straight line method basis.

Compensated absences. Compensated absences are employee vacation leave balances earned but not used at fiscal year end. Vacation leave benefits are accrued as a liability on the statement of net position and reported as an expense in the statement of revenues, expenses, and changes in net position.

Unearned revenues. Unearned revenues consist primarily of student tuition and fees and athletic ticket sales related to the ensuing year. Also included are amounts received from grant and contract sponsors which have not yet been earned.

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 plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Derivative instrument - Interest rate swap. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the University records the hedging derivative instrument on the statement of net position by presenting a liability for the fair value of the derivative instrument at fiscal year end and a deferred outflow of resources.

Net position. The University's net position is classified based on the following three categories:

- Net investment in capital assets: includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted:
    - Nonexpendable – gifts that have been received for endowment purposes, the corpus of which cannot be expended, and the balance in the Perkins Loan program.
    - Expendable – grants, contracts, gifts, and other resources that have been externally restricted for specific purposes.
- Unrestricted: all other resources, including those designated by management for specific purposes. Substantially all unrestricted resources are designated for academic and research programs and initiatives, and capital projects.

When an expense is incurred that can be paid from either restricted or unrestricted resources, the University's policy is to allow the department incurring the expense to determine the appropriate funding source. Factors used by departments to determine which resources to use include relative priorities of the department in accordance with the University's strategic initiatives, externally imposed matching requirements of certain restricted funds, and any pertinent lapsing provisions of the available restricted or unrestricted funding resources. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

Revenues/Expenses. Revenues and expenses are classified as operating or nonoperating. Operating expenses are those incurred in conducting the primary programs and services of the University. Operating revenues generally result from exchange transactions. Accordingly, revenues such as tuition, and residential life charges are considered to be operating revenues. In addition, grants and contracts for the purposes of providing research are considered operating revenues because of the exchange aspects commonly associated with this type of activity (i.e., financial assistance is provided to acquire property or activity for the government's direct benefit). Other revenues, such as state appropriations, gifts and non-research grants and contracts not generally generated from exchange transactions, are considered to be nonoperating revenues. Nonexchange grants and contracts include those for the purpose of student financial aid, primarily Pell financial aid grants, and those for purposes other than organized research, since the providers of these grants and contracts do not typically receive direct benefits, of equal or significant value, for those grants and contracts. Operating expenses, in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, include salaries, wages, benefits, supplies, services, and depreciation on capital assets, irrespective as to whether the revenues associated with these expenses are operating or nonoperating revenues. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

Scholarship allowances. Student tuition and fee revenues and other student related revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for services provided by the University, and the amount that is paid by the students (and/or third parties making payments on a student's behalf). To the extent that revenues from programs such as Pell grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.

Not included in scholarship allowances is $21.5 million in faculty and staff tuition waivers that are recorded as program expenses on the statement of revenues, expenses, and changes in net position and as personal services and benefits expenses, in *Note J - Operating Expenses by Natural Classification*.

Share of state sales tax - technology and research initiative fund (TRIF). As the governing board of the three state universities, the Arizona Board of Regents (ABOR) administers the portion of the Education 2000 (Proposition 301) sales tax which funds the universities' TRIF initiatives. ABOR receives funding requests from each university and determines the amount and duration of awards. The Governor and the Legislature receive an annual report from ABOR which includes a detailed set of performance measures used to determine the overall effectiveness of each TRIF funded initiative.

Other Disclosures

The University earned FY 2016 credit card rebates of $1.1 million from JP Morgan, $0.6 million from Commerce Bank, and $0.1 million from U.S. Bank for the University's travel card program.

Note B - ASU Component Units

Blended Component Unit

Although legally separate, the ASU Athletic Facilities District (AFD), a component unit of the University, is reported as if it were part of the University. The AFD is governed by the District Board of Directors consisting of seven directors: Maricopa County appoints two directors; the University appoints four members including ASU's Senior Vice President & General Counsel, ASU's Executive Vice President, Treasurer and Chief Financial Officer, ASU's Vice President for Finance and Deputy Treasurer, and the Chief Operating Officer of Sun Devil Athletics, or such other persons as may be designated by the ASU President; one elected director is appointed by the District Board of Directors. The AFD supports the University's efforts to construct, reconstruct, finance, furnish, maintain and improve intercollegiate athletic facilities located on ASU's property, including utilities, roads, parking areas or buildings necessary for full use of the athletic facilities. Because members of the District Board of Directors are officials or appointed by officials of the University and the primary purpose of the AFD is to benefit the University, its financial activity is blended with the University. Separate financial statements for the AFD are not available as of June 30, 2016, as there was no financial activity.

Discretely Presented Component Units

Arizona State University's discretely presented component units are comprised of two major component units, the ASU Foundation for A New American University (ASU Foundation) and the Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units listed below. The University has determined that the ASU Foundation and ACFFC are major component units based on an evaluation of (1) services provided by the component unit to the University are such that separate reporting as a major component unit is considered to be essential to financial statement users, (2) significant transactions with the University, or (3) significant financial benefit or burden relationship with the University.

ASU's component units, with the exception of the Thunderbird School of Global Management (Thunderbird), are nonprofit corporations controlled and governed by separate boards of directors whose goals are to support the University or have a close affiliation with the University. Even though these organizations support the University or have a close affiliation with the University, they are not subsidiaries of the University, nor are they directly or indirectly controlled by the University. The University does not have ownership of the financial and capital resources or assets of the component units and does not have the authority to mortgage, pledge, or encumber the assets of these organizations.

Thunderbird is a nonprofit corporation that is controlled by a board of directors appointed by the University and is closely affiliated with the University. The University has management of Thunderbird's operations and a fiscal dependency exists between Thunderbird and the University; however, services provided by Thunderbird are not solely for the benefit of the University.

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 Statement Nos. 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, 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 an amendment of GASB Statement No. 14,* 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.

A description of the University's discretely presented component units and the basis for including each as a component unit in the University's financial report follows.

- ASU Foundation for A New American University - disburses resources at the discretion of its independent board of directors, in accordance with donor directions and ASU Foundation policy. The majority of assets held by the ASU Foundation are endowments restricted for donor specified programs and purposes, the principal of which may not be spent. The directors of the ASU Foundation make all decisions regarding the ASU Foundation's business affairs, including distributions made to the University.
- ASU Alumni Association - receives funds primarily through donations, dues, and affinity partners, which are used to promote the welfare of the University and its alumni.
- Sun Angel Endowment - receives funds primarily through donations, with the annual earnings being used for programs in support of various athletic programs.
- Sun Angel Foundation - receives funds primarily through donations and contributes funds to the University in support of various athletic programs.

The four component units above meet all of the criteria for a legally separate, tax exempt organization to be reported discretely as a component unit. The economic resources held by these component units are for the direct benefit of the University and the University has the ability to access their economic resources and the economic resources of these component units are significant to the University.

- Arizona Capital Facilities Finance Corporation - provides facilities for use by students of the University or the University itself.
- Arizona State University Research Park, Inc. (Park) - manages a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.
- Thunderbird School of Global Management (Thunderbird) - offers non-degree programs focused on global business across cultural, ethical and multi-lingual curriculum.

Per GASB Statement No. 14, as amended by GASB Statement No. 61, a fiscal dependency and financial benefit/burden exists between the University and these three component units. ACFFC, the Park and Thunderbird do not meet the blending requirements since each component unit has a separate board of directors, services provided by the component units do not exclusively benefit the University and the total debt outstanding of the component units is not expected to be paid entirely or almost entirely with University resources.

- Downtown Phoenix Student Housing, LLC - provides housing facilities for use by students of the University.
- ASU Preparatory Academy, Inc. (ASU Prep) - prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally and contribute to their communities.

A fiscal dependency and financial benefit/burden does not exist between the University and Downtown Phoenix Student Housing, LLC or ASU Prep; however, it would be misleading to exclude either as component units due to the nature and significance of the financial arrangement the University has with Downtown Phoenix Student Housing, LLC and the close affiliation between the University and ASU Prep. Downtown Phoenix Student Housing, LLC and ASU Prep do not meet the blending requirements in GASB Statement No. 14, as amended by GASB Statement No. 61, since both have a separate board of directors, services provided do not exclusively benefit the University and the total debt outstanding of Downtown Phoenix Student Housing, LLC and ASU Prep is not expected to be paid entirely or almost entirely with University resources.

For financial reporting purposes at the University level, only the discretely presented component units' statement of financial position and statement of activities are included in the University's financial statements as required by generally accepted accounting principles for public colleges and universities. In FY 2016, the ASU Foundation distributed $69.0 million in cash donation transfers to the University for both restricted and unrestricted purposes. In FY 2016, Thunderbird transferred $23.5 million to the University to support academic programs.

Financial statements of these component unit organizations are audited by independent auditors.

All of the component units have a fiscal year end of June 30, 2016. Because the University's discretely presented component units use a nongovernmental generally accepted accounting principles (GAAP) reporting model, the University has chosen to present the discretely presented component units' aggregated financial information on pages separate from the financial statements of the University. To obtain individual audited financial statements for any of the University's component units, please contact ASU Financial Services at (480) 965-3601.

Note C - Cash and Investments

General

The University's deposits and investments are discussed below in our analysis of deposit and investment risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*; and fair value of investment assets, as required by GASB Statement No. 72, *Fair Value Measurement and Application.*

Included in the University's deposits and investments are $236.7 million in capital projects and bond debt service funds, which are held in trust and invested by various trustee banks, $72.5 million in cash and cash equivalents, and $798.3 million in short-term and other investments.

In addition, $113.7 million in endowment funds managed by the ASU 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 ASU Foundation and invested in the ASU Foundation's Endowment Pool (Pool). The University's endowment assets are maintained separately on the financial system of the ASU Foundation and receive a proportional share of the Pool activity.

As such, the ASU 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 ASU Foundation's Endowment Pool is not registered with the Securities and Exchange Commission as an investment company. The ASU Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with ASU Foundation policies. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool, which is marked-to-market monthly. For additional information refer to *Note P - Summary Financial Information for ASU Component Units*. The University also participates in the Arizona Student Financial Aid Trust, which was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees.

Statutory and Board of Regents' Policies

For nonendowment (operating) funds, Arizona Revised Statutes (Statutes) requires that deposits of the University not covered by federal deposit insurance be secured through participation in the State of Arizona Collateral Pool administered by the State Treasurer's Office which holds pledged collateral of at least 102 percent of uninsured deposits in eligible depositories. Further policy regarding deposits is provided by the Arizona Board of Regents (ABOR).

The Statutes do not specifically address investment policy of the universities, rather ABOR policy governs in this area. ABOR policy requires that each university arrange for the safekeeping of securities by a bank or other financial institutions approved by ABOR. ABOR and University investment policies applicable to University investments are consistent with the Arizona State Treasurer's authorizing statutes and investment policy. Investment of capital project funds are governed by the financing indenture agreements. With regard to endowments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university.

At Arizona State University, the Investment Committee is responsible for advising on the definition, development and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires that the University invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

ABOR policy addresses requirements for concentration of credit risk and interest rate risk, but neither ABOR policy nor the Statutes include any specific requirements on foreign currency risk for investments of the universities.

The State of Arizona Board of Investment provides oversight for the State of Arizona Treasurer's pools. The fair value of a participant's portion in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Deposit and Investment Risk

Custodial Credit Risk. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or ABOR, the University does not have a policy that specifically addresses custodial credit risk.

Credit Risk. With regard to credit risk, ABOR policy requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances and State of Arizona bonds carry a minimum BBB or better rating from Standard and Poor's Rating Service or Baa or better rating from Moody's Investors Service; and that commercial paper be rated by at least two nationally recognized statistical rating organizations (NRSROs) and be of the two highest rating categories for short-term obligations of at least two of the NRSROs. Capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit (minimum rating of P-1/A-1), commercial paper (minimum rating of P-1/A-1+), and money market funds rated AAAm or better invested in short-term debt securities.

The University does not have a formal policy that specifically addresses credit risk over endowment funds. The University's endowment funds are invested in an unrated external investment pool managed by the ASU Foundation, subject to the ASU Foundation's investment policy. For endowment funds, the investment committee that directs the investments held in the Pool manages the credit risk associated with the Pool by following the credit quality and guideline restrictions stated in the investment policy.

Credit Quality Rating for Debt Securities at June 30, 2016 *(Dollars in thousands)*

			Standard and Poor's			
Investment Description	**Fair Value**	**Not Rated**	**AAA / AAAm / AAAf**	**AA**	**A**	**BBB**
Corporate bonds	$ 369,849		$ 10,296	$ 73,582	$ 136,061	$ 149,910
Federal agency securities	287,443			287,443		
Money market mutual funds	187,313		187,313			
Asset backed securities	32,025	$ 7,605	20,856	807	2,757	
Mortgage backed securities	15,728	885	6,615	8,228		
Municipal bonds	11,282		4,420	6,131	731	
State of Arizona LGIP (Pool 5)	1,476		1,476			
Total	**$ 905,116**	**$ 8,490**	**$ 230,976**	**$ 376,191**	**$ 139,549**	**$ 149,910**

Concentration of Credit Risk. Other than United States Treasury securities and other federal agency securities, which can represent greater than five percent of total investments, University policy limits investment in a single issuer to five percent or less of the fair value of the total portfolio. Except for those issuers allowed by policy, the University does not have an investment in any single issuer that exceeds five percent of the overall portfolio. At June 30, 2016, the University had investments in the United States Treasuries, Federal National Mortgage Association, and Federal Farm Credit Bank with a fair value of $160.2 million, $144.8 million and $62.3 million or 13.0, 11.8 and 5.1 percent of total investments, respectively.

Interest Rate Risk. ABOR and University policies do not limit the overall maturity of the investments held by the operating and endowment funds, however, the operating fund investment policy includes guidelines addressing diversification and liquidity. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

Interest Rate Risk for the University's Debt Investments at June 30, 2016 - utilizing the weighted average maturity method *(Dollars in thousands)*

Investment Description	**Fair Value**	**Weighted Average Maturity (Years)**
Corporate bonds	$ 369,849	2.6
Federal agency securities	287,443	1.9
Money market mutual funds	187,313	0.1
Asset backed securities	32,025	2.9
Mortgage backed securities	15,728	29.2
Municipal bonds	11,282	1.3
State of Arizona LGIP (Pool 5)	1,476	0.1
Subtotal, before U.S. Treasury securities	$ 905,116	
U.S. Treasury securities	160,217	1.8
Total	**$ 1,065,333**	

Foreign Currency Risk. Non-endowment funds may not be invested in foreign-denominated securities, and the University has no non-endowment investments exposed to foreign currency risk. The University's endowment funds are invested in an external investment pool managed by the ASU Foundation, which include U.S. dollar denominated foreign investments.

Fair Value of Investment Assets

The University measures and categorizes its investments using the 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 in 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.

University Investments Measured at Fair Value *(Dollars in thousands)*

		Hierarchy Fair Value		
Investments Classified in Fair Value Hierarchy	**As of 06/30/2016**	**Level 1**	**Level 2**	**Level 3**
Corporate bonds	$ 369,849		$ 369,849	
Federal agency securities	287,443		287,443	
Money market mutual funds	187,313	$ 187,313		
Asset backed securities	32,025		32,025	
Mortgage backed securities	15,728		15,728	
Municipal bonds	11,282		11,282	
U.S. Treasury Securities	160,217	160,217		
Real Estate	52,066			$ 52,066
Total Investments Classified in Fair Value Hierarchy	**$ 1,115,923**	**$ 347,530**	**$ 716,327**	**$ 52,066**
Other Investments at Fair Value				
State Treasurer's Pool 5	$ 1,476			
ASUF Endowment Pool (ASU Portion)	113,659			
Total Other Investments at Fair Value	**$ 115,135**			
Total University Investments at Fair Value	**$ 1,231,058**			

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. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters on which can be directly observed. Investments categorized as Level 3 of the fair value hierarchy are valued using various methods. Real estate is valued by using the income approach to measuring fair value which discounts future amounts to a single current amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Other Investments at Fair Value. The fair value of a participant's portion in the State Treasurer's Pool 5 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 Arizona State University Foundation Endowment Pool is based on the University's proportionate share of the Pool, which is valued at marked-to-market monthly.

Note D - Capital Assets

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

Capital asset activity for the year ended June 30, 2016 *(Dollars in thousands)*	**Balance 07/01/2015 (as restated)**	**Additions/ Increases**	**Retirements/ Decreases**	**Balance 06/30/2016**
Non-depreciated capital assets				
Land -				
University operations	$ 75,918	$ 8,051		$ 83,969
Available for commercial purposes	40,756			40,756
Construction in progress -				
Buildings	78,050	111,390	$ (46,452)	142,988
Software		1,167		1,167
Works of art and historical treasures	20,228	820	(16)	21,032
Total	$ 214,952	$ 121,428	$ (46,468)	$ 289,912
Depreciated capital assets				
Infrastructure	$ 128,881	$ 6,378	$ (4)	$ 135,255
Buildings	2,449,236	166,073	(11,473)	2,603,836
Equipment	414,446	35,087	(28,326)	421,207
Software	26,894			26,894
Library books	290,206	12,461	(1,173)	301,494
Less accumulated depreciation				
Infrastructure	(52,906)	(3,225)	1	(56,130)
Buildings	(880,707)	(69,350)	4,819	(945,238)
Equipment	(280,246)	(31,057)	25,277	(286,026)
Software	(21,777)	(1,263)		(23,040)
Library books	(231,028)	(11,486)	1,173	(241,341)
Total	$ 1,842,999	$ 103,618	$ (9,706)	$ 1,936,911
Capital assets, net	**$ 2,057,951**	**$ 225,046**	**$ (56,174)**	**$ 2,226,823**

Construction in progress additions reflected above represent expenses for new projects net of capital assets placed in service. It is estimated $285.6 million in additional expenses will be required to complete projects under construction at June 30, 2016. Construction in progress encumbrances committed through purchase orders at June 30, 2016, totaled $105.2 million.

Note E - Land Available for Commercial Purposes

As a part of the campus master planning process, certain land holdings of the University that were originally acquired for other than commercial purposes are available for commercial development by private developers pursuant to either long term ground leases or sale, under overall coordination by the ASU Real Estate Development Office.

The University's land available for commercial purposes includes the following:

ASU Athletic Facilities District. The ASU Athletic Facilities District consists of 330 acres of real estate located adjacent to ASU, of which 131 acres will be used for commercial development and the remaining acres will be used for ASU athletic or other facilities. The University has selected Catellus as a master developer to provide mixed-use urban development focused on high quality, sustainable development that contributes to the community.

ASU Research Park (Park). The Park consists of 237 leasable acres that are ground leased to the ASU Research Park, Inc., a component unit of the University. The primary purpose of the Park is to acquire interests in real property, develop such property as a research park, and promote and support research activities in coordination with ASU.

ASU at the West campus. The West campus property consists of approximately 64 acres on the northeast perimeter of the West campus available for commercial development. This land is presently vacant and will not be needed for University facilities for the contemplated full build out of this campus. West campus, exclusive of the approximately 64 acres for commercial purposes, consists of 236 acres.

ASU at the Polytechnic campus. Per the Consent to Transfer Agreement dated December 6, 2007 between the federal government and the University, 382.2 acres located at the Polytechnic campus are effectively available for commercial development. Exclusive of the 382.2 acres intended for commercial purposes, the Polytechnic campus consists of approximately 210.2 acres.

Other Investment Property. The University holds other parcels in Tempe totaling 38.7 acres of land for current and future commercial development.

Note F - Long-Term Debt and Lease Obligations

As of June 30, 2016 the University had issued a combination of fixed and variable rate bonds, fixed rate certificates of participation (COPs), and other lease obligations, of which $1.6 billion is outstanding. The University's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds of the University have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the University's financial statements. The principal amount of defeased bonds outstanding at June 30, 2016 totaled $162.4 million.

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2016 *(Dollars in thousands)*	Average Interest Rate	Final Maturity	Balance 07/01/2015	Additions	Reductions	Balance 06/30/2016	Current Portion
Bonds:							
2005 System Revenue Refunding Bonds	4.38%	07/01/15	$ 3,220		$ (3,220)		
2007 A/B System Revenue Bonds	4.46%	07/01/36	16,245		(6,800)	$ 9,445	$ 3,480
2008 A/B Variable Rate Demand System Refunding Bonds	0.40%	07/01/34	91,630		(2,775)	88,855	88,855
2008C System Revenue Bonds	5.89%	07/01/18	12,620		(5,055)	7,565	2,395
2009A System Revenue Bonds	3.76%	07/01/21	22,060		(12,170)	9,890	3,320
2010 A/B System Revenue Bonds	5.99% [1]	07/01/39	170,250		(4,270)	165,980	4,485
2010 A/B SPEED Revenue Bonds	5.48% [2]	08/01/30	33,820			33,820	1,745
2010C System Revenue Bonds	4.51%	07/01/21	45,730		(26,815)	18,915	2,775
2011 SPEED Revenue Bonds	3.93%	08/01/31	30,915			30,915	1,395
2012 A/B System Revenue and Refunding Bonds	3.64%	07/01/42	181,965		(19,170)	162,795	11,730
2013 A/B System Revenue and Refunding Bonds	3.47%	07/01/43	109,200		(1,775)	107,425	7,615
2014 SPEED Revenue Bonds	3.72%	08/01/44	77,620			77,620	2,380
2015 A/B/C System Revenue and Refunding Bonds	3.34%	07/01/46	362,260		(3,015)	359,245	1,430
2015D System Revenue Bonds	3.67%	07/01/46		$ 102,665		102,665	
2016A System Revenue Refunding Bonds	2.29%	07/01/31		37,105		37,105	
Subtotal: Par Amount of Bonds			$ 1,157,535	$ 139,770	$ (85,065)	$ 1,212,240	$ 131,605
Certificates of Participation:							
2002 Certificates of Participation	4.76%	07/01/18	$ 430		$ (200)	$ 230	$ 30
2006 Certificates of Participation	4.53%	06/01/31	11,985		(560)	11,425	580
2006 Refunding Certificates of Participation	4.15%	07/01/26	60,250		(4,900)	55,350	5,325
2011A Mercado Refunding Certificates of Participation	4.27%	07/01/24	6,800		(575)	6,225	595
2013 A/B Refunding Certificates of Participation	3.09%	09/01/26	63,340			63,340	720
2014 A/B Refunding Certificates of Participation	3.04%	09/01/30	82,160		(5,020)	77,140	4,170
Subtotal: Par Amount of COPs			$ 224,965		$ (11,255)	$ 213,710	$ 11,420
Capital Leases/Lease Purchases:							
Fulton Center	4.01%	06/15/34	$ 23,690		$ (870)	$ 22,820	$ 890
Flexible Display Center	5.27%	02/15/34	30,054		(971)	29,083	1,030
Hassayampa Academic Village	5.36%	06/10/39	11,954		(138)	11,816	159
Nursing and Health Innovation	4.84%	01/01/36	9,785		(295)	9,490	300
Washington, D.C. Facility	3.60%	06/15/35	35,000			35,000	1,315
Other Lease Purchases	3.30% - 6%	02/07/22	2,805		(691)	2,114	654
Subtotal: Capital Leases/Other Lease Purchases			$ 113,288		$ (2,965)	$ 110,323	$ 4,348
Total Par Amount of Bonds, COPs, Capital Leases and Other Lease Purchases			$ 1,495,788	$ 139,770	$ (99,285)	$ 1,536,273	$ 147,373
Premium/(Discount) on Sale of Bonds and COPs			100,029	25,267	(12,252)	113,044	12,411
Total Bonds Payable/COPs/ Capital Leases/ Other Lease Purchases			**$ 1,595,817**	**$ 165,037**	**$ (111,537)**	**$ 1,649,317**	**$ 159,784**

[1] The average interest rate net of the Build America bonds federal direct payment subsidy is 3.94%.
[2] The average interest rate net of the Build America bonds federal direct payment subsidy is 3.74%.

System Revenue Bonds

The University has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2016. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include state appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2016, pledged revenues totaled $1.5 billion of which 5.9 percent ($86.2 million, net of federal direct payments) was required to cover current year debt service.

In December 2015, the University issued $102.7 million of system revenue bonds, Series 2015D, with an average maturity of 18.2 years and an average interest rate of 3.67 percent. The bonds were issued to fund Phase 2 of the Sun Devil Stadium Renovation project, classroom and laboratory renovations and building and infrastructure enhancements and modifications.

In January 2016, the University issued $37.1 million of system revenue refunding bonds, Series 2016A, with an average maturity of 8.7 years and an average interest rate of 2.29 percent. The bonds were issued to refund various outstanding bonds of the University. The refunded debt is considered defeased and related liabilities are not included in the University's financial statements. The issuance of the refunding bonds, resulted in a $2.9 million reduction in future debt service payments, with an economic gain of $2.9 million based upon present value savings.

SPEED Revenue Bonds

In June 2008, the State of Arizona Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED) which provides Arizona universities with capital improvement funds for critical construction and deferred maintenance projects. SPEED projects are debt financed with revenue bonds and repaid primarily with Arizona Lottery revenues. Specifically, up to 80 percent of SPEED debt service is paid from Arizona Lottery revenues, with the balance being the responsibility of the University as evidenced by the subordinated pledge of University revenues.

Variable Rate Bonds

The University has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling $88.9 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2016 was 0.40 percent for the Series 2008A bonds and 0.39 percent for the Series 2008B bonds.

The University's variable rate demand bonds have remarketing features which allow bondholders to put debt back to the University. In accordance with GASB Interpretation No. 1, Demand Bonds Issued by State and Local Government Entities, the total outstanding principal balance for variable rate demand bonds is required to be classified as a current liability. On May 4, 2016 the Irrevocable Transferable Direct-Pay Letter of Credit (LOC) with JPMorgan Chase Bank, N.A. (JPMorgan) expired and the University executed a self-liquidity facility agreement to provide liquidity if the bonds are put by bondholders. It is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the official statement, however, in the absence of a "take out agreement" the University has classified the total outstanding principal balance of the 2008 bonds as a current liability.

Capital Leases

In October 2003, the University entered into a 30-year lease agreement with Arizona State University Foundation, LLC, an Arizona limited liability company, of which the sole member is the ASU Foundation for A New American University (ASU Foundation), an Arizona nonprofit corporation and component unit of the University, to lease four floors of office space in the Fulton Center and the related parking structure. In April 2004, the University entered into a 30-year sublease agreement with Nanotechnology Research, LLC, an Arizona limited liability company, whose sole member is Arizona Capital Facilities Finance Corporation (ACFFC), to lease the Flexible Display Center located at the ASU Research Park. In July 2005, the University entered into a 34-year lease with McAllister Academic Village, LLC, an Arizona limited liability company, whose sole member is ACFFC, to lease the nonresidential portion of the McAllister Academic Village (MAV), which operates under the name of Hassayampa Academic Village. ACFFC has overall responsibility for the residential portion, comprising approximately 92 percent of the facility, with the University leasing the nonresidential portion of the facility. In November 2008, the University committed to a capital lease with the City of Phoenix related to construction of the fourth and fifth floors of the Nursing and Health Innovation building at ASU's Downtown Phoenix campus. In December 2014, the University entered into a 20-year lease with ASUF DC, LLC, an Arizona limited liability company, whose sole member is the ASU Foundation, to lease a multi-use office building in Washington, D.C. Buildings under capital lease are as follows:

Capital lease book value as of June 30, 2016 *(Dollars in thousands)*			
	Book Value	**Accumulated Depreciation**	**Net Book Value**
Fulton Center	$ 29,551	$ (9,225)	$ 20,326
Flexible Display Center	37,314	(11,125)	26,189
Hassayampa Academic Village	12,451	(3,041)	9,410
Nursing and Health Innovation	11,788	(1,811)	9,977
Washington, D.C. Facility	35,000	(1,609)	33,391

Future Payments

Future pledged revenues required to pay all remaining debt service for the University's senior and subordinate revenue bonds through final maturity of July 1, 2046 total $2.0 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the University has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2016 totaled $5.2 million with annual debt service payments of approximately $1.2 million through July 1, 2021.

The Taxable Series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the University is eligible to receive Federal Direct Payments from the United States Treasury equal to 35 percent of the interest owed on each interest payment date. The amount paid to the University by the Federal government may be reduced or limited due to such issues as failure by the University to submit the required information, offsets to reflect any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During FY 2016, ASU received Federal Direct Payments totaling $3.7 million, net of a $0.3 million or 6.8 percent reduction due to the federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

Securities and cash restricted for bonds and COPs debt service held by the trustee at June 30, 2016 totaled $76.7 million and $7.5 million, respectively. Payment commitments to investors, including interest, for bonds, COPs and other lease obligations, using the interest rate in effect at June 30, 2016 for variable rate issues, are shown below:

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2016 *(Dollars in thousands)*

	System Revenue Bonds				**SPEED Revenue Bonds**			**Certificates of Participation**		**Capital Leases / Lease Purchases**	
FY	**Principal**	**Interest**	**Net Payments on Swap Agreement**	**Federal Direct Payments**	**Principal**	**Interest**	**Federal Direct Payments**	**Principal**	**Interest**	**Principal**	**Interest**
2017	$ 40,155	$ 47,148	$ 2,991	$ (3,380)	$ 5,520	$ 6,728	$ (534)	$ 11,420	$ 8,426	$ 4,348	$ 4,804
2018	29,770	46,144	2,884	(3,307)	5,710	6,516	(534)	14,170	7,928	4,567	4,603
2019	29,640	45,125	2,773	(3,226)	5,925	6,312	(534)	14,695	7,385	4,786	4,392
2020	39,030	43,619	2,655	(3,141)	6,120	6,051	(533)	15,265	6,734	4,292	4,170
2021	41,345	41,860	2,532	(3,050)	6,395	5,736	(502)	16,000	5,962	4,493	3,975
2022-2026	242,260	177,781	10,589	(13,686)	36,540	23,269	(1,903)	75,890	18,658	25,617	16,873
2027-2031	217,055	121,922	6,446	(10,406)	45,580	12,604	(624)	66,270	4,491	31,833	11,031
2032-2036	189,345	78,449	1,416	(6,235)	23,760	3,521				27,573	3,711
2037-2041	136,505	37,719		(1,347)	3,410	1,221				2,814	287
2042-2046	89,975	10,015			3,395	279					
2047	14,805										
Total	**$ 1,069,885**	**$ 649,782**	**$ 32,286**	**$ (47,778)**	**$ 142,355**	**$ 72,237**	**$ (5,164)**	**$ 213,710**	**$ 59,584**	**$ 110,323**	**$ 53,846**

Funding responsibility for the June 30, 2016 outstanding debt *(Dollars in thousands)*

	Current Portion	**Noncurrent Portion**	**Total**
From Arizona State University operating revenues	$ 127,881	$ 1,104,411	$ 1,232,292
From State of Arizona appropriations and other State monies	31,903	385,122	417,025
	$ 159,784	**$ 1,489,533**	**$ 1,649,317**

Subsequent Events

The University presently plans to issue up to $275.6 million in system revenue bonds during the next year.

Operating Leases

Brickyard. In July 2004, the ASUF Brickyard, LLC, an Arizona limited liability company of the ASU Foundation, a component unit of Arizona State University, purchased the Brickyard office building and parking facility in downtown Tempe for $34.5 million, and is master leasing the entire facility to the University pursuant to a 25 year lease. This lease has no purchase options for the University. The majority of the facility is being used by the University for classrooms, offices, and research areas, with the remaining portion being leased by the University to various firms for retail and restaurant operations.

SkySong. In June 2006, the University entered in a 15 year lease, for approximately 80,000 square feet of office space within a development known as SkySong. SkySong is being developed by the ASU Foundation and its partners as a home for activities and organizations that co-mingle and stimulate new forms of global commerce, research, technology, art, education, and economic development. The University's use of the leased space focuses on supporting entrepreneurial activities and interdisciplinary research programs in engineering-related fields and education technology. In July 2013, the University entered into a 12 year lease for an additional 15,000 square feet of office space within the SkySong development.

American Campus Communities OP (ACC). The University entered into two operating leases with American Campus Communities, a Delaware limited liability company. In February 2014 the University entered into a sublease agreement with ACC for student housing at Vista del Sol and Villas at Vista. The sublease term is for one year with four options to renew for an additional term of one year. The second lease was entered into in May 2014 for 2,934 square feet of retail space to be used for tutoring, study and meeting space to support the Barrett Honors College.

Other. The University has entered into other operating leases with various entities for classroom, office, research and student activity space.

The future minimum operating lease payments are as follows (Dollars in thousands):

	Operating Lease Payments				
FY	Brickyard	SkySong	ACC	Other	Total
2017	$ 2,769	$ 3,519	$ 20,899	$ 5,730	$ 32,917
2018	2,779	3,599	6	3,257	9,641
2019	2,783	3,681		2,163	8,627
2020	2,783	3,766		1,671	8,220
2021	2,783	3,853		1,353	7,989
2022-2026	13,915	9,665		623	24,203
2027-2031	8,349	650		1,289	10,288
Total	**$ 36,161**	**$ 28,733**	**$ 20,905**	**$ 16,086**	**$ 101,885**

Note G - Interest Rate Swap Agreement

Effective January 1, 2007, the University entered into a $103 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding $88.3 million notional amount at June 30, 2016 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the University pays the counterparty interest calculated at a fixed rate of 3.91 percent and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2016 was 0.41 percent. At June 30, 2016, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap:	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from the counterparty	SIFMA	(0.41)
Net interest rate swap payments		3.50
Variable rate bond coupon payments	Spread to SIFMA	0.40
Synthetic fixed interest rate on bonds		3.90

The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. If the counterparty defaults or if the swap is terminated, the University will revert to paying a variable rate. A termination of the swap agreement may also result in the University making or receiving a termination payment. The University is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty versus the variable rate paid to bondholders. The swap exposes the University to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds. As of June 30, 2016, the University was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A+ by Fitch, A by Standard & Poor's and A1 by Moody's Investor Services as of June 30, 2016.

Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the University's overall exposure exceeds predetermined levels.

Collateral may be held by the University or a third party custodian. As of June 30, 2016, the swap had a fair value of $(23.2) million, which represents the cost to the University to terminate the swap. The June 30, 2015 fair value was $(16.8) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the University's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources and a liability (derivative instrument).

Note H - Unrestricted Net Position

As discussed in the Summary of Significant Accounting Policies, the University follows accounting standards for external reporting purposes that require net position to be classified for accounting and reporting purposes into one of three net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB, is not subject to externally imposed stipulations; however, it is subject to internal designations. For example, unrestricted net position may be designated for specific purposes by actions of management or may otherwise be limited by contractual purchase obligation agreements with outside parties. As of June 30, 2016, substantially all of the University's unrestricted net position was from University-generated revenues and was internally designated for academic and research programs and initiatives, and capital projects.

Note I - Compensated Absences

The University has recorded a liability for accruals of vacation leave earned, but not taken at fiscal year end. At fiscal year end the University accrued up to the maximum 22 days allowed by University policy for which an employee can be paid upon termination of employment. Changes in accrued compensated absences for the year ended June 30, 2016 consisted of the following (Dollars in thousands):

Beginning Balance	$ 30,014
Additions	39,847
Reductions	(39,185)
Ending Balance	$ 30,676
Current Portion	$ 3,235

Note J - Operating Expenses by Natural Classification

Operating expenses by functional and natural classification for the year ended June 30, 2016, are summarized as follows (Dollars in thousands):

	Year ended June 30, 2016				
	Personal Services and Benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	$ 589,137	$ 157,032	$ 3,553		$ 749,722
Research	168,484	88,520	4,051		261,055
Public service	17,275	19,339	193		36,807
Academic support	187,575	77,454	511		265,540
Student services	67,375	35,505	8,138		111,018
Institutional support	97,675	55,207	2,290		155,172
Operation and maintenance of plant	27,689	80,765			108,454
Scholarships and fellowships	3,241	1,847	147,714		152,802
Auxiliary enterprises	58,289	85,549	3,724		147,562
Depreciation				$ 116,381	116,381
Total Operating Expenses	**$ 1,216,740**	**$ 601,218**	**$ 170,174**	**$ 116,381**	**$ 2,104,513**

Note K - Retirement 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.

The University's net pension liability at June 30, 2016, was comprised of the following (Dollars in thousands):

ASRS	$ 497,351
PSPRS	16,950
Defined contribution pension plans	20,869
Total net pension liability	$ 535,170

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

Beginning balance	$ 484,133
Increases	170,574
Decreases	(119,537)
Ending balance	$ 535,170

Defined Benefit Plan

Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. Certain eligible staff categories are required and eligible University faculty and other staff categories have the option to participate in the ASRS defined benefit 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	
Years of service and age required to receive benefit	**Before July 1, 2011** Sum of years and age equals 80 10 years / age 62 5 years / age 50* Any years / age 65	**On or after July 1, 2011** 30 years / age 55 25 years / age 60 10 years / age 62 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 survivor benefit is determined by the retirement benefit option chosen. 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, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.35 percent of the members' annual covered payroll, and the University was required by statute 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 would typically be filled by an employee who contributes to the ASRS. The University's contributions to the pension plan for the year ended June 30, 2016, were $34.4 million.

Pension Liability. At June 30, 2016, the University reported a liability of $497.4 million 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 3.193 percent which was an increase of 0.140 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 $39.9 million. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,572	$ 26,062
Net difference between projected and actual earnings on pension plan investments		15,939
Changes in proportion and differences between University contributions and proportionate share of contributions	23,547	
University contributions subsequent to the measurement date	34,379	
Total	**$ 71,498**	**$ 42,001**

The $34.4 million 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 in pension expense as follows: (Dollars in thousands, positive amount indicates an increase in pension expense):

Year ending June 30,	
2017	$ 2,534
2018	(8,856)
2019	(10,066)
2020	11,506

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%
Projected salary increases	3.00% - 6.75%
Inflation	3%
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 Class	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 (Dollars in thousands):

	University's proportionate share of the net pension liability
1% decrease (7%)	$ 651,699
Current discount rate (8%)	497,351
1% increase (9%)	391,571

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

Pension Contributions Payable. The University reported accrued payroll and employee benefits of $1.3 million for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2016.

Defined Contribution Plans

Plan Description. In accordance with A.R.S. section 15-1628, University faculty and most University staff 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. The Arizona Revised Statutes define the authority under which benefit terms are established or may be amended. 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 $20.9 million 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 $27.0 million of which forfeitures were $0.9 million.

Pension Contributions Payable. The University's accrued payroll and employee benefits included $0.9 million of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2016.

Note L - Other Postemployment Benefits (OPEB)

Other post-employment benefits provided as part of University employment include the ASRS sponsored cost-sharing plan for the Long-Term Disability Fund and the Health Benefit Supplement Fund, as well as the Arizona Department of Administration sponsored single-employer defined benefit post-employment plan.

Cost-Sharing Plan

The 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. The ASRS issues a publically available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. That report may be obtained by visiting www.azasrs.gov.

Contributions. For the ASRS HBS and LTD plans, contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payments are made.

Funding Policy. The contribution requirements of plan members and the University are established by Title 38, Chapter 5 of the A.R.S. These contribution requirements are established and may be amended by the Arizona State Legislature. For the year ended June 30, 2016, active ASRS members and the University were each required by statute to contribution at the actuarially determined rate of 0.12 percent of the members' annual covered payroll for LTD. The University also contributed 0.50 percent for the HBS. In addition, the University was required to contribute 0.13 percent for the health insurance premium benefit and 0.06 percent for long-term disability based on annual covered payroll for retired members who worked for the University in positions that an employee who contributes to ASRS would typically fill. The University's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows (Dollars in thousands):

FY	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	$ 1,566	$ 381
2015	1,714	352
2014	1,631	662

The cost-sharing plan contributions are currently meeting their contribution requirements, therefore there is no net OPEB liability to disclose for the HBS or LTD plans.

Single-Employer Plan

The Arizona Department of Administration (ADOA) administers a single-employer defined benefit post-employment plan (ADOA Plan) that provides medical and accidental benefits to retired University employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the ADOA Plan to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees, net of related premiums, that are paid 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 that is lower than the expected claim costs for retirees, creating an implicit subsidization of retirees by the ADOA Plan. ADOA does not issue a separate, publically available financial report for the ADOA Plan, however, the State of Arizona Comprehensive Annual Financial Report presents state-wide prior year information, which can be obtained by visiting gao.az.gov. Prior to June 30, 2016, the University's proportionate share of the net OPEB liability was immaterial to the University's financial statements and therefore was not presented.

A portion of the ADOA Plan's implicit rate subsidy, if not fully funded, represents an obligation of the University for its proportionate share of the net OPEB obligation.

Funding Policy. The ADOA's current funding policy 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. ADOA does not issue a separate, publicly available financial report, therefore, information regarding the University's proportionate share of contributions for the last three years is not available.

Annual OPEB Cost and Net OPEB Obligation. The University's proportionate share of annual OPEB costs, OPEB contributions made, and changes in the OPEB obligation of the ADOA Plan for the year ended June 30, 2016, are as follows (Dollars in thousands):

Annual required contribution	$ 22,997
Interest on net OPEB obligation	146
Adjustment to annual required contribution	(241)
Annual OPEB cost (expense)	22,902
Proportionate share of contributions made	(3,879)
Increase in net OPEB obligation	19,023
Net OPEB obligation - beginning of year	4,878
Net OPEB obligation - end of year	$ 23,901

The University's proportionate share of annual OPEB costs and net OPEB obligation are presented below, based on the University's proportionate share of 16.98 percent. Only the current year actuarial valuation of the University's proportionate share of the annual OPEB costs of the ADOA plan is available (Dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2016	$ 22,902	16.93%	$ 23,901

Funded Status and Funding Progress. Below is the funded status of the University's proportionate share of the ADOA plan for the most recent actuarial valuation (Dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
06/30/2016	-	$ 189,323	$ (189,323)	0.0%	$ 562,904	(33.6)%

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. The required schedule of funding progress which presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits is not included as only one year of information is currently available.

Actuarial Methods and Assumptions. Projections of ADOA Plan benefits for financial reporting purposes include the types of benefits provided at the time of each valuation and the pattern of sharing of cost between the employer and the ADOA Plan member to that point. 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 ADOA Plan's actuarial methods and significant assumptions for the most recent actuarial valuation are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions:	
Investment rate of return	n/a
Projected salary increases	0%
Discount rate	3%
Cost-of-living adjustments	None
Healthcare cost trend rate	7.0% initial 4.5% ultimate
Amortization method	Level dollar, open
Remaining amortization period	30 years

Note M - ASU at the Downtown Phoenix Campus

In June 2005, the University and the City of Phoenix (City) entered into an intergovernmental agreement related to the development of an ASU campus in downtown Phoenix. Per the terms of the agreement, the City has acquired land, existing buildings and constructed new facilities in support of the Downtown Phoenix Campus. ASU is responsible for all operating costs at the campus as well as maintaining a reserve and replacement fund.

Permanent Financing. In March 2006, Phoenix resident voters approved a bond program which included approximately $188 million in permanent funding for the development of facilities for the ASU at the Downtown Phoenix campus, and approximately $35 million for other investments in the campus districts.

Purchase Option. The University may, prior to the satisfaction of the permanent financing, purchase all or a portion of the Downtown Phoenix campus property from the City for the amount of the indebtedness applicable to the property subject to full defeasance of any outstanding debt. Upon satisfaction of the permanent financing indebtedness, the properties will be transferred to the University at no additional cost, under the condition that the property will be used for the purpose of providing Arizona State University-related post-secondary education.

Mercado Property. The University will transfer property it owns in downtown Phoenix, known as the Mercado property, to the City when final payment of outstanding debt on the property has been made, which is scheduled to occur on July 1, 2024. The City has the option to purchase the Mercado property at any time after the construction of the new Downtown Phoenix campus facilities, and prior to June 15, 2024, subject to certain conditions.

Note N - Insurance Programs and Other Claims

Risk Management Insurance. Pursuant to A.R.S. section 41-621, the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations as theft, damage and destruction of property, buildings, and equipment; errors and omissions; injuries to employees; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. section 41-621. Loss risks not covered by the Risk Management Section and where the University has no insurance coverage are losses arising from contractual breaches and losses that arise out of and are directly attributable to an act or omission determined by a court to be a felony. 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 Section should not have a material effect on the University's financial statements. Also, in accordance with the disclosure requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, 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 O - Privatized Student Housing

American Campus Communities. The University has entered into ground lease agreements with American Campus Communities (ACC) for student housing projects that provide approximately 6,700 beds and are located on land owned by the University that is ground leased to ACC. Upon completion of the projects, ACC transfers title to the facilities to the University, subject to a leasehold interest under which ACC will maintain and operate the facilities. The ground leases are each for a period of 65 years with two ten-year options to renew. The University has no obligation to support the facilities financially or to guarantee occupancy.

- Vista del Sol, opened in August 2008 on the Tempe campus, consists of apartment-style beds, with amenities such as a pool, community center, parking garage and retail space.
- Villas at Vista del Sol, an expansion of the Vista del Sol complex, opened in August 2012 on the Tempe campus and includes a mix of apartment-style housing and townhome units.
- Barrett Honors College, opened in August 2009 on the Tempe campus, provides housing and academic space for the Barrett Honors College including classrooms, faculty office and dining facilities.
- Casa de Oro, opened in August 2012 on the West campus, features double occupancy suite-style beds for first-year students.
- Manzanita, a renovated facility, re-opened in August 2013 on the Tempe campus and consists of double occupancy suite-style beds for first-year students.
- Palo Verde Main, a new facility scheduled to open in August 2017 on the Tempe campus features double occupancy suite-style beds for first-year students.

University House Mesa, LLC. ASU entered into a ground lease with University House Mesa, LLC (UHM) for development of student housing that provides approximately 320 beds on the Polytechnic campus. During the term of the ground lease, 65 years with two ten-year options to renew, UHM is responsible for all costs and expenses of operating and maintaining the housing project. The University has no obligation to support the facility financially or to guarantee occupancy.

- Century Hall, opened in August 2012 on the Polytechnic campus, features double occupancy suite-style beds for first-year students.

Note P - Summary Financial Information for ASU Component Units

Arizona State University's discretely presented component units are comprised of two major component units, the ASU Foundation for A New American University (ASU Foundation) and Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units consisting of the ASU Alumni Association, Arizona State University Research Park, Inc., Downtown Phoenix Student Housing, LLC, Sun Angel Endowment, Sun Angel Foundation, Thunderbird School of Global Management, and ASU Preparatory Academy, Inc. For additional information refer to *Note B – ASU Component Units.*

Summary of Significant Accounting Policies

Basis of presentation. The component unit financial statements have been prepared on the accrual basis of accounting according to generally accepted accounting principles (GAAP). Information regarding their financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income taxes. All of ASU's component units, except ACFFC, qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. ACFFC is classified as a Section 501(c)(4) organization, a tax-exempt organization but not qualified for the charitable contribution deduction.

Use of estimates. The preparation of the component units' financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Pledges Receivable

The ASU Foundation's pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and loss allowance. Pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 1.20 percent to 10.90 percent. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support revenue and an increase in the allowance for uncollectible pledges.

The Sun Angel Foundation's pledges receivable are recorded at their net realizable value using a discount rate determined by management ranging from 2.20 percent to 5.14 percent for the year ended June 30, 2016.

Pledges receivable consist of *(Dollars in thousands)*

	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Gross pledges receivable	$ 185,902	$ 42,743	$ 8,188	$ 236,833
Present value discount	(13,094)	(2,982)	(147)	(16,223)
Allowance for uncollectible pledges	(40,316)	(2,874)	(168)	(43,358)
Net pledges receivable	**$ 132,492**	**$ 36,887**	**$ 7,873**	**$ 177,252**

Members of the ASU Foundation's Board of Directors and Board of Trustees have made contributions and pledges to the Foundation in the current and prior years. At June 30, 2016 and 2015, net unconditional pledges receivable from these members included approximately $474 thousand and $135 thousand, respectively. The Foundation had conditional pledges receivable totaling $46.6 million at June 30, 2016; none are included in pledges receivable. Conditional pledges receivable are recorded when the conditions are substantially met.

Gross pledges are receivable as follows *(Dollars in thousands)*				
	ASU Foundation	Sun Angel Foundation	Other Component Units	Total
Receivable in one year	$ 43,771	$ 7,451	$ 2,182	$ 53,404
Receivable in two to five years	53,805	18,764	6,006	78,575
Receivable after five years	88,326	16,528		104,854
Total gross pledges to be received	**$ 185,902**	**$ 42,743**	**$ 8,188**	**$ 236,833**

Investments

ASU Foundation investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs that market participants would use in pricing the asset or liability are based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs included in the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a Net Asset Valuation (NAV) per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

The ASU Foundation reports investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair values of nonmarketable securities are based on valuations provided by external investment managers. The ASU Foundation exercises due diligence in assessing the policies, procedures and controls implemented by external investment managers. Investment income is recorded on an accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility.

The ASU Foundation spending policy for the consolidated investment pools follows the objectives of the investment policy and establishes the amount made available for spending in the endowment pools.

- The current spending policy is based on a constant growth formula, in which the amount available for spending is based on the prior year spending amount plus an inflation factor (0.70 percent for 2016), collared by a cap and floor of 4.25 percent and 3.25 percent, respectively, of a 12-quarter moving average calculated mid-fiscal year.
- In the event the current market value of the endowment is less than the historical gift value, spending will continue, unless the gift agreement does not permit spending in this circumstance.

ASU Foundation has ownership of certain cash and cash equivalents that are not in the possession of ASU Foundation but are held, along with other marketable securities, by outside investment managers for the benefit of the ASU Foundation. Although these cash and cash equivalents are readily available to ASU Foundation, it is the intent of ASU Foundation to hold these cash and cash equivalents for investment purposes and, accordingly, these cash and cash equivalents are classified as investment assets in the accompanying combined financial statements.

Investments, in general, are exposed to various risks, such as interest rate, credit and market. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Investment Summary

Investments consist of *(Dollars in thousands)*	**ASU Foundation**	**ACFFC**	**Other Component Units**	**Total**
Money market funds and cash equivalents	$ 20,899	$ 16,800	$ 15,653	$ 53,352
International equities	312,288			312,288
Fixed Income	149,350			149,350
Mutual funds:				
Equity mutual funds			4,027	4,027
Inflation hedge	178,222			178,222
Total mutual funds	178,222		4,027	182,249
Other securities	52,801		17,395	70,196
Other investments	60,870		442	61,312
Total investments	**$ 774,430**	**$ 16,800**	**$ 37,517**	**$ 828,747**

ASU Foundation Fair Value of Financial Instruments and Fair Value Measurements

(Dollars in thousands)	**Level 1**	**Level 2**	**Level 3**
Assets at fair value (recurring basis)			
Charitable trust receivable			$ 3,182
Investments	$ 314,171		399,390
Land and buildings held for investment			60,869
Assets with limited use	24,617		
Assets held under split-interest agreements	6,900		
Total assets at fair value	$ 345,688		$ 463,441
Liabilities at fair value (recurring basis)			
Assets held for other entities			$ 128,692
Unrealized swap liability		$ 10,395	
Total liabilities at fair value		$ 10,395	$ 128,692

Direct Financing Lease Agreements

ASU Foundation. ASU Foundation leases a portion of the Fulton Center building (ASU Foundation headquarters) to the University under a direct financing lease. At the end of the lease, ASU Foundation and Affiliates will gift their portion of the building to the University and the University will receive title to the building. ASU Foundation's net investment in this direct financing lease at June 30, 2016 is $22.8 million.

Arizona Capital Facilities Finance Corporation (ACFFC). Pursuant to a sublease agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC (Nano), a wholly-owned subsidiary of ACFFC, leases its interest in the ASU Research Park to the University. The University will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and 2009B Bonds. The Sublease has successive annual renewals without action from either party through March 31, 2034. The Sublease is subject to early termination by Nano or the University upon the payment in full of the Series 2009A and 2009B Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the University without further consideration. ACFFC's net investment in the Nanotechnology facility direct financing lease is $29.1 million at June 30, 2016.

Pursuant to a University lease agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the University which consists of the academic, tutorial, retail and food service facilities. The lease was amended effective September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 Bonds. Any right, title or interest of Hassayampa in and to the academic portions of the Hassayampa Project will pass to the University without further cost upon the payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is $11.8 million at June 30, 2016.

Contingent Agreements

The University entered into a contingent agreement which allows the University to contribute funding to the extent a funding shortfall occurs during the fiscal year. The agreement for Hassayampa Academic Village (ACFFC) allows the University to fund deficiencies for debt service and operating expense shortfalls. To date no support has been provided.

On December 9, 2011 the Sun Angel Endowment executed an agreement with the Sun Angel Foundation and the Arizona Board of Regents for and on behalf of Arizona State University. The agreement provides for the merger of the Sun Angel Endowment into the Sun Angel Foundation upon satisfaction of certain conditions. On June 28, 2016, the Board of Directors for both Sun Angel Foundation and Sun Angel Endowment's approved the motions to finalize the merger and jointly executed a statement of merger. The Sun Angel Endowment is expected to be dissolved by December 31, 2016.

Power Plant Agreements

Sun Devil Energy Center. In November 2004, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a co-generation power plant on the University's Tempe campus with the power plant providing to the University a portion of its energy (electrical, chilled water and steam) needs. The contract with ACFFC is for 25 years, along with the related ground lease, and calls for minimum annual energy purchase obligations on the part of the University of approximately $7.5 million to cover ACFFC's fixed management services and capital costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily natural gas.

Polytechnic Central Plant. In December 2008, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a central plant on the University's Polytechnic campus to provide chilled water and emergency power for certain buildings on that campus. The contract with ACFFC is for 20 years, along with the related ground lease, and calls for minimum annual purchase obligations by the University of approximately $2 million to cover ACFFC's fixed capital and management services costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily electricity.

Foundation Endowment and Net Asset Classification

Management of the ASU Foundation's endowment is governed by laws in the State of Arizona based on the Uniform Prudent Management of Institutional Funds Act. The ASU Foundation has interpreted the statute as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the ASU Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets.

The ASU Foundation's endowment is invested in the Long Term Investment Pool (LTIP). The ASU Foundation's investment policies for the LTIP are reviewed periodically. The long-term financial objectives of the Pool are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve inter-generational equity by achieving growth of the Pool at a rate that at least keeps pace with the general rate of inflation, net of spending.

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level required to be held in perpetuity.

Subsequent Events

As part of its mission to support ASU, the ASU Foundation identified a need to help the University create new revenue sources to meet its rapid growth from local to global solutions. After a year of planning, designing, and obtaining the advice of experts, the ASU Foundation's Board of Directors approved a corporate structure reorganization to be effective July 1, 2016.

The reorganization was designed to enable the various activities of the ASU Foundation and its affiliates to have better focus on each entity's individual activities and to be structured for efficient on-boarding of new initiatives. Additionally, this reorganization is intended to protect the purity of philanthropy and allow the ASU Foundation to more easily compare itself to its peers.

The ASU Foundation Board approved a resolution in September 2015 that allowed for the creation of a new entity, ASU Enterprise Partners (EP), an Arizona nonprofit corporation, to serve as a holding company for five subsidiary entities: ASU Foundation, ASURE, RCASU, University Realty (UR), and AzTE. In May 2016, the ASU Foundation Board approved a resolution that created a member based framework where EP becomes the sole member of each of these five entities. In addition, this resolution assigned various assets and liabilities to EP and all of the real estate LLCs to University Realty. AzTE's and RCASU's subsidiary entities remain subsidiary entities of AzTE and RCASU, respectively, in an unchanged manner. EP began its activities on July 1, 2016.

This corporate restructure did not add or remove any net assets from the consolidated view of the ASU Foundation and affiliates compared to the consolidated view of EP and affiliates. However, significant net assets were moved between the entities.

ASU Foundation Endowment and Net Asset Classifications

ASU Foundation endowments by net asset category *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ (16,867)	$ 21,770	$ 383,491	$ 388,394
Quasi-endowments		73,006		73,006
Board-designated endowments	12,000			12,000
Total funds	**$ (4,867)**	**$ 94,776**	**$ 383,491**	**$ 473,400**

Changes in endowment net assets *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ 8,483	$ 117,997	$ 375,569	$ 502,049
Contributions and other additions		9,524	6,988	16,512
Investment return:				
Interest and dividends		6,243	360	6,603
Net realized and unrealized gains/(losses)	(13,350)	(26,154)	478	(39,026)
Changes in assets due to other entities		7,159		7,159
Total investment return	(13,350)	(12,752)	838	(25,264)
Appropriation for expenditure		(17,045)	(428)	(17,473)
Reclassification of donor intent		(2,948)	524	(2,424)
Endowment net assets, June 30, 2016	**$ (4,867)**	**$ 94,776**	**$ 383,491**	**$ 473,400**

Property and Equipment

Property and equipment consist of *(Dollars in thousands)*

	ASU Foundation	ACFFC	Other Component Units	Total
Cost or donated value:				
Construction in progress			$ 56	$ 56
Buildings and improvements	$ 17,397	$ 174,046	173,373	364,816
Furniture, fixtures, and equipment	6,759	79,027	37,907	123,693
Leasehold improvements			20,470	20,470
Library books			1,163	1,163
Land			820	820
Total cost or donated value	24,156	253,073	233,789	511,018
Accumulated depreciation	(11,363)	(108,950)	(113,021)	(233,334)
Net property and equipment	**$ 12,793**	**$ 144,123**	**$ 120,768**	**$ 277,684**

Bonds and Obligations under Capital lease

Bonds payable consist of *(Dollars in thousands)*	Final Maturity	ASU Foundation	ACFFC	Downtown Phoenix Student Housing, LLC	Other Component Units	Total
Series 2014A Tax-Exempt Lease Revenue Bonds (DC Project)	2035	$ 31,390				$ 31,390
Series 2014B Taxable Lease Revenue Bonds (DC Project)	2019	3,610				3,610
Series 2014A Revenue Refunding Bonds (Fulton)	2034	39,050				39,050
Series 2014B Revenue Refunding Bonds (Fulton)	2016	1,020				1,020
Series 2011 Tax-Exempt Revenue Refunding Bonds (Energy Management Services)	2018		$ 8,525			8,525
Series 2009 Revenue Bonds (Energy Management Services)	2024		29,475			29,475
Series 2009A Lease Revenue Refunding Bonds (Nanotechnology Research)	2034		22,955			22,955
Series 2009B Lease Revenue Refunding Bonds (Nanotechnology Research)	2022		6,465			6,465
Series 2008 Revenue Bonds (ASU Energy Center)	2028		12,715			12,715
Series 2008 Revenue Refunding Bonds (Hassayampa Academic Village)	2039		139,545			139,545
Series 2008 Variable Rate Demand Revenue Refunding Bonds (Sun Devil Energy Center)	2030		34,015			34,015
Series 2007 A&C Revenue Bonds	2042			$ 116,720		116,720
Series 2007 D Tax-Exempt Revenue Bonds	2042			22,653		22,653
Series 2006 Development Refunding Bonds (ASU Research Park)	2021				$ 5,200	5,200
Series 2004A Variable Rate Revenue Bonds (Brick-yard)	2034	22,420				22,420
Series 2004B Variable Rate Revenue Bonds (Brick-yard)	2022	6,005				6,005
Capital Lease	2015				46	46
Deferred Cost of Refunding			(150)			(150)
Unamortized bond premium (discount)			(846)	(969)		(1,815)
		$ 103,495	**$ 252,699**	**$ 138,404**	**$ 5,246**	**$ 499,844**

The following schedule reflects future principal payment commitments to investors:

Future principal commitments consist of *(Dollars in thousands)*					
Year Ending June 30,	**ASU Foundation**	**ACFFC**	**Downtown Phoenix Student Housing, LLC**	**Other Component Units**	**Total**
2017	$ 2,275	$ 10,300	$ 1,025	$ 1,001	$ 14,601
2018	3,680	10,985	1,245	995	16,905
2019	3,845	11,715	1,480	1,040	18,080
2020	4,035	9,345	1,735	1,080	16,195
2021	4,215	9,980	2,000	1,130	17,325
Thereafter	85,445	200,374	130,919		416,738
	$ 103,495	**$ 252,699**	**$ 138,404**	**$ 5,246**	**$ 499,844**

Financial Statement Information

The following represents summary financial information for ASU's two major component units (ASU Foundation and ACFFC) and all nonmajor component units combined:

Component Units
Statement of Financial Position
June 30, 2016
(Dollars in thousands)

	ASU Foundation	ACFFC	Nonmajor Component Units	Total
Assets				
Cash and cash equivalents	$ 18,605	$ 4,403	$ 20,776	$ 43,784
Pledges receivables, net	132,492		44,760	177,252
Other receivables, net	7,002	37	39,503	46,542
Investments in securities	713,560	16,800	37,075	767,435
Other investments	60,870		442	61,312
Net direct financing leases	22,820	40,899		63,719
Property and equipment, net	12,793	144,123	120,768	277,684
Other assets	33,921	3,316	10,022	47,259
Total assets	$ 1,002,063	$ 209,578	$ 273,346	$ 1,484,987
Liabilities				
Accounts payable and accrued liabilities	$ 9,609	$ 6,870	$ 29,467	$ 45,946
Deferred revenue			14,565	14,565
ASU endowment trust liability	113,659			113,659
Other liabilities	28,887		9,370	38,257
Long-term debt	103,495	252,699	143,650	499,844
Total liabilities	$ 255,650	$ 259,569	$ 197,052	$ 712,271
Net Assets				
Unrestricted	$ 24,655	$ (49,991)	$ 22,424	$ (2,912)
Temporarily restricted	289,496		52,028	341,524
Permanently restricted	432,262		1,842	434,104
Total net assets (deficit)	**$ 746,413**	**$ (49,991)**	**$ 76,294**	**$ 772,716**

Component Units
Statement of Activities
Year ended June 30, 2016
(Dollars in thousands)

	ASU Foundation	ACFFC	Nonmajor Component Units	Total
Revenues				
Contributions	$ 120,478		$ 44,275	$ 164,753
Rental revenues	1,605	$ 14,354	20,647	36,606
Sales and services	22,294	9,669	25,794	57,757
Net investment return	(15,573)	14	(737)	(16,296)
Grants and aid			17,344	17,344
Other revenues	11,240	7,790	1,746	20,776
Total revenues	$ 140,044	$ 31,827	$ 109,069	$ 280,940
Expenses				
Payments to the benefit of ASU -				
Cash and transfers to ASU	$ 69,010		$ 39,005	$ 108,015
Vendor payments	10,176			10,176
Scholarship fund transfers to ASU	7,426			7,426
Rent payments to ASU		$ 128	2,684	2,812
Management and general	32,690	8,917	53,974	95,581
Interest expense	1,563	11,809	7,537	20,909
Depreciation/amortization	668	12,142	4,524	17,334
Other expenses	10,348	17	7,771	18,136
Total expenses	$ 131,881	$ 33,013	$ 115,495	$ 280,389
Increase/(Decrease) in net assets	8,163	(1,186)	(6,426)	551
Net assets (deficit), beginning of year	738,250	(48,805)	82,720	772,165
Net assets (deficit), end of year	**$ 746,413**	**$ (49,991)**	**$ 76,294**	**$ 772,716**


INFERNO


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GEICO
MUSCLE MILK
ASU HONOR ROW
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Schedule of the University's Proportionate Share of the Net Pension Liability Arizona State Retirement System *(Dollars in thousands)*			
	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	**2015 (2014)** (as restated)	**2007 through 2014**
University's proportion of the net pension liability	3.19%	3.05%	Information not available
University's proportionate share of the net pension liability	$ 497,351	$ 451,741	
University's covered payroll	$ 295,068	$ 276,395	
University's proportionate share of the net pension liability as a percentage of its covered payroll	168.55%	163.44%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

Schedule of University Contributions Arizona State Retirement System *(Dollars in thousands)*										
	Reporting Fiscal Year									
	2016	**2015** [2] *(as restated)*	**2014** *(as restated)*	**2013** *(as restated)*	**2012** *(as restated)*	**2011** *(as restated)*	**2010** *(as restated)*	**2009** *(as restated)*	**2008** *(as restated)*	**2007** *(as restated)*
Statutorily required contribution	$ 34,379	$ 32,026	$ 29,447	$ 26,714	$ 24,826	$ 23,825	$ 21,578	$ 20,429	$ 21,278	$ 18,832
University's contributions in relation to the statutorily required contribution	34,379	32,026	29,447	26,714	24,826	23,825	21,578	20,429	21,278	18,832
University's contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
University's covered payroll [1]	$ 317,847	$ 295,068	$ 276,395	$ 261,965	$ 251,539	$ 264,429	$ 258,729	$ 255,682	$ 264,323	$ 249,430
University's contributions as a percentage of covered payroll [1]	10.82%	10.85%	10.65%	10.20%	9.87%	9.01%	8.34%	7.99%	8.05%	7.55%

[1] Per GASB 82, the measure of payroll that is required to be presented in the RSI was changed from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior pay periods have been restated in the FY 2016 CAFR to reflect covered payroll.

[2] In the prior year CAFR, 2015 University contributions were based on the employer contributions in the University's records. There was an immaterial difference between employer pension contributions ASRS recognized and the employer contributions in the University's records due to timing differences. The FY 2015 University contributions have been restated using the employer contributions ASRS recognized.


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KEEP CALM

Nonmajor Component Units
Combining Statement of Financial Position
June 30, 2016
(Dollars in thousands)

	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Downtown Phoenix Student Housing, LLC	Sun Angel Endowment	Sun Angel Foundation	Thunderbird School of Global Management	Total
Assets								
Cash and cash equivalents	$ 920	$ 6,254	$ 2,464	$ 1,644	$ 207	$ 3,687	$ 5,600	$ 20,776
Pledges receivables, net	20	7,853				36,887		44,760
Other receivables, net	860	757	25,689	239		5,468	6,490	39,503
Investments in securities	15,033		1,237	14,416	6,389			37,075
Other investments					442			442
Property and equipment, net		346	5,035	90,317		13	25,057	120,768
Other assets	97	680	2,354	5,293	32	240	1,326	10,022
Total assets	$ 16,930	$ 15,890	$ 36,779	$ 111,909	$ 7,070	$ 46,295	$ 38,473	$ 273,346
Liabilities								
Accounts payable and accrued liabilities	$ 66	$ 1,555	$ 536	$ 19,828	$ 12	$ 6,060	$ 1,410	$ 29,467
Deferred revenue	35	76	13,017	26			1,411	14,565
Other liabilities	15		1,684	362	2,000		5,309	9,370
Long-term debt		46	5,200	138,404				143,650
Total liabilities	$ 116	$ 1,677	$ 20,437	$ 158,620	$ 2,012	$ 6,060	$ 8,130	$ 197,052
Net Assets								
Unrestricted	$ 15,849	$ 3,569	$ 16,342	$ (46,711)	$ 2,380	$ 668	$ 30,327	$ 22,424
Temporarily restricted	965	10,644			836	39,567	16	52,028
Permanently restricted					1,842			1,842
Total net assets (deficit)	**$ 16,814**	**$ 14,213**	**$ 16,342**	**$ (46,711)**	**$ 5,058**	**$ 40,235**	**$ 30,343**	**$ 76,294**

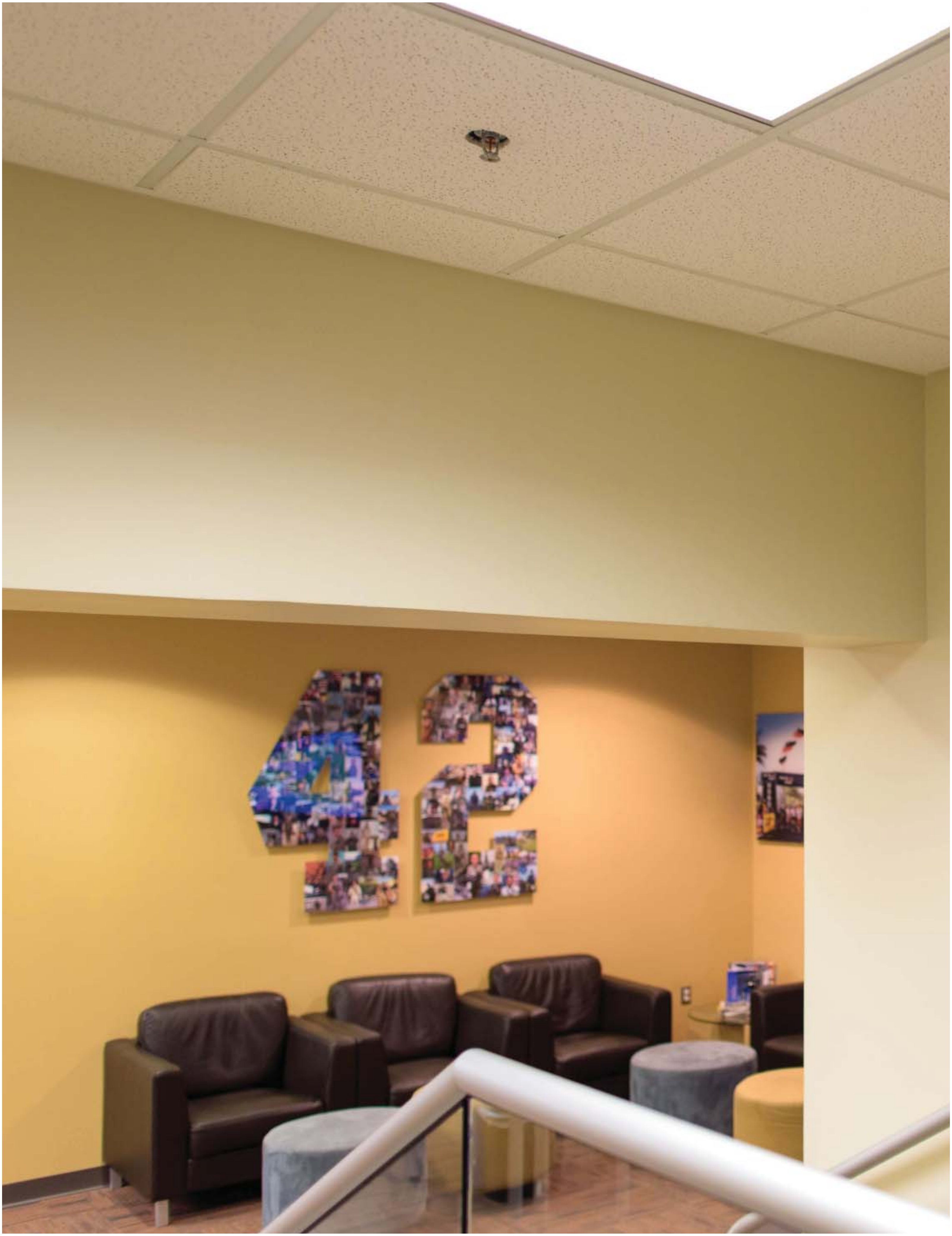
Nonmajor Component Units

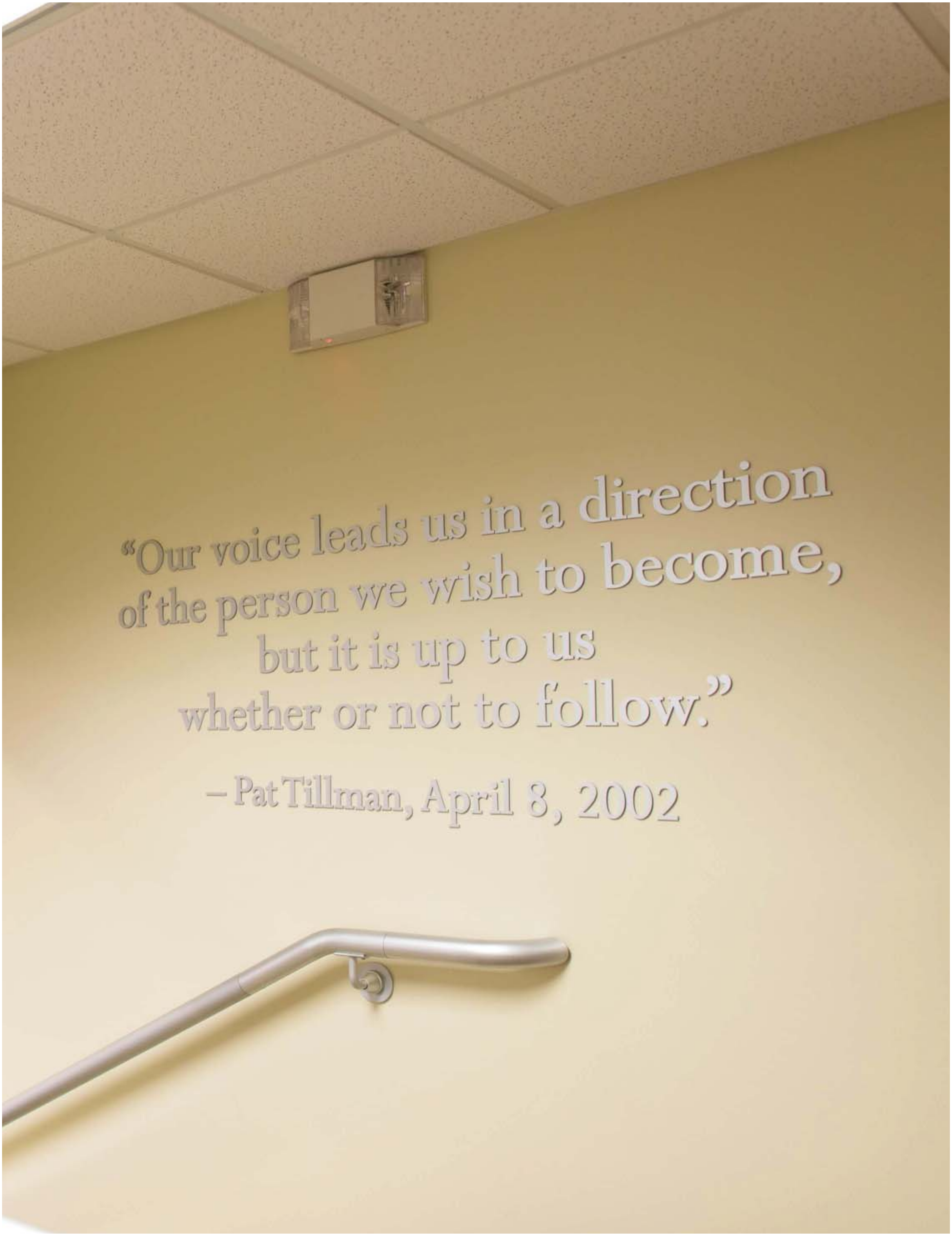
Combining Statement of Activities

Year ended June 30, 2016

(Dollars in thousands)

	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Downtown Phoenix Student Housing, LLC	Sun Angel Endowment	Sun Angel Foundation	Thunderbird School of Global Management	Total
Revenues								
Contributions	$ 2,610	$ 11,997				$ 29,114	$ 554	$ 44,275
Rental revenues			$ 9,580	$ 11,067				20,647
Sales and services	2,309	1,293				530	21,662	25,794
Net investment return	(655)		2	1	$ (104)	23	(4)	(737)
Grants and aid		17,344						17,344
Other revenues	1,401	227	67		1	78	(28)	1,746
Total revenues	$ 5,665	$ 30,861	$ 9,649	$ 11,068	$ (103)	$ 29,745	$ 22,184	$ 109,069
Expenses								
Payments to the benefit of ASU -								
Cash donation transfers to ASU						$ 15,511	$ 23,494	$ 39,005
Rent payments to ASU			$ 2,684					2,684
Management and general	$ 5,128	$ 20,237	1,050	$ 3,045	$ 131	1,314	23,069	53,974
Interest expense			247	7,167	123			7,537
Depreciation/amortization		95	408	4,021				4,524
Other expenses	301		150	847		6,473		7,771
Total expenses	$ 5,429	$ 20,332	$ 4,539	$ 15,080	$ 254	$ 23,298	$ 46,563	$ 115,495
Increase/(Decrease) in net assets	236	10,529	5,110	(4,012)	(357)	6,447	(24,379)	(6,426)
Net assets (deficit), beginning of year	16,578	3,684	11,232	(42,699)	5,415	33,788	54,722	82,720
Net assets (deficit), end of year	**$ 16,814**	**$ 14,213**	**$ 16,342**	**$ (46,711)**	**$ 5,058**	**$ 40,235**	**$ 30,343**	**$ 76,294**




"Our voice leads us in a direction
of the person we wish to become,
but it is up to us
whether or not to follow."
– Pat Tillman, April 8, 2002

Narrative to the Statistical Section

Net Position by Component										
Fiscal year ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
(Dollars in thousands)										
Net investment in capital assets [1]	$ 778,867	$ 718,642	$ 695,591	$ 664,867	$ 643,008	$ 634,253	$ 661,691	$ 665,895	$ 725,527	$ 595,819
Restricted, Non-expendable	70,544	64,833	59,476	55,572	52,941	49,513	46,883	44,819	42,279	62,035
Restricted, Expendable	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908
Unrestricted [2]	253,728	161,623	563,307	511,298	462,958	359,430	235,290	165,914	27,368	155,702
Total Net Position	**$ 1,221,116**	**$ 1,054,762**	**$ 1,432,322**	**$ 1,336,617**	**$ 1,251,568**	**$ 1,130,440**	**$ 1,036,795**	**$ 952,012**	**$ 894,388**	**$ 890,464**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	63.8	68.1	48.5	49.7	51.4	56.1	63.8	70.0	81.1	66.9
Restricted, Non-expendable	5.8	6.2	4.2	4.2	4.2	4.4	4.5	4.7	4.7	7.0
Restricted, Expendable	9.6	10.4	8.0	7.8	7.4	7.7	9.0	7.9	11.1	8.6
Unrestricted	20.8	15.3	39.3	38.3	37.0	31.8	22.7	17.4	3.1	17.5
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	8.4	3.3	4.6	3.4	1.4	(4.1)	(0.6)	(8.2)	21.8	n/a
Restricted, Non-expendable	8.8	9.0	7.0	5.0	6.9	5.6	4.6	6.0	(31.8)	n/a
Restricted, Expendable	7.6	(3.8)	8.6	13.2	6.2	(6.1)	23.3	(24.0)	29.0	n/a
Unrestricted	57.0	(71.3)	10.2	10.4	28.8	52.8	41.8	506.2	(82.4)	n/a
Total Net Position	**15.8**	**(26.4)**	**7.2**	**6.8**	**10.7**	**9.0**	**8.9**	**6.4**	**0.4**	**n/a**

[1] Balances prior to FY 2014 have not been adjusted for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Balances prior to FY 2016 have not been adjusted for the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*.
[2] Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Balances prior to FY 2016 have not been adjusted for the implementation of GASB Statement No. 72, *Fair Value Measurement and Application.*

Changes in Net Position

Changes in Net Position *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*
Revenues										
Operating Revenues										
Student tuition and fees, net	$ 1,157,535	$ 1,021,014	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890
Research grants and contracts	253,158	237,489	244,293	238,031	229,801	217,012	199,901	168,557	162,178	145,851
Sales and services										
Auxiliary enterprises	149,734	145,008	140,535	122,453	105,510	136,540	134,899	131,010	135,590	118,237
Educational departments	69,523	67,230	58,449	56,006	53,866	43,514	37,625	37,094	49,007	45,517
Other revenues	14,387	12,001	8,447	8,018	8,947	9,093	10,295	12,226	10,645	7,230
Total Operating Revenues	**$ 1,644,337**	**$ 1,482,742**	**$ 1,348,645**	**$ 1,227,473**	**$ 1,155,341**	**$ 1,045,483**	**$ 949,039**	**$ 848,354**	**$ 794,077**	**$ 716,725**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 749,722	$ 686,397	$ 617,091	$ 548,998	$ 519,117	$ 495,815	$ 472,979	$ 454,929	$ 461,082	$ 425,744
Research	261,055	244,763	235,720	225,453	211,569	201,255	189,599	180,901	166,271	144,781
Public service	36,807	36,201	40,209	44,860	46,938	48,208	41,196	43,121	43,071	42,992
Academic support	265,540	247,700	225,853	204,831	185,890	187,435	176,213	171,546	166,778	149,280
Student services	111,018	98,491	72,409	65,908	60,737	55,244	49,078	51,412	53,959	49,823
Institutional support	155,172	151,613	136,334	124,546	120,491	124,893	122,706	126,920	129,104	113,072
Operation and maintenance of plant	108,454	102,167	98,901	91,077	86,750	83,939	77,598	87,530	94,582	83,265
Scholarships and fellowships	152,802	136,675	127,468	112,363	113,171	120,428	109,404	88,335	68,006	63,223
Auxiliary enterprises	147,562	143,184	130,550	119,509	115,799	142,492	135,141	121,467	127,229	113,434
Depreciation	116,381	114,617	112,270	106,992	98,005	97,202	95,745	93,768	83,448	78,085
Total Operating Expenses	**$ 2,104,513**	**$ 1,961,808**	**$ 1,796,805**	**$ 1,644,537**	**$ 1,558,467**	**$ 1,556,911**	**$ 1,469,659**	**$ 1,419,929**	**$ 1,393,530**	**$ 1,263,699**
Operating Loss	**$ (460,176)**	**$ (479,066)**	**$ (448,160)**	**$ (417,064)**	**$ (403,126)**	**$ (511,428)**	**$ (520,620)**	**$ (571,575)**	**$ (599,453)**	**$ (546,974)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 281,385	$ 338,042	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120
Federal fiscal stabilization funds						867	32,502	69,822		
Share of state tax - TRIF	31,075	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566
Financial aid grants	124,188	115,070	106,855	104,415	110,222	104,498	84,998	49,969	42,198	36,176
Grants and contracts	56,743	49,037	35,863	42,195	49,237	50,133	48,390	50,892	34,905	34,741
Private gifts	99,612	57,651	64,928	59,807	55,329	50,584	45,847	49,211	42,620	39,222
Financial aid trust funds	14,833	13,615	12,393	11,114	11,027	9,279	9,249	8,812	8,680	6,606
Net investment return (loss)	9,382	5,133	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700
Interest on debt	(59,972)	(53,428)	(52,674)	(53,331)	(48,101)	(47,505)	(42,740)	(39,451)	(36,929)	(33,283)
Other expenses	(16,039)	(9,814)	(9,642)	(10,995)	(8,358)	(6,980)	(10,002)	(6,186)	(16,492)	(13,540)
Net Nonoperating Revenues	**$ 541,207**	**$ 541,832**	**$ 520,264**	**$ 485,326**	**$ 499,291**	**$ 580,690**	**$ 577,971**	**$ 598,326**	**$ 582,936**	**$ 553,308**
Income (loss) before other revenues, expenses, gains, or losses	**$ 81,031**	**$ 62,766**	**$ 72,104**	**$ 68,262**	**$ 96,165**	**$ 69,262**	**$ 57,351**	**$ 26,751**	**$ (16,517)**	**$ 6,334**
Capital appropriations	$ 11,422	$ 15,000	$ 14,471	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 6,452
Capital commitments	9,537	5,121	2,733	4,268	1,646	990				
Capital grants		158	893	761	1,636	1,371	2,086	1,432	2,283	2,190
Capital private gifts	4,937	7,106	8,308	2,503	7,206	3,567	3,351	4,961	7,576	9,614
Additions to permanent endowments	1,577	2,089	904	77	3	99	443	48	735	368
Property additions										22,424
Special Items				(5,294)				7,240	(20,100)	
Extraordinary Item - insurance recovery			3,900			3,884	7,080	2,720	15,475	
Increase (Decrease) in Net Position	**$ 108,504**	**$ 92,240**	**$ 103,313**	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**	**$ 47,382**
Total Revenues	$ 2,289,028	$ 2,117,290	$ 1,962,434	$ 1,799,206	$ 1,736,054	$ 1,705,041	$ 1,607,184	$ 1,523,190	$ 1,470,975	$ 1,357,904
Total Expenses	$ 2,180,524	$ 2,025,050	1,859,121	1,714,157	1,614,926	1,611,396	1,522,401	1,465,566	1,467,051	1,310,522
Increase (Decrease) in Net Position	**$ 108,504**	**$ 92,240**	**$ 103,313**	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**	**$ 47,382**

Grants and contracts prior to FY 2008 were restated between operating and non-operating categories in order to provide comparison among years. This is a presentation change only.

Changes in Net Position *(continued)*

Changes in Net Position (Expressed as a percent of Total Revenues / Total Expenses)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	50.6	48.2	45.7	44.6	43.6	37.5	35.2	32.8	29.7	29.4
Research grants and contracts	11.1	11.2	12.4	13.2	13.2	12.7	12.4	11.1	11.0	10.7
Sales and services										
Auxiliary enterprises	6.5	6.9	7.2	6.8	6.1	8.0	8.4	8.6	9.2	8.7
Educational departments	3.0	3.2	3.0	3.1	3.1	2.6	2.3	2.4	3.3	3.4
Other revenues	0.6	0.6	0.4	0.4	0.5	0.5	0.6	0.8	0.7	0.5
Total Operating Revenues	**71.8**	**70.1**	**68.7**	**68.1**	**66.5**	**61.3**	**58.9**	**55.7**	**53.9**	**52.7**
Expenses										
Operating Expenses										
Educational and general										
Instruction	*34.4*	*33.9*	*33.2*	*32.0*	*32.1*	*30.8*	*31.1*	*31.0*	*31.4*	*32.5*
Research	*12.0*	*12.1*	*12.7*	*13.2*	*13.1*	*12.5*	*12.5*	*12.3*	*11.3*	*11.0*
Public service	*1.7*	*1.8*	*2.2*	*2.6*	*2.9*	*3.0*	*2.7*	*2.9*	*2.9*	*3.3*
Academic support	*12.2*	*12.2*	*12.1*	*11.9*	*11.5*	*11.6*	*11.6*	*11.7*	*11.4*	*11.4*
Student services	*5.1*	*4.9*	*3.9*	*3.8*	*3.8*	*3.4*	*3.2*	*3.5*	*3.7*	*3.8*
Institutional support	*7.1*	*7.5*	*7.3*	*7.3*	*7.5*	*7.8*	*8.1*	*8.7*	*8.8*	*8.6*
Operation and maintenance of plant	*5.0*	*5.0*	*5.3*	*5.3*	*5.4*	*5.2*	*5.1*	*6.0*	*6.4*	*6.4*
Scholarships and fellowships	*7.0*	*6.7*	*6.9*	*6.6*	*7.0*	*7.5*	*7.2*	*6.0*	*4.6*	*4.8*
Auxiliary enterprises	*6.7*	*7.1*	*7.0*	*7.0*	*7.2*	*8.8*	*8.9*	*8.3*	*8.7*	*8.7*
Depreciation	*5.3*	*5.7*	*6.0*	*6.2*	*6.1*	*6.0*	*6.3*	*6.4*	*5.7*	*6.0*
Total Operating Expenses	**91.9**	**92.7**	**91.5**	**91.4**	**89.8**	**91.3**	**91.4**	**93.2**	**94.7**	**93.1**
Operating Loss	**(20.1)**	**(22.6)**	**(22.8)**	**(23.3)**	**(23.3)**	**(30.0)**	**(32.5)**	**(37.5)**	**(40.8)**	**(40.4)**
Nonoperating Revenues (Expenses)										
State appropriations	12.3	16.0	16.0	16.5	17.7	22.3	23.7	26.4	31.8	31.2
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.1	2.0	4.6	0.0	0.0
Share of state tax - TRIF	1.4	1.3	1.4	1.4	1.4	1.3	1.3	1.6	1.9	2.3
Financial aid grants	5.4	5.4	5.4	5.8	6.3	6.1	5.3	3.3	2.9	2.7
Grants and contracts	2.5	2.3	1.8	2.3	2.8	2.9	3.0	3.3	2.4	2.6
Private gifts	4.4	2.7	3.3	3.3	3.2	3.0	2.9	3.2	2.9	2.9
Financial aid trust funds	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.5
Net investment return (loss)	0.4	0.2	1.0	0.5	(0.1)	1.0	0.5	(0.7)	0.8	2.1
Interest on debt	*(2.8)*	*(2.6)*	*(2.8)*	*(3.1)*	*(3.0)*	*(2.9)*	*(2.8)*	*(2.7)*	*(2.5)*	*(2.5)*
Other expenses	*(0.7)*	*(0.5)*	*(0.5)*	*(0.6)*	*(0.5)*	*(0.4)*	*(0.7)*	*(0.4)*	*(1.1)*	*(1.0)*
Net Nonoperating Revenues	**23.6**	**25.6**	**26.5**	**27.0**	**28.8**	**34.1**	**36.0**	**39.3**	**39.6**	**40.7**
Income (loss) before other revenues, expenses, gains, or losses	**3.5**	**3.0**	**3.7**	**3.7**	**5.5**	**4.1**	**3.5**	**1.8**	**(1.2)**	**0.3**
Capital appropriations	0.5	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	0.5
Capital commitment	0.4	0.2	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Capital grants	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2
Capital private gifts	0.2	0.4	0.4	0.1	0.4	0.2	0.2	0.3	0.5	0.7
Additions to permanent endowments	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Special Items	0.0	0.0	0.0	*(0.3)*	0.0	0.0	0.0	0.5	*(1.4)*	0.0
Extraordinary Item - insurance recovery	0.0	0.0	0.2	0.0	0.0	0.2	0.4	0.2	1.1	0.0
Increase (Decrease) in Net Position	**4.7**	**4.4**	**5.3**	**4.7**	**7.0**	**5.5**	**5.3**	**3.8**	**0.3**	**3.5**

Percent of Total Expense is italicized.

Changes in Net Position *(continued)*

Changes in Net Position (Percentage increase (decrease) from prior year)										
Fiscal Year Ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	13.4	13.8	11.7	6.0	18.4	12.9	13.4	14.4	9.2	14.4
Research grants and contracts	6.6	(2.8)	2.6	3.6	5.9	8.6	18.6	3.9	11.2	9.5
Sales and services										
Auxiliary enterprises	3.3	3.2	14.8	16.1	(22.7)	1.2	3.0	(3.4)	14.7	10.8
Educational departments	3.4	15.0	4.4	4.0	23.8	15.7	1.4	(24.3)	7.7	22.7
Other revenues	19.9	42.1	5.4	(10.4)	(1.6)	(11.7)	(15.8)	14.9	47.2	2.8
Total Operating Revenues	10.9	9.9	9.9	6.2	10.5	10.2	11.9	6.8	10.8	13.1
Expenses										
Operating Expenses										
Educational and general										
Instruction	9.2	11.2	12.4	5.8	4.7	4.8	4.0	(1.3)	8.3	11.0
Research	6.7	3.8	4.6	6.6	5.1	6.1	4.8	8.8	14.8	13.7
Public service	1.7	(10.0)	(10.4)	(4.4)	(2.6)	17.0	(4.5)	0.1	0.2	7.4
Academic support	7.2	9.7	10.3	10.2	(0.8)	6.4	2.7	2.9	11.7	10.1
Student services	12.7	36.0	9.9	8.5	9.9	12.6	(4.5)	(4.7)	8.3	9.9
Institutional support	2.3	11.2	9.5	3.4	(3.5)	1.8	(3.3)	(1.7)	14.2	13.9
Operation and maintenance of plant	6.2	3.3	8.6	5.0	3.3	8.2	(11.3)	(7.5)	13.6	28.8
Scholarships and fellowships	11.8	7.2	13.4	(0.7)	(6.0)	10.1	23.9	29.9	7.6	11.5
Auxiliary enterprises	3.1	9.7	9.2	3.2	(18.7)	5.4	11.3	(4.5)	12.2	16.9
Depreciation	1.5	2.1	4.9	9.2	0.8	1.5	2.1	12.4	6.9	18.1
Total Operating Expenses	7.3	9.2	9.3	5.5	0.1	5.9	3.5	1.9	10.3	13.3
Operating Loss	(3.9)	6.9	7.5	3.5	(21.2)	(1.8)	(8.9)	(4.7)	9.6	13.4
Nonoperating Revenues (Expenses)										
State appropriations	(16.8)	7.5	5.7	(3.4)	(19.2)	0.0	(5.4)	(14.1)	10.7	14.8
Federal fiscal stabilization funds	n/a	n/a	n/a	n/a	n/a	(97.3)	(53.5)	n/a	n/a	n/a
Share of state tax - TRIF	17.1	(4.5)	10.1	6.0	9.3	2.2	(10.2)	(15.7)	(10.8)	42.7
Financial aid grants	7.9	7.7	2.3	(5.3)	5.5	22.9	70.1	18.4	16.6	(0.4)
Grants and contracts	15.7	36.7	(15.0)	(14.3)	(1.8)	3.6	(4.9)	45.8	0.5	(14.0)
Private gifts	72.8	(11.2)	8.6	8.1	9.4	10.3	(6.8)	15.5	8.7	(2.3)
Financial aid trust funds	8.9	9.9	11.5	0.8	18.8	0.3	5.0	1.5	31.4	76.0
Net investment return (loss)	82.8	(74.7)	113.4	(682.8)	(109.5)	128.1	(168.7)	(196.0)	(60.3)	40.8
Interest on debt	12.2	1.4	(1.2)	10.9	1.3	11.1	8.3	6.8	11.0	15.5
Other expenses	63.4	1.8	(12.3)	31.6	19.7	(30.2)	61.7	(62.5)	21.8	(3.2)
Net Nonoperating Revenues	(0.1)	4.1	7.2	(2.8)	(14.0)	0.5	(3.4)	2.6	5.4	13.2
Income (loss) before other revenues, expenses, gains, or losses	29.1	(13.0)	5.6	(29.0)	38.8	20.8	114.4	(262.0)	(360.8)	(3.7)
Capital appropriations	(23.9)	3.7	0.0	0.0	0.0	0.0	0.0	0.0	124.3	n/a
Capital commitment	86.2	87.4	(36.0)	159.3	66.3	n/a	n/a	n/a	n/a	n/a
Capital grants	(100.0)	(82.3)	17.3	(53.5)	19.3	(34.3)	45.7	(37.3)	4.2	41.5
Capital private gifts	(30.5)	(14.5)	231.9	(65.3)	102.0	6.4	(32.5)	(34.5)	(21.2)	116.2
Additions to permanent endowments	(24.5)	131.1	1,074.0	2,466.7	(97.0)	(77.7)	822.9	(93.5)	99.7	(62.3)
Property additions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Special Items	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(136.0)	n/a	n/a
Extraordinary Item - insurance recovery	n/a	n/a	n/a	n/a	n/a	(45.1)	160.3	(82.4)	n/a	n/a
Increase (Decrease) in Net Position	17.6	(10.7)	21.5	(29.8)	29.3	10.5	47.1	1,368.5	(91.7)	735.1

Operating Expenses by Natural Classification										
Fiscal year ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
(Dollars in thousands)										
Personal services	$ 888,936	$ 830,440	$ 761,778	$ 711,641	$ 679,715	$ 692,246	$ 664,755	$ 666,331	$ 666,673	$ 617,620
Benefits	327,804	290,060	268,025	236,380	231,295	226,400	216,684	206,828	194,583	174,682
Personal services and benefits	1,216,740	1,120,500	1,029,803	948,021	911,010	918,646	881,439	873,159	861,256	792,302
Supplies and services	601,218	576,345	514,355	464,452	423,693	407,826	371,588	352,567	368,370	319,301
Student aid, net scholarship allowance	170,174	150,346	140,377	125,072	125,759	133,237	120,887	100,435	80,456	74,011
Depreciation	116,381	114,617	112,270	106,992	98,005	97,202	95,745	93,768	83,448	78,085
Total Operating Expenses by Natural Classification	**$2,104,513**	**$1,961,808**	**$1,796,805**	**$ 1,644,537**	**$1,558,467**	**$1,556,911**	**$1,469,659**	**$1,419,929**	**$1,393,530**	**$1,263,699**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Personal services	42.2	42.3	42.4	43.3	43.6	44.5	45.2	46.9	47.8	48.9
Benefits	15.6	14.8	14.9	14.4	14.8	14.5	14.8	14.6	14.0	13.8
Personal services and benefits	57.8	57.1	57.3	57.7	58.4	59.0	60.0	61.5	61.8	62.7
Supplies and services	28.6	29.4	28.6	28.2	27.2	26.2	25.3	24.8	26.4	25.3
Student aid, net scholarship allowance	8.1	7.7	7.8	7.6	8.1	8.6	8.2	7.1	5.8	5.8
Depreciation	5.5	5.8	6.3	6.5	6.3	6.2	6.5	6.6	6.0	6.2
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	7.0	9.0	7.0	4.7	(1.8)	4.1	(0.2)	(0.1)	7.9	8.8
Benefits	13.0	8.2	13.4	2.2	2.2	4.5	4.8	6.3	11.4	16.9
Personal services and benefits	8.6	8.8	8.6	4.1	(0.8)	4.2	0.9	1.4	8.7	10.5
Supplies and services	4.3	12.1	10.7	9.6	3.9	9.8	5.4	(4.3)	15.4	19.8
Student aid, net scholarship allowance	13.2	7.1	12.2	(0.5)	(5.6)	10.2	20.4	24.8	8.7	12.1
Depreciation	1.5	2.1	4.9	9.2	0.8	1.5	2.1	12.4	6.9	18.1
Total Operating Expenses by Natural Classification	**7.3**	**9.2**	**9.3**	**5.5**	**0.1**	**5.9**	**3.5**	**1.9**	**10.3**	**13.3**
Scholarship allowance	$ 313,064	$ 269,503	$ 231,124	$ 211,919	$ 203,501	$ 180,646	$ 155,161	$ 113,874	$ 95,315	$ 83,665

Combined Sources and Uses

Combined Sources and Uses *(Dollars in millions)*

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
Sources										
Student Tuition and Fees, net	$ 1,157.5	$ 1,021.0	$ 896.9	$ 803.0	$ 757.2	$ 639.3	$ 566.3	$ 499.5	$ 436.7	$ 399.9
Gross Tuition and Fees	*1,453.8*	*1,278.0*	*1,117.8*	*1,005.8*	*952.5*	*811.4*	*711.1*	*608.5*	*526.3*	*479.6*
Scholarship Allowance	*296.3*	*257.0*	*220.9*	*202.8*	*195.3*	*172.1*	*144.8*	*109.0*	*89.6*	*79.7*
State Appropriation	292.8	353.0	329.0	311.9	322.2	395.4	395.4	416.9	482.9	429.6
Capital Appropriation	*11.4*	*15.0*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*6.5*
Federal Fiscal Stabilization Funds						0.8	32.5	69.8		
Grants and Contracts	309.9	286.7	281.1	281.0	280.7	268.5	250.4	220.9	199.4	182.8
Federally Funded	*242.3*	*229.9*	*247.9*	*225.4*	*232.3*	*219.8*	*191.9*	*151.8*	*148.6*	*150.0*
Financial Aid Grants	124.2	115.1	106.9	104.4	110.2	104.5	85.0	50.0	42.2	36.2
Federally Funded	*123.9*	*114.8*	*106.4*	*104.0*	*109.8*	*104.1*	*84.6*	*49.6*	*40.4*	*36.2*
Auxiliary Enterprises, net	149.7	145.0	140.5	122.5	105.5	136.6	134.9	131.0	135.6	118.2
Private and Capital Gifts	106.2	66.8	74.1	62.3	62.6	54.2	49.6	54.2	50.9	49.2
Capital Gifts	*4.9*	*7.1*	*8.3*	*2.5*	*7.2*	*3.6*	*3.4*	*5.0*	*7.6*	*9.6*
Sales and Services	69.5	67.2	58.4	56.0	53.9	43.5	37.6	37.1	49.0	45.5
Technology and Research Initiatives Funds (TRIF)	31.1	26.5	27.8	25.2	23.8	21.8	21.3	23.7	28.1	31.6
Other Sources	48.1	35.9	47.7	32.9	20.0	40.4	34.2	20.1	46.1	64.9
Total Sources	**$ 2,289.0**	**$ 2,117.2**	**$ 1,962.4**	**$ 1,799.2**	**$ 1,736.1**	**$ 1,705.0**	**$ 1,607.2**	**$ 1,523.2**	**$ 1,470.9**	**$ 1,357.9**
Uses										
Instruction	$ 749.7	$ 686.4	$ 617.1	$ 549.0	$ 519.1	$ 495.8	$ 473.0	$ 454.9	$ 461.1	$ 425.7
Organized Research	261.1	244.8	235.7	225.5	211.6	201.3	189.6	180.9	166.3	144.8
Public Service	36.8	36.2	40.2	44.9	46.9	48.2	41.2	43.1	43.1	43.0
Academic Support	265.5	247.7	225.8	204.8	185.9	187.4	176.2	171.6	166.8	149.3
Student Services	111.0	98.4	72.4	65.9	60.7	55.2	49.1	51.5	54.0	49.8
Institutional Support	155.2	151.6	136.3	124.5	120.5	124.9	122.7	126.9	129.1	113.1
Operation and Maintenance of Plant	108.4	102.2	98.9	91.1	86.7	83.9	77.6	87.5	94.5	83.3
Scholarships and Fellowships	152.8	136.7	127.5	112.4	113.2	120.5	109.4	88.3	68.0	63.2
Auxiliary Enterprises	147.6	143.2	130.6	119.5	115.8	142.5	135.1	121.5	127.2	113.4
Depreciation	116.4	114.6	112.3	107.0	98.0	97.2	95.7	93.8	83.4	78.1
Academic and Research Buildings	*69.4*	*67.6*	*63.9*	*60.0*	*52.1*	*50.3*	*50.1*	*48.7*	*45.7*	*44.4*
Other Expenses	76.0	63.2	62.3	69.6	56.5	54.5	52.8	45.6	73.5	46.8
Total Uses	**$ 2,180.5**	**$ 2,025.0**	**$ 1,859.1**	**$ 1,714.2**	**$ 1,614.9**	**$ 1,611.4**	**$ 1,522.4**	**$ 1,465.6**	**$ 1,467.0**	**$ 1,310.5**

Principal Revenue Sources *(Dollars in thousands)*

Fiscal year ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and Fees, net of scholarship allowance	**$1,157,535**	**$1,021,014**	**$ 896,921**	**$ 802,965**	**$ 757,217**	**$ 639,324**	**$ 566,319**	**$ 499,467**	**$ 436,657**	**$ 399,890**
percent of total revenue	51%	48%	46%	45%	44%	37%	35%	33%	30%	29%
percent increase from prior year	13%	14%	12%	6%	18%	13%	13%	14%	9%	14%
State of Arizona Government										
State appropriations	$ 281,385	$ 338,042	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120
Technology and research initiative fund	31,075	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566
Capital appropriations and capital commitments	20,959	20,121	17,204	16,642	16,118	15,462	14,472	14,472	14,472	6,452
State grants and contracts	8,536	6,848	3,055	1,514	9,136	6,386	10,800	11,143	7,958	3,267
Financial aid trust fund	5,724	5,483	5,350	4,920	5,242	5,322	5,569	5,412	5,322	3,723
Capital grants										150
State of Arizona Government	**$ 347,679**	**$ 397,020**	**$ 367,887**	**$ 345,703**	**$ 362,060**	**$ 429,854**	**$ 433,058**	**$ 457,214**	**$ 524,319**	**$ 468,278**
percent of total revenue	15%	19%	19%	19%	21%	25%	27%	30%	36%	34%
percent increase (decrease) from prior year	-12%	8%	6%	(5%)	(16%)	(1%)	(5%)	(13%)	12%	17%
Federal Government										
Federal grants and contracts	$ 242,299	$ 229,925	$ 247,015	$ 224,603	$ 230,747	$ 218,704	$ 189,909	$ 150,683	$ 146,758	$ 147,798
Financial aid grants	123,945	114,816	106,360	103,965	109,779	104,057	84,574	49,588	40,397	36,176
Capital grants			859	761	1,517	1,142	2,031	1,067	1,826	1,752
Federal fiscal stabilization funds						867	32,502	69,822		
Federal Government	**$ 366,244**	**$ 344,741**	**$ 354,234**	**$ 329,329**	**$ 342,043**	**$ 324,770**	**$ 309,016**	**$ 271,160**	**$ 188,981**	**$ 185,726**
percent of total revenue	16%	16%	18%	18%	20%	19%	19%	18%	13%	14%
percent increase (decrease) from prior year	6%	(3%)	8%	(4%)	5%	5%	14%	43%	2%	6%
Total from principal revenue sources	**$1,871,458**	**$1,762,775**	**$1,619,042**	**$1,477,997**	**$1,461,320**	**$1,393,948**	**$1,308,393**	**$1,227,841**	**$1,149,957**	**$1,053,894**
percent of total revenue	82%	83%	83%	82%	85%	81%	81%	81%	79%	77%
percent increase from prior year	6%	9%	10%	1%	5%	7%	7%	7%	9%	n/a

Academic Year Tuition and Required Fees

Academic Year Tuition and Required Fees										
Fiscal year ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
RESIDENT UNDERGRADUATE										
Arizona State University	$10,158	$10,127	$ 9,861	$ 9,724	$ 9,720	$ 8,132	$ 6,334	$ 5,661	$ 4,971	$ 4,688
percent increase from prior year	0.3%	2.7%	1.4%	0.0%	19.5%	28.4%	11.8%	13.9%	6.0%	6.4%
PAC-12 Public Average	$11,173	$10,972	$10,729	$10,484	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322	$ 5,809
percent increase from prior year	1.8%	2.3%	2.3%	6.6%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%
ABOR Peers Average	$12,005	$11,871	$11,675	$11,440	$10,846	$10,146	$ 9,443	$ 8,904	$ 8,356	$ 7,902
percent increase from prior year	1.1%	1.7%	2.1%	5.5%	6.9%	7.4%	6.1%	6.6%	5.7%	6.5%
NON-RESIDENT UNDERGRADUATE										
Arizona State University	$25,458	$24,503	$23,654	$22,977	$22,319	$20,596	$18,919	$17,949	$17,003	$15,847
percent increase from prior year	3.9%	3.6%	2.9%	2.9%	8.4%	8.9%	5.4%	5.6%	7.3%	5.0%
PAC-12 Public Average	$31,810	$30,469	$29,436	$28,653	$27,510	$26,753	$25,123	$22,812	$21,357	$20,100
percent increase from prior year	4.4%	3.5%	2.7%	4.2%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%
ABOR Peers Average	$31,061	$30,003	$29,146	$28,297	$27,066	$25,665	$24,436	$23,068	$22,192	$20,904
percent increase from prior year	3.5%	2.9%	3.0%	4.5%	5.5%	5.0%	5.9%	3.9%	6.2%	6.3%
RESIDENT GRADUATE										
Arizona State University	$11,304	$11,303	$10,818	$10,517	$10,220	$8,848	$ 7,465	$ 7,041	$ 6,377	$ 6,027
percent increase from prior year	0.0%	4.5%	2.9%	2.9%	15.5%	18.5%	6.0%	10.4%	5.8%	8.4%
PAC-12 Public Average	$12,937	$12,676	$12,374	$12,039	$11,494	$10,321	$ 9,824	$ 9,093	$ 8,516	$ 7,725
percent increase from prior year	2.1%	2.4%	2.8%	4.7%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%
ABOR Peers Average	$14,225	$13,955	$13,598	$13,207	$12,603	$11,843	$11,022	$10,472	$ 9,708	$ 9,066
percent increase from prior year	1.9%	2.6%	3.0%	4.8%	6.4%	7.4%	5.3%	7.9%	7.1%	6.8%
NON-RESIDENT GRADUATE										
Arizona State University	$27,780	$26,736	$25,804	$25,066	$24,345	$22,397	$20,659	$19,606	$18,070	$16,613
percent increase from prior year	3.9%	3.6%	2.9%	3.0%	8.7%	8.4%	5.4%	8.5%	8.8%	5.0%
PAC-12 Public Average	$26,912	$26,281	$25,597	$24,952	$24,051	$22,722	$21,823	$20,513	$19,002	$17,936
percent increase from prior year	2.4%	2.7%	2.6%	3.7%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%
ABOR Peers Average	$28,693	$27,958	$27,206	$26,485	$25,552	$24,435	$23,437	$22,457	$21,292	$20,268
percent increase from prior year	2.6%	2.8%	2.7%	3.7%	4.6%	4.3%	4.4%	5.5%	5.1%	5.1%

Sources: Integrated Postsecondary Education Data System (IPEDS), Arizona State University Fact Book, and Office of Institutional Analysis

ASU's tuition rates are approved by the Arizona Board of Regents (ABOR).

PAC-12 Public Average and ABOR Peers Average comparisons do not include ASU. PAC-12 Public Average calculations include only public institutions.

Summary of Composite Financial Index Ratios[1]										
Fiscal year ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.29**	**0.27**	**0.45**	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**	**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	2.18	2.03	3.38	3.23	3.01	2.63	2.03	1.65	1.73	2.48
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.76	0.71	1.18	1.13	1.05	0.92	0.71	0.58	0.61	0.87
+ Return on Net Position/Net Assets	**5.8%**	**10.3%**	**8.5%**	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**	**11.8%**
/ 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	2.90	5.15	4.25	4.15	3.55	5.25	3.35	(1.00)	1.30	5.90
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.58	1.03	0.85	0.83	0.71	1.05	0.67	(0.20)	0.26	1.18
+ Net Operating Revenues Ratio	**2.0%**	**3.4%**	**4.4%**	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**	**0.0%**
/ 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	1.54	2.62	3.38	3.00	2.69	3.77	2.54	(1.00)	(1.00)	0.00
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.15	0.26	0.34	0.30	0.27	0.38	0.25	(0.10)	(0.10)	0.00
+ Viability Ratio	**0.3**	**0.3**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**	**0.4**
/ 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	0.72	0.72	1.20	1.20	0.96	0.96	0.72	0.48	0.72	0.96
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.25	0.25	0.42	0.42	0.34	0.34	0.25	0.17	0.25	0.34
Composite Financial Index	**1.74**	**2.25**	**2.79**	**2.68**	**2.37**	**2.69**	**1.88**	**0.45**	**1.02**	**2.39**

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.

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Summary of Ratios *(continued)*

Detail of Composite Financial Index Ratios[1] *(Dollars in thousands)*

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
PRIMARY RESERVE RATIO										
Unrestricted Net Position	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702
Unrestricted Net Assets - Component Units	(2,912)	29,112	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802
Expendable Restricted Net Position	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908
Temporarily Restricted Net Assets - Component Units	341,524	323,456	286,599	260,101	232,312	214,130	182,878	174,586	233,668	219,495
Expendable Net Position/Net Assets	**$ 710,317**	**$ 623,855**	**$ 935,384**	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**	**$ 484,907**
Operating Expenses	$2,104,513	$1,961,808	$ 1,796,805	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530	$ 1,263,699
Nonoperating Expenses	76,011	63,242	62,316	64,326	56,459	54,485	52,742	45,637	53,421	46,823
Component Unit Total Expenses	280,389	266,791	201,738	186,523	202,475	182,983	171,174	163,219	158,433	137,843
Total Expenses	**$2,460,913**	**$2,291,841**	**$ 2,060,859**	**$ 1,895,386**	**$ 1,817,401**	**$ 1,794,379**	**$ 1,693,575**	**$ 1,628,785**	**$ 1,605,384**	**$ 1,448,365**
Expendable Net Position/Net Assets	$ 710,317	$ 623,855	$ 935,384	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762	$ 484,907
Total Expenses	$2,460,913	$2,291,841	$ 2,060,859	$ 1,895,386	$ 1,817,401	$ 1,794,379	$ 1,693,575	$ 1,628,785	$ 1,605,384	$ 1,448,365
Ratio	**0.29**	**0.27**	**0.45**	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**	**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 position not be available. A positive ratio and an increase in the ratio over time denotes strength.

RETURN ON NET POSITION/NET ASSETS RATIO	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
Change in Total Net Position/Net Assets	$ 109,055	$ 170,423	$ 163,969	$ 148,312	$ 118,202	$ 159,068	$ 94,407	$ (72,049)	$ 37,286	$ 153,438
Total Net Position/Net Assets (Beginning of Year)	$1,884,777	$1,656,504	$ 1,927,200	$ 1,786,613	$ 1,668,411	$ 1,509,343	$ 1,414,936	$ 1,486,985	$ 1,449,699	$ 1,296,682
Ratio	**5.8%**	**10.3%**	**8.5%**	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**	**11.8%**

Return on Net Position/Net Assets Ratio calculation includes component unit information.

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.

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Detail of Composite Financial Index Ratios[1] *(Dollars in thousands)*

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
NET OPERATING REVENUES RATIO										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ 81,031	$ 62,766	$ 72,104	$ 68,262	$ 96,165	$ 69,262	$ 57,351	$ 26,751	$ (16,517)	$ 6,334
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	(32,024)	17,131	23,577	8,169	(30,703)	23,517	(189)	(61,911)	(25,750)	(5,655)
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	**$ 49,007**	**$ 79,897**	**$ 95,681**	**$ 76,431**	**$ 65,462**	**$ 92,779**	**$ 57,162**	**$ (35,160)**	**$ (42,267)**	**$ 679**
Total Operating Revenues	$ 1,644,337	$ 1,482,742	$ 1,348,645	$ 1,227,473	$ 1,155,341	$ 1,045,483	$ 949,039	$ 848,354	$ 794,077	$ 716,725
State Appropriations and State Related Revenues	312,460	364,568	342,278	322,627	331,564	403,551	434,719	496,009	496,567	454,686
Non-capital Gifts and Grants, net	280,543	221,758	207,646	206,417	214,788	205,215	179,235	150,072	119,723	110,139
Financial aid trust	14,833	13,615	12,393	11,114	11,027	9,279	9,249	8,812	8,680	6,606
Investment Income (Loss), net	9,382	5,133	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387	28,700
Component Units Total Unrestricted Revenue	248,365	283,922	225,315	194,692	171,772	206,500	170,985	101,308	132,683	132,188
Adjusted Net Operating Revenue	**$ 2,509,920**	**$ 2,371,738**	**$ 2,156,540**	**$ 1,971,817**	**$1,882,863**	**$ 1,887,158**	**$ 1,750,737**	**$ 1,593,625**	**$ 1,563,117**	**$ 1,449,044**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 49,007	$ 79,897	$ 95,681	$ 76,431	$ 65,462	$ 92,779	$ 57,162	$ (35,160)	$ (42,267)	$ 679
Adjusted Net Operating Revenue	$ 2,509,920	$ 2,371,738	$ 2,156,540	$ 1,971,817	$ 1,882,863	$ 1,887,158	$ 1,750,737	$ 1,593,625	$ 1,563,117	$ 1,449,044
Ratio	**2.0%**	**3.4%**	**4.4%**	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**	**0.0%**

Measures whether the institution is living within available resources. A positive ratio and an increase in the ratio over time, generally 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.

VIABILITY RATIO	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
Unrestricted Net Position	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702
Unrestricted Net Assets - Component Units	(2,912)	29,112	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512	32,802
Expendable Restricted Net Position	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908
Temporarily Restricted Net Assets - Component Units	341,524	323,456	286,599	260,101	232,312	214,130	182,878	174,586	233,668	219,495
Expendable Net Position/Net Assets	**$ 710,317**	**$ 623,855**	**$ 935,384**	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**	**$ 484,907**
University Long-Term Debt, net capital leases with Component Units	$ 1,573,804	$ 1,511,891	$ 1,319,199	$ 1,266,524	$ 1,227,702	$ 1,078,340	$ 1,032,441	$ 874,100	$ 765,272	$ 796,474
Component Unit Long-Term Debt	499,844	514,409	509,339	521,101	546,488	586,851	596,104	603,843	540,121	416,703
Total Adjusted University Debt	**$ 2,073,648**	**$ 2,026,300**	**$ 1,828,538**	**$ 1,787,625**	**$1,774,190**	**$ 1,665,191**	**$ 1,628,545**	**$ 1,477,943**	**$ 1,305,393**	**$ 1,213,177**
Expendable Net Position/Net Assets	$ 710,317	$ 623,855	$ 935,384	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762	$ 484,907
Total Adjusted University Debt	$ 2,073,648	$ 2,026,300	$ 1,828,538	$ 1,787,625	$ 1,774,190	$ 1,665,191	$ 1,628,545	$ 1,477,943	$ 1,305,393	$ 1,213,177
Ratio	**0.3**	**0.3**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**	**0.4**

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.

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Summary of Ratios[1] *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007** *(as restated)*
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702
Expendable Restricted Net Position	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908
Expendable Net Position	**$ 371,705**	**$ 271,287**	**$ 677,255**	**$ 616,178**	**$ 555,619**	**$ 446,674**	**$ 328,221**	**$ 241,298**	**$ 126,582**	**$ 232,610**
Expendable Net Position	$ 371,705	$ 271,287	$ 677,255	$ 616,178	$ 555,619	$ 446,674	$ 328,221	$ 241,298	$ 126,582	$ 232,610
Total Bonds, COPS, and Capital Leases	$ 1,649,317	$ 1,553,342	$ 1,354,886	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278
Ratio	**0.2**	**0.2**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.2**	**0.3**
Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date, should the institution need to do so.										
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368	$ 155,702
Expendable Restricted Net Position	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214	76,908
Non-expendable Restricted Net Position	70,544	64,833	59,476	55,572	52,941	49,513	46,883	44,819	42,279	62,035
Total Financial Resources	**$ 442,249**	**$ 336,120**	**$ 736,731**	**$ 671,750**	**$ 608,560**	**$ 496,187**	**$ 375,104**	**$ 286,117**	**$ 168,861**	**$ 294,645**
Total Financial Resources	$ 442,249	$ 336,120	$ 736,731	$ 671,750	$ 608,850	$ 496,187	$ 375,104	$ 286,117	$ 168,861	$ 294,645
Total Bonds, COPS, and Capital Leases	$ 1,649,317	$ 1,553,342	$ 1,354,886	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278
Ratio	**0.3**	**0.2**	**0.5**	**0.5**	**0.5**	**0.4**	**0.3**	**0.3**	**0.2**	**0.3**
A broader measure of the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so.										
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (315,803)	$ (367,867)	$ (319,052)	$ (322,858)	$ (346,453)	$ (420,160)	$ (441,550)	$ (470,853)	$ (482,720)	$ (461,252)
State Appropriations and Federal Stabilization Funds	281,385	338,042	314,493	297,402	307,765	381,781	413,416	472,274	468,406	423,120
Share of State Sales Tax - TRIF	31,075	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161	31,566
Non-capital Grants and Contracts, Gifts, Other [1]	295,376	235,373	220,039	217,531	225,815	214,494	188,484	158,884	128,403	116,745
Adjusted Cash Flow from Operations	**$ 292,033**	**$ 232,074**	**$ 243,265**	**$ 217,300**	**$ 210,926**	**$ 197,885**	**$ 181,653**	**$ 184,040**	**$ 142,250**	**$ 110,179**
Total Bonds, COPS, and Capital Leases	$ 1,649,317	$ 1,553,342	$ 1,354,886	$ 1,321,417	$ 1,275,403	$ 1,140,423	$ 1,094,882	$ 949,063	$ 840,228	$ 872,278
Adjusted Cash Flow from Operations	$ 292,033	$ 232,074	$ 243,265	$ 217,300	$ 210,926	$ 197,885	$ 181,653	$ 184,040	$ 142,250	$ 110,179
Ratio	**5.6**	**6.7**	**5.6**	**6.1**	**6.0**	**5.8**	**6.0**	**5.2**	**5.9**	**7.9**
[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.										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$ 59,972	$ 53,428	$ 52,674	$ 53,331	$ 48,101	$ 47,505	$ 42,740	$ 39,451	$ 36,929	$ 33,283
Principal Paid on Debt and Leases [1]	99,285	305,910	50,596	137,349	124,871	50,626	43,097	39,889	140,357	91,172
Principal Paid from Refinancing Activities [2]	(39,415)	(243,340)		(90,955)	(82,130)	(8,090)			(103,000)	(65,385)
Debt Service	**$ 119,842**	**$ 115,998**	**$ 103,270**	**$ 99,725**	**$ 90,842**	**$ 90,041**	**$ 85,837**	**$ 79,340**	**$ 74,286**	**$ 59,070**
Debt Service	$ 119,842	$ 115,998	$ 103,270	$ 99,725	$ 90,842	$ 90,041	$ 85,837	$ 79,340	$ 74,286	$ 59,070
Operating Expenses	$ 2,080,612	$ 1,961,808	$ 1,796,805	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530	$ 1,263,699
Ratio	**5.8%**	**5.9%**	**5.7%**	**6.1%**	**5.8%**	**5.8%**	**5.8%**	**5.6%**	**5.3%**	**4.7%**
[1] Obtained from “Bonds Payable, Certificates of Participation, Capital Leases, and Other Lease Obligations” disclosures included in the applicable fiscal year’s audited Notes to Financial Statements.										
[2] Obtained amount from refunding bonds official statements.										
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 increase during times of specific funding activity to support the institution’s strategic mission.										

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Summary of Ratios *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 2,104,513	$ 1,961,808	$ 1,796,805	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530	$ 1,263,699
Scholarships and Fellowships	(152,802)	(136,675)	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)
Interest on Debt	59,972	53,428	52,674	53,331	48,101	47,505	42,740	39,451	36,929	33,283
Total Adjusted Operating Expenses	**$ 2,011,683**	**$ 1,878,561**	**$ 1,722,011**	**$ 1,585,505**	**$ 1,493,397**	**$ 1,483,988**	**$ 1,402,995**	**$ 1,371,045**	**$ 1,362,453**	**$ 1,233,759**
Research Expenses	$ 261,055	$ 244,763	$ 235,720	$ 225,453	$ 211,569	$ 201,255	$ 189,599	$ 180,901	$ 166,271	$ 144,781
Total Adjusted Operating Expenses	$ 2,011,683	$ 1,878,561	$ 1,722,011	$ 1,585,505	$ 1,493,397	$ 1,483,988	$ 1,402,995	$ 1,371,045	$ 1,362,453	$ 1,233,759
Ratio	**13.0%**	**13.0%**	**13.7%**	**14.2%**	**14.2%**	**13.6%**	**13.5%**	**13.2%**	**12.2%**	**11.7%**
Measures the institution's research expense to the total operating expenses.										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 1,157,535	$ 1,021,014	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890
Financial Aid Grants	124,188	115,070	106,855	104,415	110,222	104,498	84,998	49,969	42,198	36,176
Scholarships and Fellowships	(152,802)	(136,675)	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)	(63,223)
Net Tuition and Fees	**$ 1,128,921**	**$ 999,409**	**$ 876,308**	**$ 795,017**	**$ 754,268**	**$ 623,394**	**$ 541,913**	**$ 461,101**	**$ 410,849**	**$ 372,843**
Net Tuition and Fees	$ 1,128,921	$ 999,409	$ 876,308	$ 795,017	$ 754,268	$ 623,394	$ 541,913	$ 461,101	$ 410,849	$ 372,843
Student FTE	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068
Net Tuition per Student (whole dollars)	**$ 12,721**	**$ 12,300**	**$ 11,474**	**$ 10,881**	**$ 10,395**	**$ 8,975**	**$ 8,090**	**$ 7,203**	**$ 6,786**	**$ 6,312**
Measures the institution's net student tuition and fees received per student.										
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 281,385	$ 338,042	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406	$ 423,120
Capital State Appropriations	11,422	15,000	14,471	14,472	14,472	14,472	14,472	14,472	14,472	6,452
Adjusted State Appropriations	**$ 292,807**	**$ 353,042**	**$ 328,964**	**$ 311,874**	**$ 322,237**	**$ 395,386**	**$ 395,386**	**$ 416,924**	**$ 482,878**	**$ 429,572**
Adjusted State Appropriations	$ 292,807	$ 353,042	$ 328,964	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$ 416,924	$ 482,878	$ 429,572
Student FTE	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068
Adjusted State Appropriations per Student (whole dollars)	**$ 3,300**	**$ 4,345**	**$ 4,307**	**$ 4,269**	**$ 4,441**	**$ 5,692**	**$ 5,902**	**$ 6,513**	**$ 7,976**	**$ 7,272**
Measures the institution's dependency on state appropriations.										

Debt Coverage for Senior and Subordinate Lien Bonds

Summary of Ratios *(Dollars in thousands)*

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
REVENUES AVAILABLE FOR DEBT SERVICE										
Tuition and Fees, net of scholarship allowance	$ 1,157,535	$ 1,021,014	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657	$ 399,890
Receipts from Other Major Revenue Sources (Facilities Revenue)	293,116	279,610	264,385	244,696	220,610	237,446	216,408	203,329	202,050	180,212
Net Revenues Available for Debt Service	**$ 1,450,651**	**$ 1,300,624**	**$ 1,161,306**	**$ 1,047,661**	**$ 977,827**	**$ 876,770**	**$ 782,727**	**$ 702,796**	**$ 638,707**	**$ 580,102**
SENIOR LIEN MAXIMUM BONDS DEBT SERVICE										
Interest on Debt	$ 42,451	$ 46,842	$ 40,342	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551	$ 13,527
Principal Paid on Debt	46,525	40,155	42,635	44,770	43,020	39,670	37,150	33,040	27,805	27,780
Senior Lien Bonds Debt Service Requirement [(1)]	**$ 88,976**	**$ 86,997**	**$ 82,977**	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**	**$ 41,307**
Coverage	**16.30**	**14.95**	**14.00**	**12.06**	**11.97**	**12.08**	**11.59**	**13.20**	**15.44**	**14.04**

Bond Resolution Covenant. *The Board has covenanted in the Bond Resolution to fix, revise and collect tuition, registration, matriculation, health services, laboratory, and admission fees from students matriculated, registered or enrolled at or attending the University, and to fix, revise and collect all other fees, admissions, rentals and other charges received from students, faculty, staff members and others using or being served by the System of Building Facilities, in an aggregate amount so 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 on all outstanding senior lien bonds and sufficient at all times to continually operate and maintain the System of Building Facilities and to make necessary deposits at the times and in the amounts specified in the Bond Resolution.*

Bond Resolution Requirement. *Pursuant to the Bond Resolution, the Board may issue additional Parity Bonds if the Gross Revenues of the University for the fiscal year preceding the issuance of such Parity Bonds are at least equal to 300% of the Maximum Annual Debt Service on all Outstanding Parity Bonds and the Parity Bonds proposed to be issued.*

Debt Service Assurance Agreement and SPEED Bond Resolution Covenant. *The Board has further covenanted in the Debt Service Assurance Agreement entered into in connection with the 2006 ASU Research Park Bonds and in the bond resolution for the Board's SPEED Revenue Bonds to fix, revise and collect Student Tuition and Fees Revenues and Facilities Revenues in an aggregate amount so that Gross Revenues of the University in any fiscal year will be at least equal to 100% of (i) the annual debt service due on all Outstanding Parity Bonds and the Subordinate Obligations in such fiscal year and (ii) the expense of operating and maintaining the System of Building Facilities.*

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 *(as restated)*
SENIOR LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 44,482	$ 46,842	$ 38,584	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551	$ 13,527
Principal Paid on Debt	43,435	40,155	42,640	44,770	43,020	39,670	37,150	33,040	27,805	27,780
Senior Lien Bonds Debt Service Requirement	**$ 87,917**	**$ 86,997**	**$ 81,224**	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**	**$ 41,307**
SUBORDINATE LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 5,757	$ 7,154	$ 7,154	$ 3,441	$ 3,441	$ 2,110	$ 328	$ 328	$ 328	$ 328
Principal Paid on Debt	7,805	6,440	6,440	845	845	845	845	845	845	845
Subordinate Lien Bonds Debt Service Requirements	**$ 13,562**	**$ 13,594**	**$ 13,594**	**$ 4,286**	**$ 4,286**	**$ 2,955**	**$ 1,173**	**$ 1,173**	**$ 1,173**	**$ 1,173**
Combined Senior/Subordinate Lien Debt Service [(1)]	**$ 101,479**	**$ 100,591**	**$ 94,818**	**$ 91,135**	**$ 86,008**	**$ 75,520**	**$ 68,728**	**$ 54,403**	**$ 42,529**	**$ 42,480**
Coverage	**14.30**	**12.93**	**12.25**	**11.50**	**11.37**	**11.61**	**11.39**	**12.92**	**15.02**	**13.66**

[(1)]Presents actual annual debt service through final bond maturity for the year with the highest debt service.

Long-Term Debt *(Dollars in thousands)*										
Fiscal year ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
System Revenue Bonds	$ 1,212,240	$ 1,157,535	$ 1,002,655	$ 959,000	$ 902,845	$ 769,285	$ 710,550	$ 553,755	$ 432,540	$ 448,985
Unamortized Premium	105,470	91,298	42,844	37,946	29,399	8,585	7,265	7,825	8,537	10,082
Net System Revenue Bonds	**$ 1,317,710**	**$ 1,248,833**	**$1,045,499**	**$ 996,946**	**$ 932,244**	**$ 777,870**	**$ 717,815**	**$ 561,580**	**$ 441,077**	**$ 459,067**
Certificates of Participation	$ 213,710	$ 224,965	$ 235,505	$ 248,385	$ 261,910	$ 271,920	$ 281,965	$ 297,265	$ 312,090	$ 327,835
Unamortized Premium	7,574	8,731	9,892	11,202	4,582	5,458	6,372	7,254	8,258	9,318
Net Certificates of Participation	**$ 221,284**	**$ 233,696**	**$ 245,397**	**$ 259,587**	**$ 266,492**	**$ 277,378**	**$ 288,337**	**$ 304,519**	**$ 320,348**	**$ 337,153**
Total Bonds Payable	$ 1,317,710	$ 1,248,833	$ 1,045,499	$ 996,946	$ 932,244	$ 777,870	$ 717,815	$ 561,580	$ 441,077	$ 459,067
COPS Payable	221,284	233,696	245,397	259,587	266,492	277,378	288,337	304,519	320,348	337,153
Capital and Operating Leases Payable	110,323	113,288	81,753	84,799	89,048	92,692	96,610	91,381	87,980	85,348
Total	**$ 1,649,317**	**$ 1,595,817**	**$1,372,649**	**$1,341,332**	**$1,287,784**	**$ 1,147,940**	**$1,102,762**	**$ 957,480**	**$ 849,405**	**$ 881,568**
Long-Term Debt										
per Student FTE *(whole dollars)*	$ 18,586	$ 19,640	$ 17,972	$ 18,359	$ 17,748	$ 16,527	$ 16,462	$ 14,958	$ 14,030	$ 14,925
per Dollar of State Appropriations and State Capital Appropriations	$ 5.63	$ 4.52	$ 4.17	$ 4.30	$ 4.00	$ 2.90	$ 2.79	$ 2.30	$ 1.76	$ 2.05
per Dollar of Total Grants and Contracts	$ 5.32	$ 5.47	$ 4.88	$ 4.77	$ 4.59	$ 4.28	$ 4.40	$ 4.33	$ 4.26	$ 4.82
Data Used in Above Calculations										
Total Student FTE	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068
State Appropriations and State Capital Appropriations	$ 292,807	$ 353,042	$ 328,964	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$ 416,924	$ 482,878	$ 429,572
Grants and Contracts	$ 309,901	$ 286,684	$ 281,049	$ 280,987	$ 280,674	$ 268,516	$ 250,377	$ 220,881	$ 199,366	$ 182,782

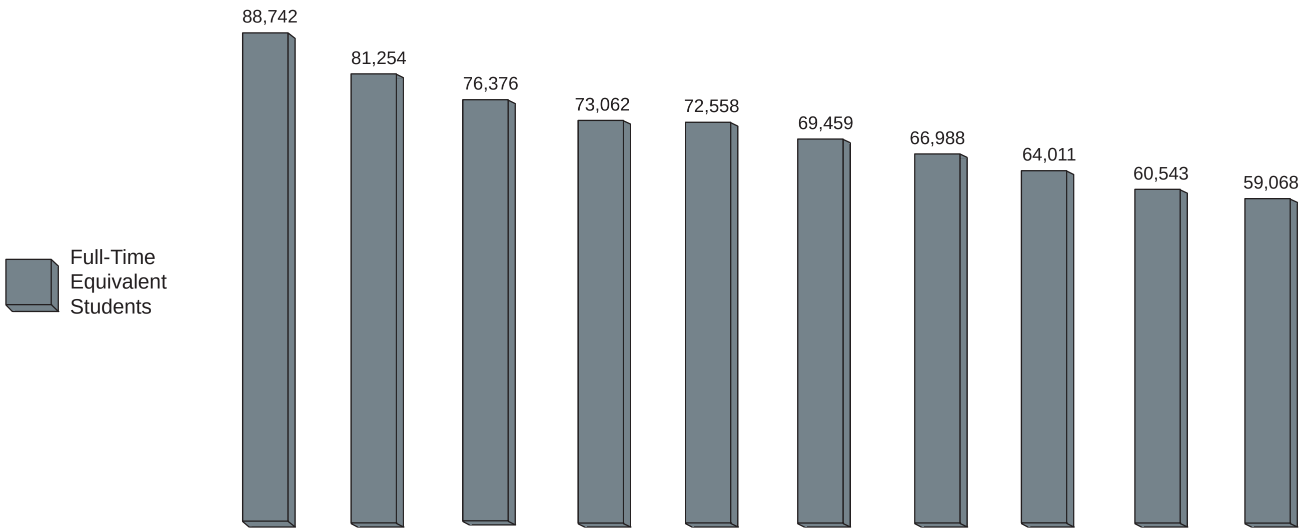
Student FTE based on fall enrollment of the fiscal year.

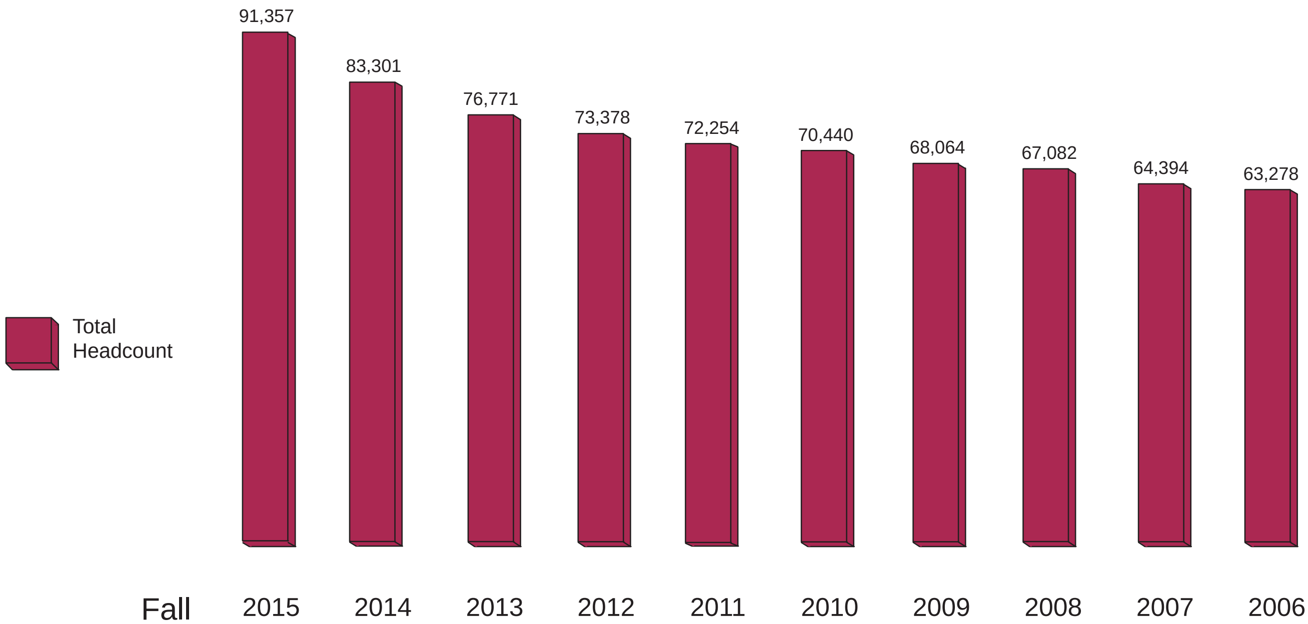
Admissions, Enrollment, and Degrees Earned

Admissions, Enrollment, and Degrees Earned *(Fall Enrollment)*										
Fall enrollment of fiscal year	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
ADMISSIONS - FRESHMEN										
Applications (1)	42,363	38,280	35,294	37,982	37,225	35,449	32,188	30,809	28,644	27,877
Accepted	32,400	30,028	26,915	26,986	26,425	25,795	25,616	24,473	23,504	22,226
Enrolled	12,004	11,079	10,232	9,265	9,254	9,544	9,344	9,707	9,274	9,052
Accepted as Percentage of Application	76%	78%	76%	71%	71%	73%	80%	79%	82%	80%
Enrolled as Percentage of Accepted	37%	37%	38%	34%	35%	37%	36%	40%	39%	41%
Average SAT scores - Total	1111	1112	1108	1111	1107	1100	1083	1082	1077	1083
Verbal	550	549	546	547	546	542	535	534	532	534
Math	561	563	562	564	561	557	547	548	545	549
ENROLLMENT										
Student FTE	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543	59,068
Student Headcount	91,357	83,301	76,771	73,378	72,254	70,440	68,064	67,082	64,394	63,278
Men (Headcount)	46,218	42,194	38,580	36,401	35,758	34,491	33,005	32,318	30,856	29,899
Percentage of Total	50.6%	50.7%	50.3%	49.6%	49.5%	49.0%	48.5%	48.2%	47.9%	47.3%
Women (Headcount)	45,139	41,107	38,191	36,977	36,496	35,949	35,059	34,764	33,538	33,379
Percentage of Total	49.4%	49.3%	49.7%	50.4%	50.5%	51.0%	51.5%	51.8%	52.1%	52.7%
African American (Headcount)	4,439	4,002	3,663	3,491	3,521	3,452	3,257	2,914	2,489	2,391
Percentage of Total	4.9%	4.8%	4.8%	4.8%	4.9%	4.9%	4.8%	4.4%	3.9%	3.8%
White (Headcount)	49,083	45,407	43,713	43,494	43,774	43,291	42,728	42,742	40,709	40,430
Percentage of Total	53.7%	54.5%	56.9%	59.3%	60.6%	61.5%	62.8%	63.7%	63.2%	63.9%
Other (Headcount)	37,835	33,892	29,395	26,393	24,959	23,697	22,079	21,426	21,196	20,457
Percentage of Total	41.4%	40.7%	38.3%	35.9%	34.5%	33.6%	32.4%	31.9%	32.9%	32.3%
DEGREES EARNED										
Bachelor’s	15,264	14,842	14,381	13,913	13,210	12,194	11,810	11,229	10,706	10,137
Master’s	5,817	5,268	4,584	4,163	4,007	4,150	3,914	3,615	3,082	2,900
Doctoral	674	687	596	636	611	545	490	587	418	394
Professional	198	223	200	204	217	201	166	179	238	198
Total Degrees Earned	**21,953**	**21,020**	**19,761**	**18,916**	**18,045**	**17,090**	**16,380**	**15,610**	**14,444**	**13,629**

(1) Beginning in FY 2014, methodology revised to include all completed applications by campus.

Student information based on fall enrollment of the fiscal year and degree information includes all graduations during fiscal year.





Enrollment *(Fall Enrollment)*										
Fall enrollment of fiscal year	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
ENROLLMENT (Headcount)										
Undergraduate	74,146	67,507	62,089	59,382	58,404	56,562	54,277	53,298	51,311	50,755
Graduate	17,211	15,794	14,682	13,996	13,850	13,878	13,787	13,784	13,083	12,523
Resident (Arizona)	50,350	49,940	49,537	50,400	51,235	51,128	50,374	49,055	46,217	46,538
Non-Resident	41,007	33,361	27,234	22,978	21,019	19,312	17,690	18,027	18,177	16,740

Demographic Data

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	255,089	244,011	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	6.10%	6.90%	8.00%	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%

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

Principal Employers						
	Calendar Year Ended December 31, 2015			Calendar Year Ended December 31, 2006		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	50,816	1	1.61%	49,305	1	1.65%
Banner Health	35,406	2	1.12%	16,400	3	0.55%
Wal-Mart Stores, Inc.	32,373	3	1.03%	28,800	2	0.96%
Fry's Food Stores	17,286	4	0.55%	11,780	8	0.40%
City of Phoenix	14,585	5	0.46%	14,166	4	0.47%
Wells Fargo	14,480	6	0.46%	11,800	7	0.40%
Maricopa County	13,567	7	0.43%	13,274	5	0.44%
Arizona State University	12,676	8	0.40%	12,083	6	0.40%
Dignity Health	12,100	9	0.39%			
University of Arizona	11,442	10	0.36%			
U.S. Postal Service				11,000	9	0.37%
Raytheon Co.				10,750	10	0.36%
	214,731		6.81%	179,358		6.00%

Sources: Phoenix Business Journal, Book of Lists 2016 and 2007 for employers: Arizona Department of Administration -Employment and Population Statistics website, https://laborstats.az.gov/local-area-unemployment-statistics for annual state employment.

Faculty and Staff

Faculty and Staff										
Fall employment of fiscal year	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
FACULTY										
Full-time	3,108	2,963	2,777	2,635	2,612	2,644	2,611	2,671	2,529	2,471
Part-time	394	515	375	276	253	231	380	424	441	391
Total Faculty	**3,502**	**3,478**	**3,152**	**2,911**	**2,865**	**2,875**	**2,991**	**3,095**	**2,970**	**2,862**
Percentage Tenured	55.9%	54.2%	58.0%	61.1%	61.2%	63.7%	61.6%	60.3%	61.4%	63.2%
STAFF										
Full-time	6,443	5,966	5,693	5,487	5,485	5,561	5,523	5,957	5,690	5,416
Part-time	4,168	4,183	3,565	3,684	3,699	3,838	3,628	3,624	3,776	3,940
Total Staff	**10,611**	**10,149**	**9,258**	**9,171**	**9,184**	**9,399**	**9,151**	**9,581**	**9,466**	**9,356**
Total Faculty and Staff	**14,113**	**13,627**	**12,410**	**12,082**	**12,049**	**12,274**	**12,142**	**12,676**	**12,436**	**12,218**

Source: Arizona State University Fact Book and Institutional Analysis.

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets										
Fiscal Year Ended June 30,	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
CAPITAL ASSETS *(Number of Facilities)*										
Academic/Support Facilities	252	248	224	223	221	235	240	239	235	237
Auxiliary Facilities	166	172	153	153	149	152	157	133	111	112
Total	**418**	**420**	**377**	**376**	**370**	**387**	**397**	**372**	**346**	**349**

Source: Arizona State University Capital Improvement Plans

Beginning in FY 2014, facility count includes ASU partnership facilities to align with the Capital Improvement Plan submitted to the Arizona Board of Regents. FY 2007 - 2013 have been restated to include ASU partnership facilities.

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Compiled and edited by the ASU Financial Services Office.