THE UNIVERSITY OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

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

Cover photo: UA's McClelland Park
Mark Boisclair Photography, Inc.

McClelland Park houses the John and Doris Norton School of Family and Consumer Sciences. Conceived as an icon for this College of Agriculture and Life Sciences School, McClelland Park features a family plaza, dedicated to honoring children and families, and the study of their relationships, forming an oasis for informal gatherings, study groups, and play.

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Prepared by the Financial Services Office

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Photo: UA Marketing Communications & Brand Management

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Photo: UA Marketing Communications & Brand Management

A Message from the President

The University of Arizona (UA) is a world-class public research university, committed to building on its proud history as a land-grant university that serves the entire state of Arizona, the nation, and world. Guided by the Never Settle strategic academic and business plan, and as one of only a handful of super land-grant universities that combine big research, medical schools, and a land-grant mission, the UA is helping to drive Arizona's 21st century economy. Comprised of four pillars, engaging our students, innovating new knowledge and new applications for knowledge, partnering with business and community, and creating synergy that amplifies the UA's impact, the Never Settle plan is the UA's guide for difficult decisions in challenging times. I am proud to share some of the progress we have made this year as part of the Comprehensive Annual Financial Report (CAFR).

Arizona NOW – The Never Settle plan is supported by the *Arizona NOW* fundraising campaign, which is fully integrated with the strategic priorities of the University: The largest comprehensive campaign in the UA's history, *Arizona NOW* has raised 87% of its $1.5 billion goal, and thanks to the generosity of alumni, friends, and supporters around the world, it is helping to ensure the UA's success for decades and generations of students to come.

Rankings – The UA ranks among the top public research universities in the world. The National Science Foundation places the University 19th in research and development expenditures among public universities in the United States, 30th among all U.S. universities, and 3rd in physical sciences research. The Center for University World Rankings places the UA 42nd (22nd among public universities) in the nation and 68th worldwide. The UA also boasts many graduate and undergraduate degree programs ranked in the top ten in the country and membership in the Association of American Universities (AAU).

Engaging UA Students – UA graduates are among the world's most employable according to the Global Employability Survey. Several important achievements from the past year will sustain and build on this record of excellence.

- UA students can now earn an Engaged Learning Experience notation on their transcript, and the ***Office of Student Engagement*** (ose.arizona.edu) serves as a central point for students, faculty, and staff to create and access resources through the 100% Engagement initiative. Through the Office of Student Engagement and the 100% Engagement initiative, every UA graduate is able to access a structured learning experience outside normal coursework, laboratory, or field work. These experiences require students to apply what they have learned in coursework to decisions and actions in a less formal setting, which is a complex cognitive skill necessary for success in the 21st century.

- The UA's focus on immersive learning experiences in the classroom helps to prepare students for success in these engagement experiences. One of only eight universities to be awarded a grant from the AAU to improve undergraduate STEM education, the UA has a team of faculty members, department and administrative leaders, a postdoctoral researcher, and members of the UA Office of Instruction and Assessment who are working with faculty in several departments to support their efforts to reform curricula by incorporating more active learning approaches. This team is also studying the percentage of time spent on different activities, how these activities are developed and shared in around campus, and their impact on student achievement. Additionally, several new collaborative learning spaces in the UA libraries and classroom buildings are facilitating student interaction and teaching methods that encourage active learning.

International Partnership – As a global research university, the UA leverages its strengths by partnering with other universities and research institutions around the world.

- In January 2015, a team from the UA visited Dubai, the trade hub for 2.2 billion people that is only a six hour plane ride from two-thirds of the world's population. As a critical city in a critical region, Dubai is a vital place for the UA to establish long-term partnerships if we want to have a truly global impact. With that goal in mind, the UA signed an agreement with ***Dubai Expo 2020*** to be the preferred in-house consultant for the next eight years as the expo—which will be a gathering point for the world—comes to fruition. The UA will consult in key areas including 1) sustainability related to the Expo's master plan, 2) the design and construction of a legacy research arboretum related to desert plants and arid lands, and 3) a collaborative, global research laboratory on water, climate, and sustainability.

- Equally exciting, in June the University signed an agreement with the Universidad Nacional Autónoma de México (National Autonomous University of Mexico, or UNAM) to open the ***Center for Mexican Studies*** on the UA campus. One of the most prestigious research universities in the Americas, UNAM has a network of 11 academic centers like this one around the world, with only 4 others in the United States. The UA's partnership with UNAM stretches back decades, in areas including astronomy and arid land studies, and the Center for Mexican Studies at the UA is a unique expression of the depth of that partnership.

Health Sciences Partnership – As I wrote in last year's CAFR, the health sciences are a critical part of the UA's mission to benefit Arizona and a key point of impact globally. With the centrality of the health sciences to the UA's super land-grant mission, the Arizona Health Sciences Center has been renamed as the UA Health Sciences (UAHS).

This year has seen exciting and groundbreaking steps forward:

- The UA entered into a long-term academic affiliation agreement with Banner Health in February 2015, when Banner also acquired the UA Health Network, a private and separate entity from the University. The agreement is a $1 billion deal and is the beginning of a landmark partnership that will be absolutely critical for the UA's success in the health sciences. With the deal, Banner is constructing new facilities at Banner-University Medical Center in Tucson and improving others. It is also contributing $261 million towards the establishment of a $300 million academic enhancement fund to support the medical schools and providing other resources and a scope of clinical care necessary for the UA's expansion in the vital area of translational clinical research and teaching.
- The UA and the City of Phoenix broke ground on the construction of the new Biosciences Partnership Building, a 10-story, 245,000 square foot research facility to be constructed at the Phoenix Biomedical Campus. The building's design features spaces that will allow UA scientists to work together across disciplines and with industry to advance scientific knowledge to meet the most pressing health needs of our society. It is expected to be completed in 2017. Part of the growing Phoenix Biomedical Campus, the building will contribute to an expected annual economic impact of $3.1 billion at full build out of the Campus (currently at $1.26 billion as of 2013, with $961 million from UA Phoenix).
- The UA Cancer Center at Dignity Health St. Joseph's Hospital and Medical Center in Phoenix opened in August. The 220,000 square foot facility provides outpatient care for cancer patients in a beautiful new building, constructed through the generous support of Drs. Ram and Meera Krishna, the Del E. Webb Foundation, and the partnership of the City of Phoenix and Dignity Health. The Center is expected to have 60,000 patient visits annually.

The UA's distinguished past, dynamic present, and promising future

Like other public universities, the University of Arizona faces significant challenges, but it also has a bright future. The Never Settle strategic academic and business plan remains the right plan to guide hard choices, and it is allowing faculty and staff to shape their efforts productively in response to the opportunities and needs of our world. For instance, the UA recently announced the home for its Doctor of Veterinary Medicine (DVM) program at the new UA Oro Valley campus. Housed in the College of Agriculture and Life Sciences, the DVM program is a key part of the UA's One Health initiative, which is also making its home in Oro Valley. A new approach to solving health problems at a societal level, the One Health initiative brings together experts from many fields who work together to better understand the complex interactions that human health and well-being has with animal health and our entire ecosystem. By harnessing the data that help to understand the complexity that characterizes our world, One Health will make important contributions to the UA's biosciences work in the state. One Health also will be a key means of applying what we have already learned about big data analysis and informatics from the $100M 10-year iPlant collaborative. This and other means of asking bigger questions and finding better answers define the University of Arizona. As we continue to honor its distinguished past and look forward to an even more distinguished future as a super land-grant institution, Never Settle clarifies a continually evolving vision for the UA that is both bold and achievable.

Most cordially,

Ann Weaver Hart
President

Letter of Transmittal


Gregg Goldman

October 21, 2015

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

I respectfully submit The University of Arizona's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR includes the Management's Discussion and Analysis (MD&A) and the basic financial statements, as well as other supplemental information that helps the reader gain an understanding of the University's financial position, activities and economic landscape of the surrounding area. Responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the University's management. We believe to the best of our knowledge the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

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

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

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

Institutional Profile

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

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

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

Enrollment - Today, the University has gained an average of 694 students per year for the last five years. It serves 42,236 students through 18 colleges offering 364 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics – Academic Year 2014 - 2015

Undergraduate enrollment – Fall 2014	32,987
Graduate and Professional enrollment – Fall 2014	9,249
Degrees awarded – Bachelor's	6,370
Degrees awarded – Advanced	2,576
Tuition and fees for full-time student – Resident	$10,957
Tuition and fees for full-time student – Non-resident	$29,421

The University's 2,657 full-time equivalent faculty and 1,245 full-time equivalent graduate teaching and research assistants and associates educate a diverse student population. The University's student population is 51.8% female, 22.3% Hispanic, 5.7% Asian, 3.3% African American or Black, and 1.2% American Indian or Alaska Native. It includes students from all fifty states, the District of Columbia, and 112 foreign countries. International students represent 8.8% of the Fall 2014 enrollment; this figure is majorly attributed to foreign students from China (48.5%), India (9.4%), Saudi Arabia (4.6%), Republic of Korea (4.4%), Mexico (4.2%), and Brazil (3.5%).

Component Units – The basic financial statements of the University include the operations of The University of Arizona Foundation, Inc., University of Arizona Alumni Association, Law College Association of The University of Arizona, Campus Research Corporation, and Eller Executive Education, all discretely presented component units. More information relating to the component units can be found in Notes 2 and 12 to the financial statements.

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

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

Economic Condition

Local Economy – As reported by the Economic and Business Research Center of the University of Arizona's Eller College of Management in June 2015, the State of Arizona's economy is on a modest growth track. The State continues to add jobs and residents at a faster pace than the nation, and is expected to continue to do so in the next three years.

State personal income rose by 4.1% in calendar year (CY) 2014, up from 2.7% growth in CY 2013. Growth in Arizona's retail sales decreased to 3.4% in 2014, down from 8.6% in 2013. Construction is forecast to generate increased employment during the next three years as the housing sector picks up a modest amount of steam. Manufacturing jobs are forecast to remain roughly stable as is government employment.

Arizona's job growth rose by 1.9% in CY 2015, but state jobs are still below the peak established just before the Great Recession. Using data through March 2015, Arizona has recovered 78.1% of the jobs lost during the recession. During the next three years, the state is forecast to add nearly 200,000 net new jobs, particularly in professional and business services, education and health services, trade, transportation and utilities, and leisure and hospitality. Additionally, construction is forecast with modest growth.

Long-Term Planning

Long-term planning – Under President Hart, the University of Arizona implemented the Never Settle Strategic Plan on November 22, 2013. The strategic plan outlines the University of Arizona's strategies and priorities through 2020 that will guide its continued growth in student enrollment and success, advancement in research excellence, innovations in educational quality and access, community impacts in workforce development and engagement, and increasing productivity. The University's strategic priorities include:

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

All of the strategies and priorities within the University's Strategic Plan make substantial contributions toward meeting the University's goals in the Arizona Board of Regents Impact Arizona strategic plan and Vision 2020 goals. These goals include increasing the number of citizens with the skills and understanding to contribute to economic development and improve the quality of life, advancing research that creates new knowledge, enhances education, and addresses social, cultural, and economic needs, fostering civic engagement and improving economic competitiveness, and streamlining operations and business practices to maximize efficiencies.

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

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

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

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

Major Initiatives

The Never Settle Strategic Plan is guiding the University effectively in achieving its mission. The University recently completed 25 major accomplishments covering all 4 strategic priorities of Engaging, Innovating, Partnering, and Synergy. Detailed information on these accomplishments is located at the following link: http://www.neversettle.arizona.edu/?utm_source=uaatwork&utm_medium=website&utm_campaign=neversettle#url=never-settle-in-action.

The University offers an extensive and varied group of research, graduate and professional programs. For decades, the University has been one of the top research universities in the nation (19th among public research universities in fiscal year 2013) according to the National Science Foundation. With its abundance of physical, biological and health sciences programs and interdisciplinary strengths, the University has tremendous potential for further research expansion.

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

The following are a few notable research and educational activities reported in fiscal year 2015 that showcase some of the University's major initiatives:

- The University of Arizona continues to be at the forefront of asteroid research. In fiscal year 2015, the University played a significant role in the development of instruments for the Origins Spectral Interpretation Resource Identification and Security-Regolith Explorer (OSIRIS-REx) project. OSIRIS-REx is the first U.S. mission to take a sample from an asteroid and bring it to Earth for study. OSIRIS-REx will travel to Bennu, a near-Earth asteroid, to bring back a small sample to Earth for study. The mission is scheduled for launch in September 2016. The spacecraft will reach its asteroid target in 2018 and return a sample to Earth in 2023.

- The University of Arizona has emerged as a leader in Agriculture and Life science research and education. The University of Arizona again served as Official Knowledge Partner to the 2015 Global Forum for Innovations in Agriculture (GFIA) held in Abu Dhabi, United Arab Emirates. With 102 countries represented at the Forum — launched just a year ago — the GFIA has become one of the world's most influential global platforms for scientists, entrepreneurs and policymakers to present and explore innovations toward sustainable agriculture and food security. Ten countries were represented among the tutorial workshop attendees, who included producers, entrepreneurs, investors and government officials.

- The University of Arizona launched the Nation's first Bachelor of Arts in Law in the fall of 2014. The Bachelor in Legal Studies degree — a partnership between the College of Law and the School of Government and Public Policy — will prepare graduates for career in which a strong knowledge of law is advantageous, such as city planning business management, health care administration, and human resources. Undergraduate degrees in law are offered in numerous countries such as England, Australia, Canada, Mexico and China.

- In March of 2015 the University of Arizona launched an online campus and began registering students for 21 undergraduate degree programs. The online platform for undergraduate degree programs provides more than 40 online graduate degree programs and certificates. Online undergraduate programs include a Bachelor of Arts in eSociety, Bachelor of Applied Science in Informatics, Bachelor of Science in Sustainable Built Environments, Bachelor of Science in Care, Health and Society, as well as a Bachelor of Applied Science in Early Childhood Education.

Integrated Strategic Planning – The goal of the University's Integrated Strategic Planning is to couple the University's academic planning and research planning with a renewed framework for campus development that will provide the physical and virtual setting needed to achieve our academic and research aspirations and a financial plan that maps the means for the University to achieve its goals. It is a three-pronged process designed to maximize opportunities and promote the successful future the University envisions. The process will include modeling techniques through which the University can assess the impacts of integrating the academic, research, development, and financial plans through multiple scenarios and variables on goals and achievements. The results of the modeling will be evaluated with the Never Settle Strategic Plan to ensure they meet the University's strategic priorities.

Responsibility Centered Management (RCM) – The goal of RCM is to build and smoothly implement an incentives-based transparent budget model for the University of Arizona. The objectives are:

- Encouragement and reward for revenue generation and cost effectiveness
- Alignment of authority and accountability at the local (unit) level
- Greater transparency regarding sources and uses of resources
- Greater flexibility — improved responsiveness to change
- Enhanced ability to plan with a better sense of future resource flows

RCM takes a University-wide view, utilizing a Steering Committee and Sub-Committees with wide representation across the University and mandates that include frequent and meaningful two-way communication. The RCM Budget Model and related infrastructure was completed and implemented on July 1, 2015. As the University works through RCM, management will refine issues that arise to maintain RCM's objectives.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2014. This was the second consecutive year that the University has been honored with this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In the most recent ranking (fiscal year 2013) the National Science Foundation (NSF) ranked the University of Arizona as the U.S.'s No. 3 university for research expenditures in the physical sciences, which include astronomy, physics and chemistry. Overall, the UA's ranking among public research universities was 19th, and it was ranked as the nation's 30th institution among all public and private universities and colleges. A persistent theme in the University's history has been developing strengths based on its unique physical and cultural environment. For instance, the University's new academic affiliation agreement with Banner Health, which acquired the UA Health Network (a private institution separate from the University), promises to be a strong catalyst for growth in health sciences research, particularly clinical translational research focused on the areas of greatest need and potential given Arizona's unique climate, geography, culture, and history.

Ten UA graduate programs have been listed in the top 10 for their areas in the 2014 edition of U.S. News & World Report Best Grad Schools. They are: Geology - No. 1, Management Information Systems - No. 4, Social Psychology - No. 5, Analytical Chemistry - No. 6, Rehabilitation Counseling - No. 6, Optical Science - No. 7, Latin American History - No. 9, Ecology and Evolutionary Biology - No. 9, Pharmacy - No. 10 and Geochemistry - No. 10. Additionally, the UA has been named one of the top colleges in the nation by The Princeton Review. The UA is noted in this publication's 2013 annual college guide, "The Best 378 Colleges," for its strong commitment to undergraduate research, for its variety of student organizations and scholarship opportunities, and for offering a "great education" in a "relaxed community."

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

Respectfully Submitted,

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The University of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Photo: UA Marketing Communications & Brand Management

Arizona Board of Regents

June 30, 2015

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Honorable Diane Douglas
Superintendent of Public Instruction

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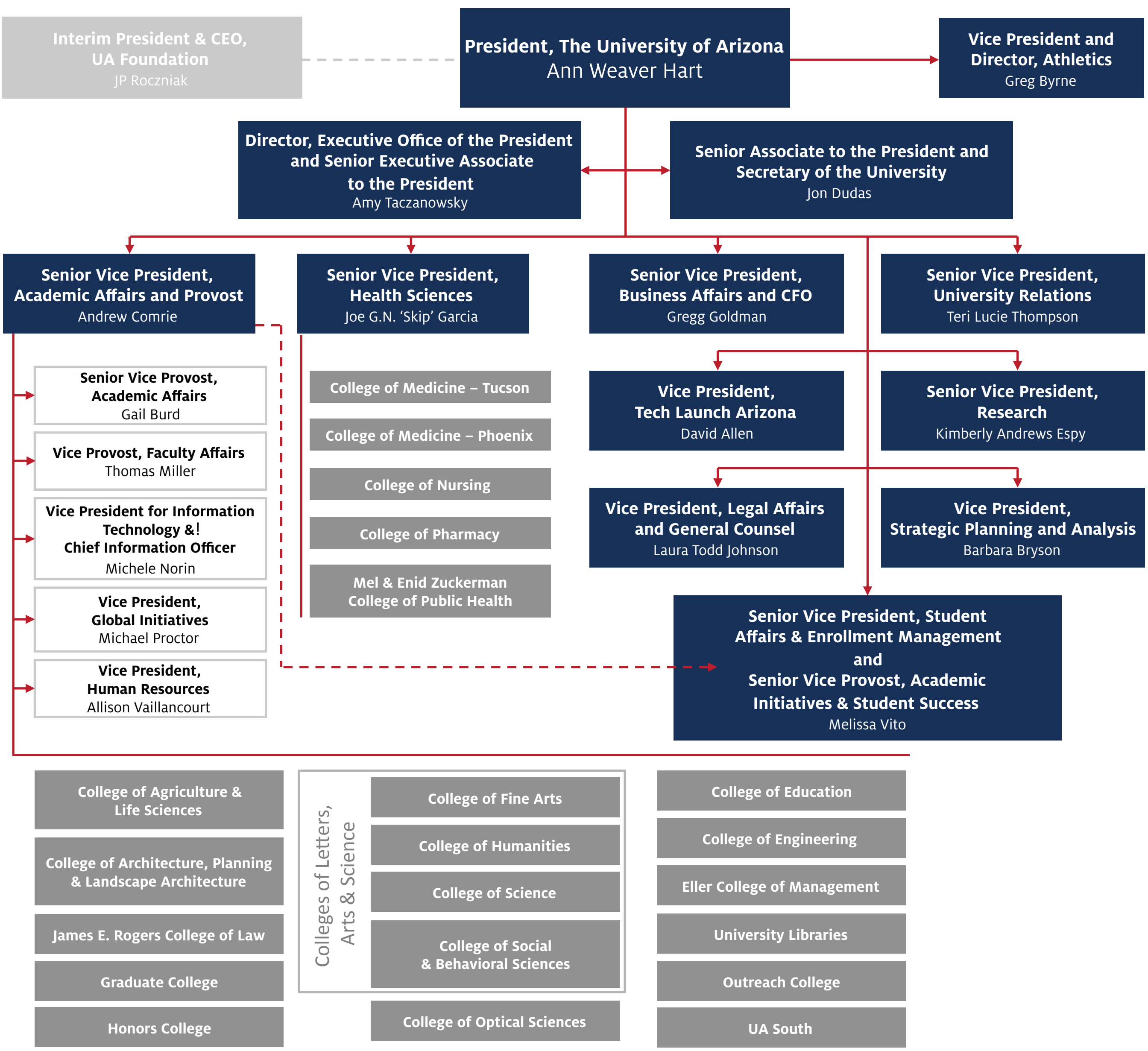
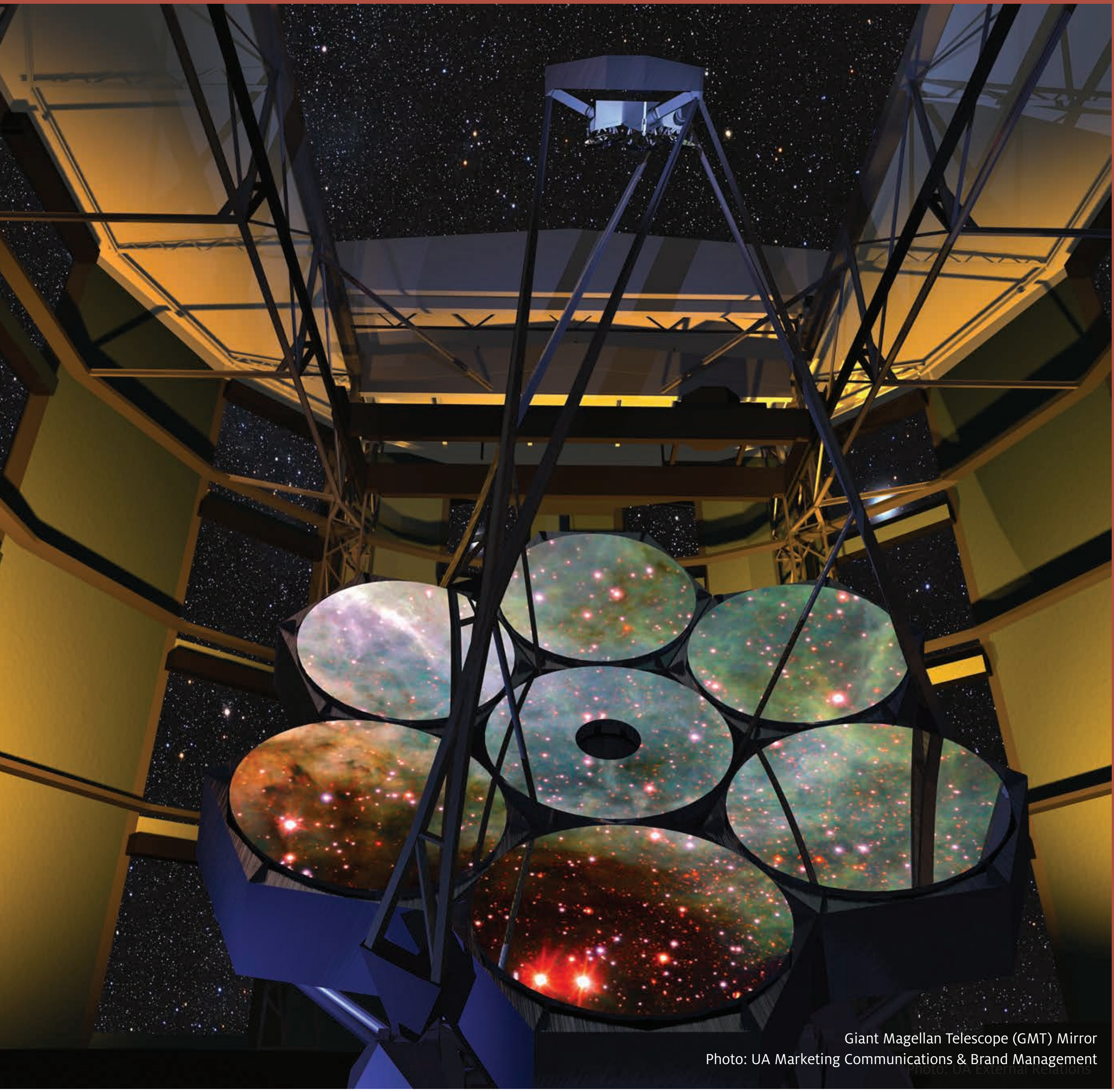
Amy Taczanowsky
Director, Executive Office of the President

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

Organization Chart



Financial Section



Giant Magellan Telescope (GMT) Mirror
Photo: UA Marketing Communications & Brand Management

Independent Auditors' Report

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of The University of Arizona as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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 financial statements of the aggregate discretely presented component units were not audited by the other auditors in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of The University of Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, for the year ended June 30, 2015, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, Schedule of the University's Proportionate Share of the Net Pension Liability, and Schedule of University Pension Contributions listed in the table of contents 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 and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

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

Debbie Davenport
Auditor General

October 21, 2015


Photo: UA Marketing Communications & Brand Management

Photo: UA Marketing Communications & Brand Management

Management's Discussion and Analysis

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

The financial statements encompass the University and its discretely presented component units; however, the MD&A focuses only on the University. Information relating to the component units can be found in their separately issued financial statements. The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for fiscal year 2014 are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2015 data.

Key Reporting Implementations

In fiscal year 2015, the University implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit and defined contribution pension plans. A summary of the restatement of net position due to the implementation of GASB Statement Nos. 68 and 71 can be found in Note 1 of the accompanying notes to the financial statements.

Overview of Financial Statements

Statement of Net Position

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

Condensed Schedule of Net Position

A comparison of the University's assets, deferred outflows of resources (consumption of the University's net position that is applicable to a future reporting period), liabilities, deferred inflows of resources (acquisition of net position by the University that is applicable to a future reporting period), and net position (in thousands of dollars) at June 30, 2015 and at June 30, 2014, is as follows:

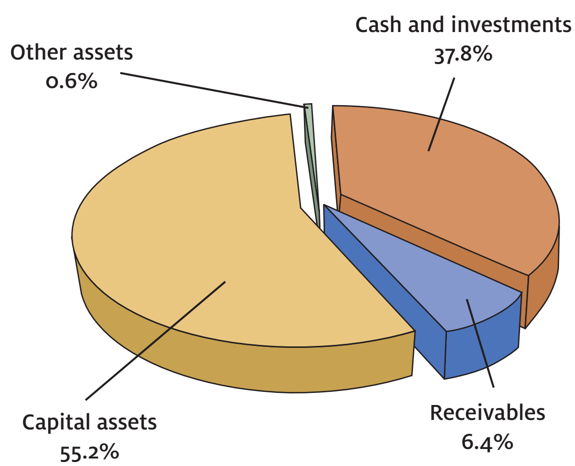
	FY 2015	FY 2014–As Restated*	% Change
Other assets	$ 1,549,586	$ 976,824	58.6%
Capital assets	1,909,320	1,780,911	7.2%
Total assets	**$ 3,458,906**	**$ 2,757,735**	**25.4%**
Total deferred outflows of resources	**$ 103,998**	**$ 53,316***	**95.1%**
Other liabilities	$ 173,319	$ 159,423	8.7%
Long-term liabilities	2,177,158	1,975,394*	10.2%
Total liabilities	**$ 2,350,477**	**$ 2,134,817**	**10.1%**
Total deferred inflows of resources	**$ 341,982**		**100.0%**
Net position			
Net investment in capital assets	$ 637,380	$ 612,081	4.1%
Restricted - nonexpendable	138,464	138,512	0.0%
Restricted - expendable	218,805	161,894	35.2%
Unrestricted	(124,204)	(236,253)*	47.4%
Total net position	**$ 870,445**	**$ 676,234***	**28.7%**

*Note: The University implemented GASB Statement Nos. 68 and 71 in fiscal year 2015; therefore, pension liability and the related elements were not a required presentation in fiscal year 2014. The implementation of GASB Statement Nos. 68 and 71 resulted in a restatement of the University's beginning net position from fiscal year 2014, which is reflected in the comparative table shown above.

Total Assets

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

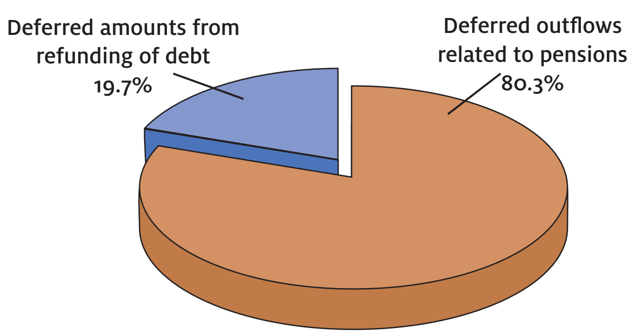
Cash and investments	$ 1,308,761	37.8%
Receivables	219,777	6.4%
Capital assets	1,909,320	55.2%
Other assets	21,048	0.6%
Total Assets	**$ 3,458,906**	**100.0%**



When compared to fiscal year 2014, the University's total assets increased by $701.2 million. This change is attributable to an increase in the following: cash and investments of $571.7 million and capital assets of $128.4 million. The increase in cash and investments is primarily due to the restricted investment with trustee of $277 million; this was derived from an affiliation agreement between the University and Banner Health, which created the Academic Enhancement Fund (AEF). Additionally, the restricted investment with bond trustees increased due to new construction bond proceeds for the Bioscience Partnership Building of $112.4 million and the Bioscience Research Laboratories of $83.1 million, which is offset by the spend down of construction proceeds of $66.5 million for the projects. Cash and cash equivalents increased by $32.4 million primarily due to the sale of land to Banner Health. The net increase in capital assets is primarily due to an increase in construction in progress, most notably the Arizona Cancer Center – Phoenix of $93.7 million, the Environment & Natural Resources Phase II of $69.1 million, McKale Memorial Center improvements of $23.6 million and an increase in the tangible asset value of the Giant Magellan Telescope of $50.2 million (see Note 4), offset by equipment retirements of $1.1 million, $6.9 million for the sale of land, and an increase in accumulated depreciation of $110.4 million.

Total Deferred Outflows of Resources

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



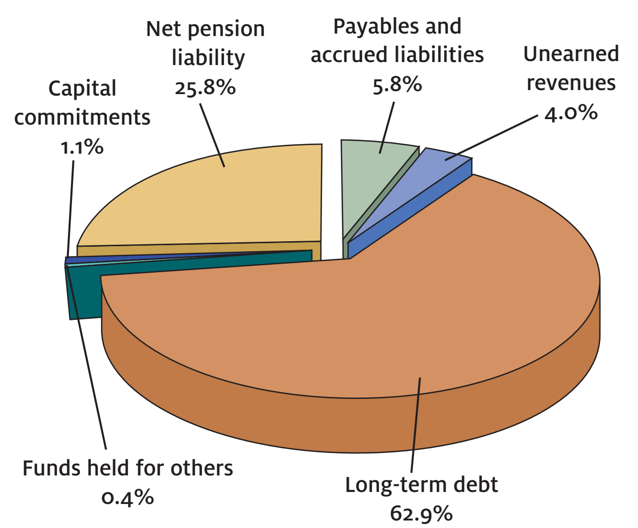
Deferred outflows related to pensions	$	83,560	80.3%
Deferred amounts from refunding of debt		20,438	19.7%
Total deferred outflows of resources	**$**	**103,998**	**100.0%**

Deferred outflows of resources increased by $50.7 million. This is attributed to an increase of $44.6 million reported for deferred outflows related to pensions due to the implementation of GASB Statement Nos. 68 and 71, and a net increase of $6 million in deferred amounts from refunding of debt.

Total Liabilities

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

Payables and accrued liabilities	$	136,418	5.8%
Unearned revenues		93,065	4.0%
Long-term debt		1,478,536	62.9%
Funds held for others		8,816	0.4%
Capital commitments		25,924	1.1%
Net pension liability		607,718	25.8%
Total Liabilities	**$**	**2,350,477**	**100.0%**

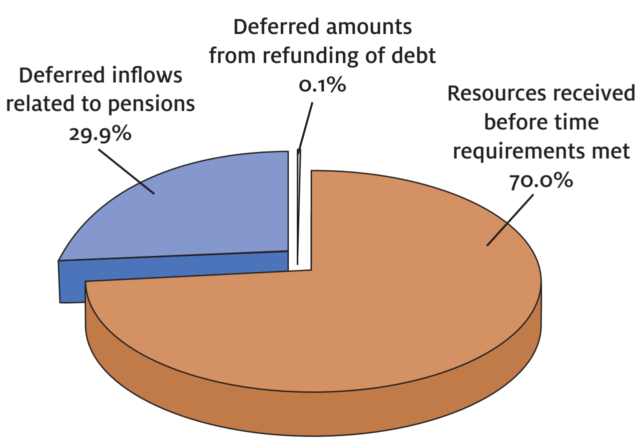


Total liabilities increased by $215.7 million compared to fiscal year 2014 primarily due to an increase in long-term debt of $218.9 million, offset by small decreases in other liabilities. The increase in long term-debt was mainly due to new debt issuances to finance the Bioscience Partnership Building of $120.7 million and the Bioscience Research Laboratories construction project of $81.2 million.

Total Deferred Inflows of Resources

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

Resources received before time requirements met	$	239,331	70.0%
Deferred inflows related to pensions		102,399	29.9%
Deferred amounts from refunding of debt		252	0.1%
Total Deferred Inflows of Resources	**$**	**341,982**	**100.0%**



The increase in deferred inflows of $342 million is primarily attributed to the resources received before time requirements met of $239.3 million related to an affiliation agreement between the University and Banner Health for medical research, clinical, and academic programs. The implementation of GASB Statement Nos. 68 and 71 resulted in the University reporting $102.4 million of deferred inflows of resources related to pensions.

Total Net Position

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

Net investment in capital assets	$ 637,380	73.2%
Restricted	357,269	41.1%
Unrestricted (deficit)	(124,204)	-14.3%
Total net Position	**$ 870,445**	**100.0%**

Total net position increased by $194.2 million in fiscal year 2015, which is attributed to increases in net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets increased by $25.3 million mainly attributed to the Giant Magellan Telescope of $24.3 million. Restricted net position increased by $56.9 million. The increase in restricted net position is primarily due to an increase in restricted – expendable funds. Specifically, $57.7 million related to an affiliation agreement between the University and Banner Health, offset primarily by $11.8 million of restricted gifts expended for McKale Center capital projects. Unrestricted net position reflects a deficit balance of $124 million. This deficit balance is due to the implementation of GASB Statement Nos. 68 and 71 for pension liability. The deficit decreased by $112 million due primarily to increases in student tuition and fees of $70 million and an allocation of $20 million of unrestricted proceeds from the sale of land, and the remaining $22 million is attributed to increases in other operating activities.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's revenues earned and the expenses incurred during fiscal year 2015, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including State appropriations, gifts, grants, and investment income are required by GASB Statement No. 35 to be classified as non-operating revenues. During the fiscal year, the University incurred capital financing costs; these costs are reported as non-operating expenses.

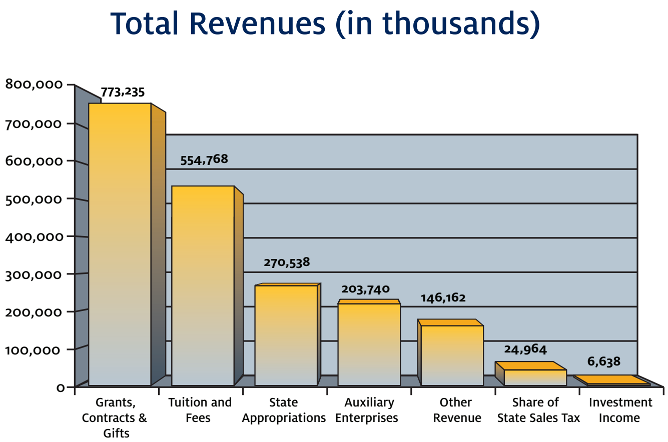
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

A comparison of the University's operations (in thousands of dollars) for the years ended June 30, 2015 and 2014 is as follows:

	FY 2015	FY 2014 - As Restated*	% Change
Operating revenues			
Student tuition and fees, net	$ 554,768	$ 484,809	14.4%
Grants and contracts	475,398	417,287	13.9%
Auxiliary enterprises, net	203,740	191,163	6.6%
Other	81,185	60,708	33.7%
Total operating revenues	**$ 1,315,091**	**$ 1,153,967**	**14.0%**
Operating expenses			
Instruction and academic support	$ 681,636	$ 629,267	8.3%
Research and public service	500,204	481,252	3.9%
Student services and scholarships	104,345	110,450	-5.5%
Institutional support and operation of plant	223,426	204,053	9.5%
Auxiliary enterprises	167,150	160,938	3.9%
Depreciation	124,870	116,781	6.9%
Total operating expenses	**$ 1,801,631**	**$ 1,702,741**	**5.8%**
Operating loss	**$ (486,540)**	**$ (548,774)**	**-11.3%**
Non-operating revenues (expenses)			
State appropriations	$ 270,538	$ 265,038	2.1%
Grants, contracts and gifts	297,837	265,817	12.0%
Share of state sales tax revenues	24,964	23,576	5.9%
Investment income	6,638	43,229	-84.6%
Interest expense on debt	(46,293)	(50,596)	-8.5%
Other non-operating revenues, net	64,977	20,009	224.7%
Net non-operating revenues	**$ 618,661**	**$ 567,073**	**9.1%**
Income before capital and endowment additions	**$ 132,121**	**$ 18,299**	**622.0%**
Capital appropriations	11,204	14,253	-21.4%
Other capital and endowment additions	50,886	46,415	9.6%
Increase in net position	**$ 194,211**	**$ 78,967**	**145.9%**
Net position, end of year	**$ 870,445**	**$ 676,234***	**28.7%**

*Note: The University implemented GASB Statement Nos. 68 and 71 in fiscal year 2015; therefore, pension expense and the related elements were not a required presentation in fiscal year 2014. The implementation of GASB Statement Nos. 68 and 71 resulted in a restatement of the University's beginning net position from fiscal year 2014, which is reflected in the comparative table shown above.

Total Revenues
The following chart represents total revenues of $1,980,045 for fiscal year 2015:



Operating and non-operating grants, contracts and gifts: Grants, contracts and gifts increased by $90.1 million or 13.2% in comparison to fiscal year 2014. Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of particularly large sponsored projects, and unanticipated gift revenues. The increase is mainly attributed to the affiliation agreement with Banner Health in which the University received $76.8 million for salaries and Graduate Medical Education Residency Program expenses.

Student tuition and fees: Student tuition and fees increased by $70 million or 14.4% due to growth in student enrollment and an increase in tuition rates when compared to fiscal year 2014.

State appropriations and share of state sales tax revenues: State appropriations increased by $5.5 million or 2.1% for the College of Agriculture extension program and a minor addition to the base budget. The share of state sales tax revenues increased by $1.4 million or 5.9%, due to higher sales activity in the State.

Auxiliary Enterprises: Auxiliary enterprises increased by $12.6 million or 6.6%. This change is mainly attributed to the following: UA Bookstores, Intercollegiate Athletics (ICA), and Residence Life. The Bookstore had an increase of $1.1 million due to increased sales. ICA had an increase of $8.7 million due to the NIKE, Inc. sponsorship of $1.5 million and media revenue increases of $7.2 million. Residence Life had an increase of $2.2 million due to the addition of the Rawls Eller Lodge residence hall as well as the occupancy rate at capacity in all residence halls.

Other operating and non-operating revenues: Other operating and non-operating revenues increased $65.4 million or 81.1% in fiscal year 2015. Operating revenue increased by $13.4 million or 81.5% primarily due to a $6.1 million increase from new contracts and projects established between the University and Banner Health. Additionally, sales and service activity from educational departments increased by $7.1 million primarily due to a $4.6 million increase in commissions and royalties. The increase in non-operating revenue is primarily due to a $52.9 million gain on sale of land to Banner Health. Other non-operating revenues decreased by $9.6 million.

Investment income: A summary of investment income (in thousands of dollars) for the years ended June 30, 2015 and 2014 follows:

	FY 2015	FY 2014	% Change
Pooled operating funds	$ 13,157	$ 21,857	-39.8%
Deposits with trustees for capital projects	400	375	6.7%
Endowments	(6,919)	20,997	-133.0%
Total investment income	**$ 6,638**	**$ 43,229**	**-84.6%**

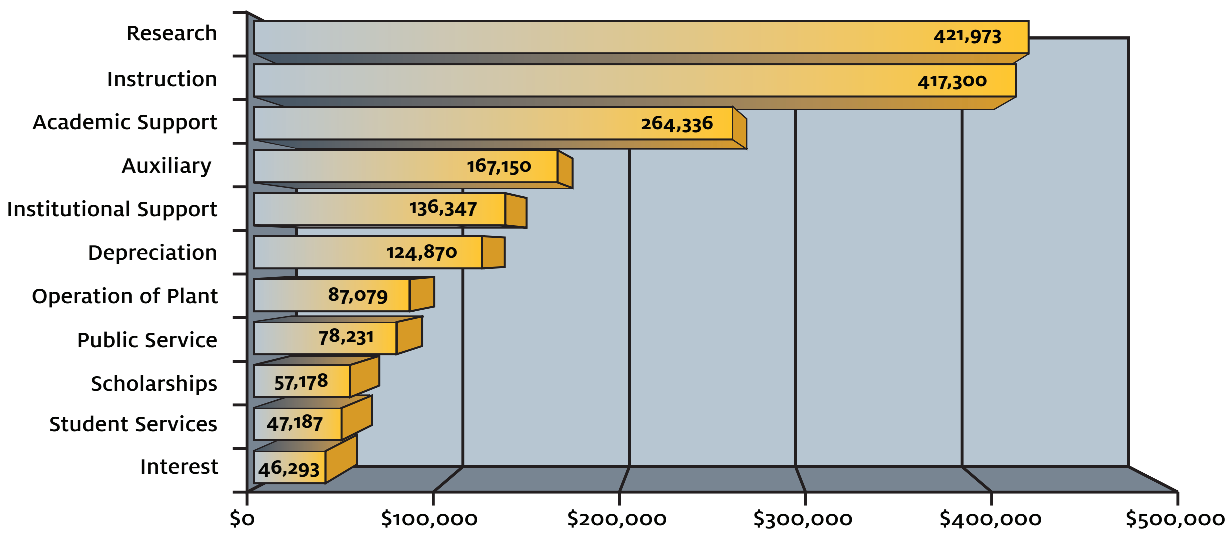
Total investment income decreased by $36.6 million or 84.6%. Pooled Operating Funds are invested in short and long-term debt instruments. Pooled Operating Funds decreased by $8.7 million or 39.8% primarily due to a one-time interest payment of $7.6 million from an IRS Federal Insurance Contributions Act (FICA) tax reimbursement that occurred in fiscal year 2014 and a decrease in market values in fiscal year 2015. Endowments decreased by $27.9 million or 133% due to a decrease in net unrealized fair value of endowments.

Other capital and endowment additions: The total balance for other capital and endowment additions in fiscal year 2015 is $62.1 million. There is an overall increase of $1.4 million or 2.3% in comparison to fiscal year 2014. This increase is partially credited to a $3.1 million increase in lottery revenues from the State of Arizona for the first time interest payment on the 2014 Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds, and $4.9 million in additional gift revenue. These amounts are offset by a $4.6 million decrease in State capital appropriations, and a decrease in permanent endowments of $2 million.

Total Expenses

The following chart represents total expenses by functional classification of $1,847,924 for fiscal year 2015:

Total Expenses (in thousands)

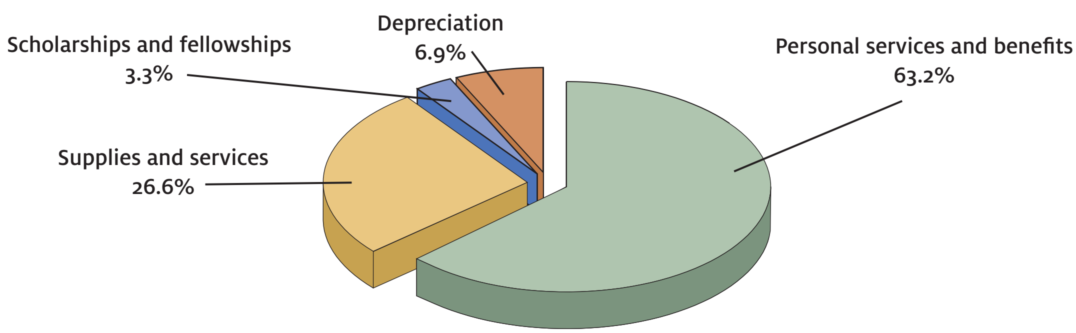


Total expenses increased by $94.6 million or 5.4% in comparison to fiscal year 2014. The primary functional expense classifications driving the increase were academic support, research, and institutional support. Academic support increased by $60.8 million primarily due to increases in payroll expenses resulting from the affiliation agreement with Banner Health. The increase in research of $19 million is mainly attributed to biomedical, clinical care research, and stem cell research. Institutional support increased by $18.4 million due to strategic investment to support the Arizona Health Science Center, research and innovation.

Operating Expenses by Natural Classification

In addition to programmatic (functional) classification of operating expenses, a summary of the University's expenses by natural classification (in thousands of dollars), as listed in Note 11, for the years ended June 30, 2015 and 2014 follows:

	FY 2015	FY 2014	% Change
Personal services and benefits	$ 1,138,615	$ 1,048,926	8.6%
Supplies and services	479,021	470,546	1.8%
Scholarships and fellowships	59,125	66,488	-11.1%
Depreciation	124,870	116,781	6.9%
Total Operating Expenses	**$ 1,801,631**	**$ 1,702,741**	**5.8%**



Condensed Statement of Cash Flows

The following summarizes cash flows for the 2015 and 2014 fiscal years (in thousands of dollars):

Cash Provided By (Used For):	**2015**	**2014**
Operating activities	$ (336,897)	$ (402,380)
Noncapital financing activities	849,372	559,515
Capital financing activities	53,310	(216,730)
Investing activities	(543,502)	50,499
Net increase (decrease) in cash and cash equivalents	**22,283**	**(9,096)**
Cash and cash equivalents, beginning of year	111,040	120,136
Cash and cash equivalents, end of year	**$ 133,323**	**$ 111,040**

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

Capital and Debt Analysis

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

During fiscal year 2015, the University completed and placed in service two new buildings: the Arizona Cancer Center in Phoenix and the Environment and Natural Resources 2 (ENR 2) on the University's Main Campus. The Arizona Cancer Center building in Phoenix was constructed at a total cost of $100 million and was funded by bond proceeds received through the issuance of System Revenue Bonds and gift funds. The Arizona Cancer Center building in Phoenix provides 227,500 gross square feet of space and is focused on delivering the highest quality outpatient cancer care and research. The Cancer Center will house Radiation Oncology, Diagnostic Imaging, a Prevention/Executive Health Clinic, Patient Wellness and Support Services, Endoscopic/Interventional Radiology, Infusion, Specialized Cancer Clinics, a Breast Center, Clinical Lab space, and other related support spaces. The ENR 2 building was constructed at a total cost of $75 million and was funded by bond proceeds received through the issuance of System Revenue Bonds and Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds. The ENR 2 building provides 207,600 gross square feet of space in order to promote interdisciplinary research that focuses on Earth Science and Environmental Programs. The major functional areas include space for offices, research, common program support and 600 classroom/auditorium seats. The University also renovated Intercollegiate Athletics' McKale Memorial Center at a total cost of $25 million, which was funded 50% by bond proceeds received through the issuance of System Revenue Bonds and 50% by gift funds. The renovation encompassed 322,800 gross square feet of space and is focused on providing expanded concourses, wheel chair accessible seating, additional restrooms and added concession areas to enhance student and public services.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs), Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds, or Certificates of Participation (COPs). SPEED Revenue Bonds are a financing mechanism passed by legislation for the sole purpose of financing construction projects to stimulate the State's economy. The legislation provided the debt service on the SPEED Revenue Bonds to be funded up to 80% by State lottery revenues and at least 20% by University funds. Prior to issuing any bonds or COPs, the University must submit a financing and funding plan to ABOR for approval. Additionally, the plan is required to be reviewed by the State Joint Committee on Capital Review (JCCR). The amount of debt the University is able to issue is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes §15-1683) and ABOR policy 7-102(D) (3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2015, the University's debt ratio was 4.1%. The University's credit rating on its outstanding SRBs is Aa2 by Moody's and AA- by Standard and Poor's.

During fiscal year 2015, the University issued three System Revenue Refunding Bonds, one SPEED Revenue Bond, and two Refunding Certificates of Participation. The System Revenue Refunding Bonds were issued for $134.6 million to finance the McKale Memorial Center

Phase I improvements, a part of the Bioscience Research Laboratories and to refund a portion of the University's outstanding bonds resulting in a net present value interest savings of $3.3 million. The SPEED Revenue Bonds were issued for $129.2 million to finance the Bioscience Partnership Building and the remaining portion of the Bioscience Research Laboratories. The Refunding Certificates of Participation were issued for $103.3 million to refund a portion of the University's outstanding COPS resulting in a net present value interest savings of $11.4 million.

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

Economic Outlook

The State of Arizona economy maintains a modest growth, forecasted to grow at the rate of 3.3% for fiscal year 2016 in comparison to 5.3% in fiscal year 2015. The forecasted base revenue includes adjustments for the Urban Revenue Sharing program, and previously enacted tax law changes have adjusted revenue down. These adjustments resulted in an overall decrease in the State's total General Fund revenues by $248.5 million, or -2.7%, for fiscal year 2016 in comparison to fiscal year 2015.

Highlights of the State fiscal year 2016 budget included increases to the baseline for certain areas with higher priority: $74 million for additional K-12 education formula spending outside the statutorily-mandated amount of $24 million for the School Facilities Board fund, $18 million for retirement formula increases in the Arizona Department of Corrections (ADC) and Department of Public Safety, $17 million in additional ADC health care and population growth spending, $8 million in additional Department of Child Safety services spending, and $5 million for capital outlay emergency projects. Additionally, highlights of reductions to the State fiscal year 2016 budget included adjustments from the baseline of the following areas: $148 million K-12 reductions, $99 million reduction to the three state Universities, $40 million in total reductions to local jurisdictions, $40 million reduction from re-estimates of Medicaid enrollment in both Arizona Health Care Cost Containment System (AHCCCS) and Department of Health Services (DHS), $37 million from a provider rate reduction of 5% in selected AHCCCS and DHS service areas, $20 million reduction to limit the State's liability in those larger districts whose total property tax bill for all jurisdictions exceeds the State's 1% cap, $16 million reduction to eliminate Maricopa and Pima Community College Districts' funding and a Pinal Community College District reduction, and $16 million reduction in employee health contributions to reflect lower costs.

The University experienced a reduction in appropriations of $28.4 million or approximately 10.2% by the State for fiscal year 2016. The University has reduced operating costs and increased efficiencies in some areas to absorb a portion of the budget reduction, in order to prevent drastic negative impact to the University.

The fiscal year 2016 appropriation to the University of Arizona is $246 million, which does not include the $78.9 million deferral of its base funding in fiscal year 2015. The State has made its prior year deferral payments. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the immediate fiscal periods to come.

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

The Arizona Board of Regents voted to increase undergraduate tuition by 2.7% for resident students for fiscal year 2016 with non-resident undergraduate students experiencing a 5.8% increase. While the University and Arizona Board of Regents recognize the fiscal pressures the State of Arizona has been managing, the University has continued the guaranteed tuition program which started in the fall of 2014. The guaranteed tuition program for qualified incoming students is a constant tuition rate set by ABOR for eight semesters. The percentage increase stated above does not include the guaranteed tuition rates.

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

Fred Fox School of Music, Fred Fox and Chamber Quintet, December 2014
Photo: UA Marketing Communications & Brand Management

Photo: UA Marketing Communications & Brand Management

Statement of Net Position

June 30, 2015 (in thousands of dollars)

Assets

Current assets	
Cash and cash equivalents (Note 3)	$ 117,618
Short-term investments (Note 3)	43,533
Receivables:	
Accounts receivable (net of allowances of $1,401)	63,140
Receivable from the State of Arizona	78,967
Government grants receivable	49,485
Student loans (net of allowances of $397)	1,779
Inventories	8,157
Prepaid expenses	10,421
Total current assets	**$ 373,100**
Noncurrent assets	
Restricted cash and cash equivalents (Note 3)	$ 15,705
Restricted investments with trustee (Note 3)	277,031
Restricted investments with bond trustees (Note 3)	221,067
Long-term investments (Notes 3 and 4)	349,433
Endowment investments (Note 3)	284,374
Student loans receivable (net of allowances of $3,506)	15,995
Long-term receivables	10,411
Prepaid expenses	2,470
Capital assets, not being depreciated (Note 5)	282,448
Capital assets, being depreciated, net (Note 5)	1,626,872
Total noncurrent assets	**$ 3,085,806**
Total Assets	**$ 3,458,906**
Deferred Outflow of Resources	
Deferred outflows related to pensions (Note 10)	$ 83,560
Deferred amounts from refunding of debt	20,438
Total Deferred Outflows of Resources	**$ 103,998**

Liabilities

Current liabilities	
Accounts payable	$ 43,125
Accrued payroll and benefits	33,629
Accrued compensated absences, current portion (Note 7)	10,463
Unearned revenue and deposits (Note 6)	93,065
Funds held for others	8,816
Net pension liability, current portion (Note 10)	3,600
Current portion of long-term debt (Note 8)	
To be funded by University revenues	53,309
To be funded by State of Arizona appropriations and State Lottery monies	2,505
Capital commitments, current portion (Note 4)	3,500
Total current liabilities	**$ 252,012**
Noncurrent liabilities	
Accrued compensated absences (Note 7)	$ 49,201
Net pension liability (Note 10)	604,118
Long-term debt (Note 8)	
To be funded by University revenues	962,048
To be funded by State of Arizona appropriations and State Lottery monies	460,674
Capital commitments (Note 4)	22,424
Total noncurrent liabilities	**$ 2,098,465**
Total Liabilities	**$ 2,350,477**
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 10)	$ 102,399
Deferred amounts from refunding of debt	252
Resources received before time requirements met (Note 3)	239,331
Total Deferred Inflows of Resources	**$ 341,982**

Statement of Net Position (continued)

Net Position

Net investment in capital assets	$ 637,380
Restricted for nonexpendable:	
Endowments	115,690
Student loans	22,774
Restricted for expendable:	
Scholarships and fellowships	19,522
Academic/departmental uses	176,851
Capital projects	5,072
Debt service	17,360
Unrestricted (deficit)	(124,204)
Total Net Position	**$ 870,445**

See Notes to Financial Statements

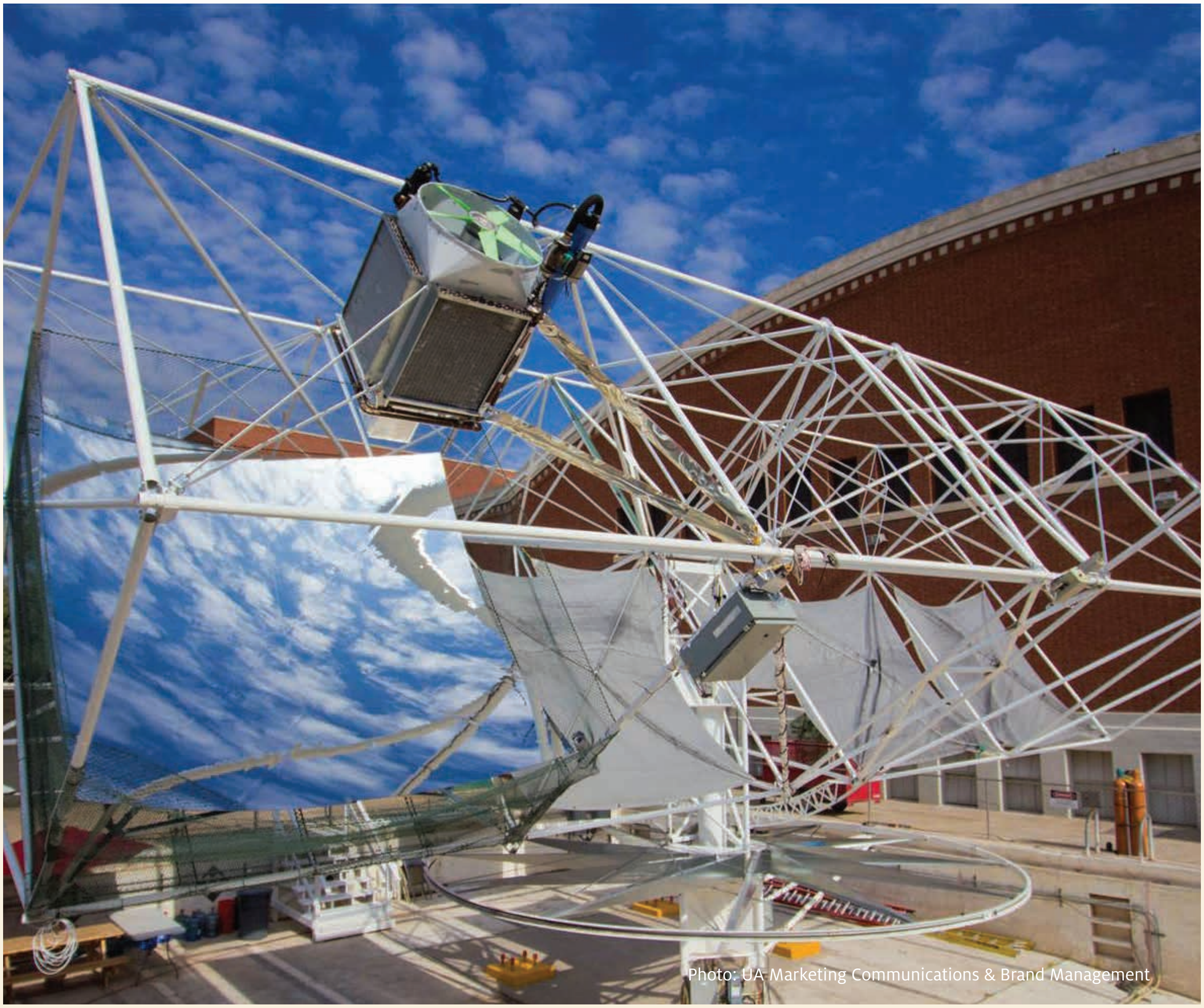


Photo: UA Marketing Communications & Brand Management

Statement of Financial Position – Component Units

June 30, 2015 (in thousands of dollars)

	University of Arizona Foundation	Other	Total
Assets			
Cash and cash equivalents	$ 53,551	$ 7,539	$ 61,090
Pledges receivable	27,890	447	28,337
Other receivables		3,985	3,985
Investments in marketable securities	748,417	18,615	767,032
Other investments		178	178
Property and equipment, net	12,266	20,446	32,712
Other assets	10,505	4,609	15,114
Total Assets	**$ 852,629**	**$ 55,819**	**$ 908,448**
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 3,392	$ 2,435	$ 5,827
Fair value of endowments managed for the University	189,752		189,752
Annuities payable and other trust liabilities	23,675		23,675
Deferred revenue and deposits		7,903	7,903
Short-term and long-term debt		5,279	5,279
Other liabilities	6,763	623	7,386
Total Liabilities	**$ 223,582**	**$ 16,240**	**$ 239,822**
Net Assets			
Unrestricted	$ 12,235	$ 31,357	$ 43,592
Temporarily restricted	122,675	3,459	126,134
Permanently restricted	494,137	4,763	498,900
Total Net Assets	**$ 629,047**	**$ 39,579**	**$ 668,626**
Total Liabilities and Net Assets	**$ 852,629**	**$ 55,819**	**$ 908,448**

See Notes to Financial Statements

Photo: UA Marketing Communications & Brand Management

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015 (in thousands of dollars)

Operating Revenues

Student tuition and fees, net of scholarship allowances of $194,646	$	554,768
Federal grants and contracts		290,967
State grants and contracts		8,121
Local grants and contracts		1,754
Nongovernment grants and contracts		174,556
Sales and services of educational departments		51,436
Auxiliary enterprises, net of scholarship allowances of $6,549		203,740
Other operating revenues		29,749
Total operating revenues	**$**	**1,315,091**

Operating Expenses

Educational and general		
Instruction	$	417,300
Research		421,973
Public service		78,231
Academic support		264,336
Student services		47,187
Institutional support		136,347
Operation and maintenance of plant		87,079
Scholarships and fellowships		57,158
Auxiliary enterprises		167,150
Depreciation (Note 5)		124,870
Total operating expenses	**$**	**1,801,631**
Operating Loss	**$**	**(486,540)**

Nonoperating Revenues (Expenses)

State appropriations	$	270,538
Share of State sales tax revenues		24,964
Federal grants and appropriations		79,316
State and other government grants		14,138
Nongovernment grants and contracts		114,408
Gifts		89,975
Investment income		6,638
Interest expense on debt		(46,293)
Gain on sale of capital assets		46,874
Other nonoperating revenues, net		18,103
Net nonoperating revenues	**$**	**618,661**
Income before Capital and Endowment Additions	**$**	**132,121**
Capital grants, gifts and conveyances	$	36,489
Capital appropriations - Research Infrastructure Capital Financing		11,204
Capital commitment - State Lottery Revenue		11,604
Additions to permanent endowments		2,793
Total capital and endowment additions	**$**	**62,090**
Increase in Net Position	**$**	**194,211**
Net Position		
Net Position - Beginning of year, as restated		676,234
Net Position - End of year	**$**	**870,445**

See Notes to Financial Statements

Statement of Activities – Component Units

Year Ended June 30, 2015 (in thousands of dollars)

	University of Arizona Foundation	Other	Total
Revenues			
Sales and services	$ 1,208	$ 1,874	$ 3,082
Contributions	123,340	3,321	126,661
Rental revenues	-	12,775	12,775
Investment income	7,419	451	7,870
Other income	11,711	3,240	14,951
Total revenues	**$ 143,678**	**$ 21,661**	**$ 165,339**
Expenses			
Program services:			
Leasing related expenses	-	$ 9,679	$ 9,679
Payments to the University	$ 80,295	1,023	81,318
Payments on behalf of the University	16,777	5,824	22,601
Supporting services:			
Management and general	4,342	2,449	6,791
Fund raising	8,225	209	8,434
Other expenses	-	1,258	1,258
Total expenses	**$ 109,639**	**$ 20,442**	**$ 130,081**
Increase/(decrease) in Net Assets	**$ 34,039**	**$ 1,219**	**$ 35,258**
Net Assets - Beginning of year	**595,008**	**38,360**	**633,368**
Net Assets - End of year	**$ 629,047**	**$ 39,579**	**$ 668,626**

See Notes to Financial Statements

Statement of Cash Flows

Year Ended June 30, 2015 (in thousands of dollars)

Cash Flows from Operating Activities

Tuition and fees	$ 547,762
Grants and contracts	485,200
Payments for salaries, wages and benefits	(1,111,315)
Payments to suppliers	(483,652)
Payments for scholarships and fellowships	(59,125)
Loans issued to students	(3,167)
Collections on loans to students	3,615
Auxiliary enterprise receipts	203,836
Sales and services of educational departments	50,241
Other receipts	29,708
Net cash used for operating activities	**$ (336,897)**

Cash Flows from Noncapital Financing Activities

State appropriations	$ 270,538
Share of State sales tax receipts	24,589
Gifts, contracts and grants for other than capital purposes	539,899
Nonoperating receipts for other than capital purposes	12,820
Direct Loans received	230,436
Direct Loans disbursed	(228,904)
Funds held for others received	112,386
Funds held for others disbursed	(112,392)
Net cash provided by noncapital financing activities	**$ 849,372**

Cash Flows from Capital Financing Activities

Proceeds from issuance of capital debt, including premiums	$ 420,219
Capital appropriations, grants and gifts received	38,794
Build America Bonds - federal subsidy	2,978
Capital commitment - State Lottery revenue	9,599
Proceeds from sale of capital assets	54,942
Purchase of capital assets	(224,244)
Principal paid on capital debt and leases	(196,866)
Interest paid on capital debt and leases	(52,112)
Net cash provided by capital financing activities	**$ 53,310**

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	$ 238,412
Interest and dividends on investments	14,886
Purchase of investments	(796,800)
Net cash used for investing activities	**$ (543,502)**
Net Increase in Cash and Cash Equivalents	**$ 22,283**

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year	$ **111,040**
Cash and Cash Equivalents - End of year	**$ 133,323**

See Notes to Financial Statements

Statement of Cash Flows (continued)

Year Ended June 30, 2015 (in thousands of dollars)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	$ (486,540)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	124,870
Pension expense	44,986
Employer pension contributions	(40,340)
Changes in assets and liabilities:	
Receivables, net	1,870
Inventories	(5)
Prepaid expenses	222
Accounts payable	(5,266)
Accrued payroll and benefits and compensated absences	22,654
Unearned revenue and deposits	652
Net Cash Used for Operating Activities	**$ (336,897)**

Significant Noncash Transactions

Gifts and conveyances of capital assets	$ 8,899
Change in fair value of investments	(9,609)
Refinancing long-term debt	157,050
Amortization of bond discount, prepaid insurance, and deferred cost of refundings	(1,856)
Amortization of bond premium	3,884
Net gain on disposal of capital assets with an original cost of $22,495, accumulated depreciation of $14,427 and cash proceeds of $54,942	46,874
Amortization of IBM unearned rent	470

See Notes to Financial Statements

Photo: UA Marketing Communications & Brand Management

Notes to Financial Statements

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

Basis of Presentation

The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component units as described in Notes 2 and 12. Fiscal responsibility for the University remains with the State of Arizona; therefore, the University is an integral part of the State of Arizona's Tri-University system, which is an enterprise fund in the State of Arizona's *Comprehensive Annual Financial Report*.

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

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

For the year ended June 30, 2015, the University implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 69, *Government Combinations and Disposals of Governmental Operations*.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 had no impact on the University's fiscal year 2015 financial statements and therefore no additional note disclosures were required.

GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. The implementation of GASB Statement Nos. 68 and 71 resulted in a beginning net position restatement as well as additional footnote disclosure in Note 10.

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net Position - June 30, 2014, as previously reported	$ 1,285,590,000
Prior Period Adjustment - Implementation of GASB 68:	
Net Pension Liability (Measurement date as of June 30, 2013)	(648,278,000)
Deferred Outflows - University's Contributions made during Fiscal Year 2014 to defined benefit plans	38,922,000
Net Position - July 1, 2014, as restated	$ 676,234,000

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

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

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

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

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

Significant Accounting Policies

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

Cash and Investments

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

- Investments are stated at fair value at June 30. Fair value typically is the quoted market price for securities.

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

Endowment Spending Rate Policy – Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds managed by the University, the Investment Committee and University administration consider long- and short-term needs, total investment return and price level trends, and general economic conditions. For fiscal year 2015, the expendable rate was established at 4% of the three-year average market value ending December 31, 2013. Donor restricted endowments that are available for expenditure are reported as restricted and expendable on the Statement of Net Position.

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

Capital Assets, Special Collections and Historical Treasures

- Capital assets are reported at actual cost or, if donated, at fair market value at date received.

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

- Interest incurred during the construction phase of projects is capitalized, net of interest earned on the invested proceeds over the same period.
- Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight line method. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

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

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

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

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

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

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

NOTE 2. COMPONENT UNITS

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

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

Discretely Presented Component Units

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

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

Photo: UA Marketing Communications & Brand Management

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

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

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

NOTE 3. DEPOSITS AND INVESTMENTS

A. General

At year end, the University's deposits and investments had a fair value of $1,308,761,000. The required disclosures are included in sections B and C of this footnote.

Included in the University's deposits and investments are capital project funds totaling $221,067,000 which are held in trust by a commercial bank and available for future construction costs. Trust funds are invested in accordance with the Board's authorizing resolutions, as disclosed in section B of this footnote.

Endowment funds totaling $189,752,000 managed by The University of Arizona Foundation (Foundation) make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the Foundation and invested in the Foundation's Endowment Pool (Pool). The University's endowment assets are maintained separately on the financial system of the Foundation, and receive a proportional share of the Pool activity. As such, the Foundation owns the assets of the Pool; the University has an interest in the Pool, which is considered an external investment pool to the University. The Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Foundation's Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. 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. Included in these investments are balances invested on behalf of the Arizona Student Financial Aid Trust (ASFAT). ASFAT was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees. The University's ASFAT funds are recorded as endowment investments at $31,931,000.

Further, the University is the sole beneficiary of the University of Arizona Academic Enhancement Fund Trust (Trust). Trust assets totaled $277,031,000 at June 30, 2015, and are recorded in the University's Statement of Net Position as restricted investments with trustee. Trust assets, less University contributions to the trust, are offset by a $239,331,000 deferred inflow of resources because not all time requirements have been met. The purpose of the Trust is to provide ongoing funding over the next 30 years in the form of $20 million annual distributions to the University for academic enhancements, faculty recruitment, and program development at the Arizona Health Science Center. The University has entered into an investment agreement with a third party, Banner Health, to direct the investment activity of the trustee in accordance with Banner policies. In the event the Trust becomes insolvent or does not generate sufficient income to make the annual distributions, Banner Health is contractually obligated to make the annual distribution payments to the University from other sources.

B. Statutory and Board of Regents' Policies

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

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

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

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

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

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

C. Deposit and Investment Risk

Custodial Credit Risk – University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller's demand deposit account. Beyond this requirement, the University does not have a policy that specifically addresses custodial credit risk. At June 30, 2015, $18,503,000 of the University's total deposits and investments is exposed to custodial credit risk since a portion of the University's endowment funds are held by trustees. These deposits and securities are held by the counterparties in the names of the individual donors as irrevocable trusts for the benefit of the University.

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

The University does not have a formal policy that specifically addresses credit risk over endowment funds. As indicated in Section A of this note, $189,752,000 of the University's endowment funds are held in the Foundation's Endowment Pool, which is not rated. The Foundation's Investment Committee manages the credit risk of the Pool's investments. Other University endowment funds held by external trustees are invested in accordance with donor restrictions and those investments' credit quality ratings are included in the table below.

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

			Moody's/Standard & Poor's Rating			
Investment Type	**Fair Value**	**Not Rated**	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**
Fixed Income Mutual Funds	$ 11,595,000	$11,595,000				
Negotiable Certificates of Deposit*	29,044,000	29,044,000				
Corporate Bonds	299,334,000	10,456,000	$ 4,442,000	$ 58,358,000	$147,378,000	$78,700,000
Federal Agency Securities	193,056,000	2,998,000	19,911,000	170,147,000		
Money Market Mutual Funds	82,511,000		82,511,000			
Municipal Bonds	2,821,000		1,007,000	1,814,000		
State Treasurer's Pool 3	1,025,000	1,025,000				
	$ 619,386,000	**$55,118,000**	**$107,871,000**	**$230,319,000**	**$147,378,000**	**$78,700,000**

*Although all of the negotiable certificates of deposit are unrated by Moody's Investor Service or Standard & Poor's, $18,547,000 is covered by federal deposit insurance and would be returned to the University in the situation of default by the issuer.

Concentration of Credit Risk – Other than United States Treasury securities and other federal agency securities, which can represent greater than 5% of total investments, University policy limits investment in a single issuer to 5% or less of the fair value of the total portfolio. Except for those issuers allowed by policy, the University does not have an investment in any single issuer that exceeds 5% of the overall portfolio. At June 30, 2015, the University had investments in the Federal Home Loan Bank with a fair value of $101,941,000 or 7.8% of total investments.

Interest Rate Risk – The University does not have a formal policy for interest rate risk. The following chart presents the interest rate risk for the University's debt investments at June 30, 2015, utilizing the segmented time distribution method:

		Maturity Date			
Investment Type	**Fair Value**	**< 1 Year**	**1-5 Years**	**6-10 Years**	**> 10 Years**
Fixed Income Mutual Funds	$ 11,595,000	$ 8,116,000	$ 751,000	$ 2,728,000	
Negotiable Certificates of Deposit	29,044,000	3,927,000	25,117,000		
Corporate Bonds	299,334,000	52,024,000	235,787,000	9,206,000	$2,317,000
Federal Agency Securities	193,056,000	94,238,000	90,664,000	8,154,000	
Money Market Mutual Funds	82,511,000	82,511,000			
Municipal Bonds	2,821,000	250,000	2,571,000		
State Treasurer's Pool 3	1,025,000		1,025,000		
U. S. Treasury	64,492,000	20,257,000	44,162,000	73,000	
	$ 683,878,000	**$261,323,000**	**$400,077,000**	**$20,161,000**	**$2,317,000**

Foreign Currency Risk – The University's foreign investments at June 30, 2015 are shown in the table below. Foreign currency – denominated investments are part of the University's endowment portfolio and are invested by external trustees. University policy does not include any specific requirements for foreign currency risk. University endowment funds held by external trustees are invested in accordance with donor restrictions.

Investment Type	**Currency**	**Fair Value**
Asset Allocation Mutual Funds	Various	$ 5,397,000
Equity Mutual Funds	Various	3,494,000
Bond/Mutual Funds	Various	53,483,000
Miscellaneous	Various	4,956,000
Total		**$ 67,330,000**


Photo: UA Marketing Communications & Brand Management

NOTE 4. JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

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

The University has committed resources equivalent to 25% of LBT's construction costs and annual operating costs. The University has made total cash contributions of $18,159,000 toward the project's construction costs which were recorded as long-term investments on the statement of net position. The University's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes; thus, depreciation of the property and equipment commenced. The University recorded its proportionate share of the use of the viewing/observation rights, $896,000 in calendar year 2015, as a reduction in its investment. At June 30, 2015, the investment totaled $11,902,000. According to the most recent draft financial statements of LBT for the year ended December 31, 2014, assets, liabilities, revenues and expenses totaled $125.0 million, $3.0 million, $16.0 million, and $16.0 million, respectively. [For information regarding LBT's financial statements, contact the University of Arizona Comptroller at the following address: University of Arizona, Financial Services, 1303 E. University Blvd., Box 4, Tucson, Arizona 85719-0521].

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

GMTO Capital Commitments

Beginning balance	
Additions	$ 25,924,000
Reductions	
Ending balance	$ 25,924,000
Current portion	**$ 3,500,000**

In the current fiscal year the University contributed $20,000,000 to the GMTO and has contributed a total of $34,076,000 as of June 30, 2015. The University has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2015, the University has received contractual payments related to the project from the GMTO and related partners totaling $57,058,000. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance July 1, 2014	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2015
Land	$ 97,050,000	$ 8,555,000	$ (6,943,000)		$ 98,662,000
Construction in progress:					
Real property	229,658,000	153,155,000		$ (259,027,000)	123,786,000
Intangible assets	9,750,000	50,250,000			60,000,000
Total non-depreciable/amortizable capital assets	$ 336,458,000	$ 211,960,000	$ (6,943,000)	$ (259,027,000)	$ 282,448,000
Buildings and improvements	$ 2,101,444,000	$ 6,334,000		$ 213,466,000	$ 2,321,244,000
Infrastructure	213,584,000	5,074,000		45,561,000	264,219,000
Equipment	451,911,000	25,625,000	$ (12,954,000)		464,582,000
Intangible assets	100,327,000				100,327,000
Library materials	281,181,000	12,354,000	(2,598,000)		290,937,000
Total depreciable/amortizable capital assets	$ 3,148,447,000	$ 49,387,000	$ (15,552,000)	$ 259,027,000	$ 3,441,309,000
Less: accumulated depreciation/amortization					
Buildings and improvements	$ 974,339,000	$ 69,417,000			$ 1,043,756,000
Infrastructure	104,842,000	10,035,000			114,877,000
Equipment	342,099,000	25,785,000	$ (11,829,000)		356,055,000
Intangible assets	53,917,000	8,023,000			61,940,000
Library materials	228,797,000	11,610,000	(2,598,000)		237,809,000
Total accumulated depreciation/amortization	$ 1,703,994,000	$ 124,870,000	$ (14,427,000)		$ 1,814,437,000
Depreciable/amortizable capital assets, net	$ 1,444,453,000	$ (75,483,000)	$ (1,125,000)	$ 259,027,000	$ 1,626,872,000
Capital assets, net	$ 1,780,911,000	$ 136,477,000	$ (8,068,000)		$ 1,909,320,000

In addition to expenditures through June 30, 2015, it is estimated that $507,730,000 will be required to complete projects under construction or planned for construction. Of that amount, $115,394,000 is contractually encumbered.

NOTE 6. UNEARNED REVENUE AND DEPOSITS

Unearned revenue consists primarily of amounts received from grants and contract sponsors that have not yet been earned under the terms of the agreements as well as tuition and fees received in advance. Unearned revenue also includes amounts received in advance of an event, such as advance ticket sales for sporting events. Unearned revenue and deposits at June 30, 2015 consist of the following:

Current Unearned Revenue and Deposits	
Unexpended cash advances received for sponsored programs	$ 66,833,000
Tuition and fees	12,760,000
Auxiliary sales and services	8,334,000
Other unearned revenue	3,927,000
Deposits	1,211,000
Total current unearned revenue and deposits	$ 93,065,000

NOTE 7. ACCRUED COMPENSATED ABSENCES

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 264 accrued vacation hours depending on classification and years of service. Upon termination, accrued hours up to 176 will be paid. At fiscal year-end, the University accrued all compensated absence balances accumulated to date as a liability in the financial statements. The University does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona State Department of Administration (ASDA). The University pays a percentage of its payroll for RASL to ASDA and does not have further liability. Accrued compensated vacation for the year ended June 30, 2015, was as follows:

Beginning balance	$ 47,263,000
Additions	49,635,000
Reductions	(37,234,000)
Ending balance	$ 59,664,000
Current portion	$ 10,463,000

NOTE 8. LONG-TERM DEBT & LEASE OBLIGATIONS

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
Bonds payable	$ 788,685,000	$ 263,820,000	$ (68,240,000)	$ 984,265,000	$ 25,205,000
Certificates of participation	377,990,000	103,381,000	(126,635,000)	354,736,000	22,875,000
Capitalized lease obligations	37,555,000	6,650,000	(2,506,000)	41,699,000	2,580,000
Subtotal long-term debt	$ 1,204,230,000	$ 373,851,000	$ (197,381,000)	$ 1,380,700,000	$ 50,660,000
Premium on sale of debt	57,653,000	49,004,000	(6,883,000)	99,774,000	5,292,000
Discount on sale of debt	(2,197,000)	(79,000)	338,000	(1,938,000)	(138,000)
Total long-term debt	$ 1,259,686,000	$ 422,776,000	$ (203,926,000)	$ 1,478,536,000	$ 55,814,000

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

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

On July 10, 2014, the University sold System Revenue Refunding Bonds Series 2014 (2014 Bonds) for $16,025,000 dated July 17, 2014 as described below:

Series	Amount	Description	Interest Rate Range	Maturity Dates
2014	$16,025,000	Serial Bonds	2.00% to 5.00%	2015 to 2029

The 2014 Bonds with maturity on or after June 1, 2025, are subject to optional redemption without premium. The 2014 Bonds sold at a premium of $2,300,000. The University realized net proceeds of $18,115,000 after payment of $210,000 for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the McKale Memorial Center Phase I improvements and to refund the following:

- Current-refund the System Revenue Bonds Series 2004B and a portion of the Series 2005A with an outstanding principal balance of $2,025,000 and $1,685,000, respectively. The current refunding generated a net present value economic gain of $261,000 (difference between the present values of the old debt and the new debt service payments) for the University. The refunding decreases the University's debt service by $25,000 in the first year and an average of $17,000 in years two through fifteen.
- Advance refund a portion of the System Revenue Bonds Series 2006A with an outstanding principal balance of $1,650,000. The advance refunding generated a net present value economic gain of $104,000 (difference between the present values of the old debt and the new debt service payments) for the University. The advance refunding decreases the University's debt service by $15,000 in the first year and an average of $18,000 in years two through six. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $1,729,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.
- The overall refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $254,000. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense through the year 2029 using the straight-line method.

On December 2, 2014, the University sold SPEED Revenue Bonds Series 2014 for $129,185,000 dated December 17, 2014 as described below:

Series	Amount	Description	Interest Rate Range	Maturity Dates
	$68,280,000	Serial Bonds	3.00% to 5.00%	2016 to 2034
2014	$26,755,000	Term Bonds	5.00%	August 1, 2039
	$34,150,000	Term Bonds	5.00%	August 1, 2044

The serial bonds with maturity on or after August 1, 2025, are subject to optional redemption without premium. The 2014 Bonds with maturity on August 1, 2039 and August 1, 2044, are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2014 Bonds sold at a premium of $17,322,000. The University realized net proceeds of $145,750,000 after payment of $757,000 for issuance costs and underwriter discounts. The net proceeds were used to finance the Bioscience Partnership Building and a portion of the Bioscience Research Laboratories.

On March 31, 2015, the University sold System Revenue Refunding Bonds Series 2015A (2015A Bonds) for $103,950,000 and System Revenue Refunding Bonds Taxable Series 2015B (2015B Bonds) for $14,660,000 dated April 29, 2015 as described below:

Series	Amount	Description	Interest Rate Range	Maturity Dates
2015A	$67,490,000	Serial Bonds	5.00%	2020 to 2036
	$14,425,000	Term Bonds	5.00%	June 1, 2040
	$22,035,000	Term Bonds	4.00%	June 1, 2045
2015B	$14,660,000	Taxable Serial Bonds	0.65% to 1.925%	2016 to 2020

2015A Bonds with maturity on or after June 1, 2026, are subject to optional redemption without premium. The 2015A Bonds sold at a premium of $16,026,000. The University realized net proceeds of $119,362,000 after payment of $614,000 for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the Bioscience Research Laboratories and to refund in advance of maturity a portion of the System Revenue Bonds Series 2007 and 2008A totaling $14,455,000 and $13,270,000, respectively. The advance refunding generated a net present value economic gain of $2,049,000 (difference between the present values of the old debt and the new debt service payments) for the University. The advance refunding decreases the University's debt service by $645,000 in the first year and an average of $78,000 in years two through nineteen. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,951,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2033 using the straight-line method. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $30,353,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.

The 2015B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 25 basis points. The University realized net proceeds of $14,552,000 after payment of $108,000 for issuance costs and underwriter discounts. The net proceeds were used to refund in advance of maturity a portion of the System Revenue Bonds Series 2006A totaling $13,580,000. The advance refunding generated a net present value economic gain of $854,000 (difference between the present values of the old debt and the new debt service payments) for the University. The advance refunding decreases the University's debt service by $339,000 in the first year and an average of $103,000 in years two through six. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $695,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2020 using the straight-line method. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $14,197,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.

The University's outstanding SPEED Revenue Bonds Series 2010 were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the University is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the University must file certain required information with the federal government between 90 and 45 days prior to the interest payment date. The amount paid to the University by the federal government may be reduced or eliminated due to such issues as failure by the University to submit the required information, any amounts owed by the University to the federal government, or changes in the law that would reduce or eliminate such payments. Due to the federal sequestration, the University will receive a 7.3% reduction (totaling $118,000) in the federal interest subsidy for the August 1, 2015 debt service payment and a 6.8% reduction (totaling $220,000) in the federal interest subsidy for the February 1 and August 1, 2016 debt service payments.

The following schedule details outstanding bonds payable at June 30, 2015:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
1992A – System Revenue Refunding Bonds	$ 55,490,000	2016	6.20%	$ 3,270,000
2006A – System Revenue Refunding Bonds	17,645,000	2016	5.00%	2,415,000
2007 – System Revenue Bonds	31,010,000	2032	4.00-4.375%	10,010,000
2008A – System Revenue Bonds	43,105,000	2040	4.00-5.00%	24,480,000
2008B – System Revenue Refunding Bonds	18,090,000	2018	4.00%	3,100,000
2009A – System Revenue Bonds	202,370,000	2039	3.00-5.00%	185,220,000
2012A – System Revenue Bonds	74,050,000	2042	4.00-5.00%	73,750,000
2012B – System Revenue Refunding Bonds	21,860,000	2022	1.67-3.29%	18,215,000
2012C – System Revenue Refunding Bonds	43,920,000	2034	1.163-3.912%	39,695,000
2013A – System Revenue Bonds	69,175,000	2048	3.00-5.00%	69,175,000
2013B – System Revenue Refunding Bonds	34,985,000	2048	3.375-5.00%	34,405,000
2014 – System Revenue Refunding Bonds	16,025,000	2029	2.00-5.00%	15,540,000
2015A – System Revenue Refunding Bonds	103,950,000	2045	4.00-5.00%	103,950,000
2015B – System Revenue Refunding Bonds	14,660,000	2020	0.65-1.925%	14,660,000
Subtotal - System Revenue Bonds	$ 746,335,000			$ 597,885,000
2010 – SPEED Revenue Bonds	147,475,000	2045	4.31-6.643%	147,475,000
2011 – SPEED Revenue Bonds	39,595,000	2030	4.25-5.00%	39,595,000
2013 – SPEED Revenue Bonds	70,125,000	2049	3.75-5.00%	70,125,000
2014 – SPEED Revenue Bonds	129,185,000	2045	3.00-5.00%	129,185,000
Subtotal – SPEED Revenue Bonds	$ 386,380,000			$ 386,380,000
Total	$ 1,132,715,000			$ 984,265,000

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable at June 30, 2015:

Year	Principal	Interest
2016	$ 25,205,000	$ 48,600,000
2017	32,040,000	46,212,000
2018	33,410,000	45,114,000
2019	32,820,000	43,841,000
2020	33,910,000	42,511,000
2021-25	166,155,000	189,823,000
2026-30	185,785,000	146,333,000
2031-35	161,375,000	101,625,000
2036-40	160,250,000	60,591,000
2041-45	127,920,000	22,329,000
2046-49	25,395,000	2,101,000
Total	$ 984,265,000	$ 749,080,000

The University has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2015. The bonds generally provide financing for various capital projects of the University. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include state appropriations, gifts, endowment income or other restricted revenues. At June 30, 2015, pledged revenues totaled $1.15 billion of which 5.0% ($59.3 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4 percent of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is $1.73 billion.

Photo: UA Marketing Communications & Brand Management

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

On April 1, 2015, the University issued Refunding Certificates of Participation Series 2015A (2015A Certificates) for $89,470,000 and Refunding Certificates of Participation Taxable Series 2015B (2015B Certificates) for $13,810,000 dated May 12, 2015 as described below:

Series	Amount	Description	Interest Rate Range	Maturity Dates
2015A	$89,470,000	Serial Certificates	2.00% to 5.00%	2015 to 2025
2015B	$13,810,000	Taxable Serial Certificates	0.60% to 3.09%	2015 to 2025

The 2015A Certificates are subject to extraordinary redemption dates pursuant to the debt documents. The 2015A Certificates sold at a premium of $13,356,000. The University realized net proceeds of $102,258,000 after payment of $568,000 for issuance costs and underwriter discounts. The net proceeds were used to current refund $53,735,000 and advance refund $44,190,000 of the Certificates of Participation Series 2005A – 2005D, 2005F – 2005I, 2006A – 2006C and 2006E. The refunding generated a net present value economic gain of $11,046,000 (difference between the present values of the old debt and the new debt service payments) for the University. The refunding decreases the University's debt service by $4,496,000 in the first year and an average of $655,000 in years two through eleven. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,056,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2025 using the straight-line method. The refunded Certificates of Participation will be paid by investments held in an irrevocable trust with a combined carrying value of $46,117,000. Accordingly, the trust account assets and liability for these defeased Certificates are not included in the University's financial statements.

The 2015B Certificates are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 25 basis points. There are also extraordinary redemption dates pursuant to the debt documents. The 2015B Certificates sold at a discount of $79,000. The University realized net proceeds of $13,610,000 after payment of $121,000 for issuance costs and underwriter discounts. The net proceeds were used to current and advance refund the Certificates of Participation Series 2006C, 2006D and 2007A with an outstanding principal balance of $12,460,000. The refunding generated a net present value economic gain of $341,000 (difference between the present values of the old debt and the new debt service payments) for the University. The refunding decreases the University's debt service by $45,000 in the first year and an average of $29,000 in years two through eleven. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,399,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2025 using the straight-line method. The refunded Certificates of Participation will be paid by investments held in an irrevocable trust with a combined carrying value of $13,271,000. Accordingly, the trust account assets and liability for these defeased Certificates are not included in the University's financial statements.

The following schedule details outstanding Certificates of Participation payable at June 30, 2015:

Issue		Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
1999A	Fixed Student Union Certificates	$ 21,607,000	2020	5.125-5.30%	$ 556,000
2006A	Refund COPS 1999A & 1999B	35,785,000	2017	4.25%	3,470,000
2006C	Refund COPS 2001B, 2002A, & 2003A	6,100,000	2017	4.25%	1,800,000
2006D	Refund COPS 2002B	1,285,000	2017	4.25%	380,000
2006E	Refund COPS 2003B & 2004A	3,085,000	2017	4.25%	915,000
2006	Arizona Biomedical Research Collaborative Building Project	18,240,000	2031	4.00-5.00%	14,055,000
2007B	Refund COPS 2001B & 2002A	50,150,000	2022	4.50%	38,510,000
2007D	Refund COPS 2004B	42,895,000	2031	4.00%	41,100,000
2012A-2	Refund COPS 2003A	10,190,000	2022	1.96-3.42%	8,295,000
2012B	Refund COPS 2002B	20,600,000	2023	4.00-5.00%	18,450,000
2012C	Refund COPS 2003B & 2004A	124,940,000	2031	3.00-5.00%	124,725,000
2015A	Refund COPS 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E	89,470,000	2025	3.00-5.00%	88,925,000
2015B	Refund COPS 2006C, 2006D, & 2007A	13,810,000	2025	0.65-3.09%	13,555,000
	Total	$ 438,157,000			$ 354,736,000

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2015:

Year	Principal	Interest
2016	$ 22,875,000	$ 16,054,000
2017	29,685,000	15,168,000
2018	30,800,000	13,903,000
2019	32,780,000	12,497,000
2020	34,261,000	11,035,000
2021-25	125,745,000	33,614,000
2026-30	64,975,000	12,554,000
2031	13,615,000	641,000
Total	$ 354,736,000	$ 115,466,000

Capital Leases – The University has entered into various long-term leases to acquire equipment and enhance fixtures and infrastructure. These leases are classified as capital leases since they provide a bargain purchase option, a transfer of ownership by the end of the lease term, or comply with other accounting criteria. The largest lease entered into this fiscal year was a ground lease with the City of Phoenix for the land to build the Bioscience Partnership Building. The University will not be making a lease payment for ten years. Lease payments begin in year eleven at $40,000 and increase incrementally by 1.9% per year up to $96,000 in year fifty-eight. The total amount for all of the lease payments is $3,066,000 and the final payment date is June 30, 2072.

The following schedule details debt service requirements to maturity for capital leases payable at June 30, 2015:

Year	Capital Lease Payments
2016	$ 4,647,000
2017	4,267,000
2018	3,528,000
2019	3,321,000
2020	3,316,000
2021-25	16,768,000
2026-30	16,450,000
2031-35	2,718,000
2036-40	508,000
2041-45	533,000
2046-50	561,000
2051-55	667,000
2056-60	751,000
2061-65	788,000
2066-70	828,000
2071-72	343,000
Total minimum lease payments	$ 59,994,000
Less: interest	(18,295,000)
Present value of net minimum lease payments	$ 41,699,000

Capital Asset Financing – Following is a summary of capital assets financed by certificates of participation and capital leases at June 30, 2015:

Land	$ 13,925,000
Buildings and improvements	494,973,000
Infrastructure	34,870,000
Equipment	23,754,000
Total cost of assets	567,522,000
Less: accumulated depreciation	(244,989,000)
Carrying value of assets	$ 322,533,000

Operating Leases – The University has entered into certain operating leases, generally with options for annual renewal, and other rental agreements for real property and equipment. For fiscal year 2015, rent expenses totaled $31,251,000.

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

Year	Operating Lease Payments
2016	$ 3,742,000
2017	2,640,000
2018	1,550,000
2019	924,000
2020	201,000
2021-2025	1,003,000
Total	$ 10,060,000

NOTE 9. SELF-INSURANCE PROGRAM

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

NOTE 10. PENSION PLANS

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered agent multiple-employer defined benefit pension plan. Although a PSPRS net pension liability has been recorded at June 30, 2015, PSPRS has not been further disclosed due to its relative insignificance to the University's financial statements.

Changes in the University's net pension liability during the fiscal year ended June 30, 2015, were as follows:

Beginning balance	$ 658,402,000*
Increases	8,508,000
Decreases	(59,192,000)
Ending balance	607,718,000
Current portion	$ 3,600,000

*Due to the implementation of GASB Statement No. 68, the beginning net pension liability balance includes $10,124,000 pertaining to defined contribution plans that was reclassified from funds held for others to net pension liability at July 1, 2014.

A. Defined Benefit Plan

Arizona State Retirement System

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

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. 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, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date	
	Before July 1, 2011	**On or after July 1, 2011**
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the University was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) 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, 2015, were $39,376,000. The University's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Years ended June 30	Health Benefit Supplement Fund	Long-term Disability Fund
2015	$2,101,000	$437,000
2014	$1,959,000	$847,000
2013	$2,173,000	$811,000

Pension Liability – At June 30, 2015, the University reported a liability of $582,754,000 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014. 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, 2014. The University's proportion measured as of June 30, 2014 was 3.94 percent which was an increase of 0.1 from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the University recognized pension expense for ASRS of $43,356,000. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,617,000	-
Net difference between projected and actual earnings on pension plan investments	-	$ 101,906,000
Changes in proportion and differences between University contributions and proportionate share of contributions	11,517,000	-
University contributions subsequent to the measurement date	39,376,000	-
Total	**$ 80,510,000**	**$ 101,906,000**

The $39,376,000 reported as deferred outflows of resources related to ASRS pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as a decrease in pension expense as follows:

Year ending June 30	
2016	$ 7,592,000
2017	7,592,000
2018	20,111,000
2019	25,476,000

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 20, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increase	3.00-6.75%
Inflation	3.00%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, 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	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	**100%**	

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
University's proportionate share of the net pension liability	$736,571,000	$582,754,000	$499,300,000

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

Pension Contributions Payable – The University's accrued payroll and employee benefits included $1,084,000 of outstanding pension contributions amounts payable to ASRS for the year ended June 30, 2015.

B. Defined Contribution Plans

Plan Descriptions – In accordance with ARS §15-1628, defining the authority under which benefit terms are established or may be amended, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2015, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; University contributions vest after five years of full-time employment. Non-vested contributions held by the University earn interest. Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy – The Arizona State Legislature establishes the contribution rates for active plan members and the University. For the year ended June 30, 2015, 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, 2015, the University reported a liability of $12,555,000 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

Pension Expense – For the year ended June 30, 2015, the University recognized pension expense for Defined Contribution Plans of $26,104,000. For the year ended June 30, 2015, forfeitures reduced the University's pension expense by $1,726,000.

Pension Contributions Payable – The University's accrued payroll and employee benefits included $550,000 of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2015.

NOTE 11. OPERATING EXPENSES BY CLASSIFICATION

Operating expenses by functional and natural classification for the year ended June 30, 2015 consist of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 371,620,000	$ 45,680,000			$ 417,300,000
Research	264,060,000	157,913,000			421,973,000
Public service	54,835,000	23,396,000			78,231,000
Academic support	185,025,000	79,311,000			264,336,000
Student services	35,038,000	11,796,000	$ 353,000		47,187,000
Institutional support	98,122,000	38,225,000			136,347,000
Operation and maintenance of plant	38,779,000	48,300,000			87,079,000
Scholarships and fellowships	1,015,000		56,143,000		57,158,000
Auxiliary enterprises	90,121,000	74,400,000	2,629,000		167,150,000
Depreciation				$ 124,870,000	124,870,000
Total Operating Expenses	**$ 1,138,615,000**	**$ 479,021,000**	**$ 59,125,000**	**$ 124,870,000**	**$ 1,801,631,000**

NOTE 12. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies:

The University of Arizona Foundation
Basis of Accounting

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

- *Unrestricted net assets* – includes assets and contributions that are not restricted by donors or for which such restrictions have expired.

- *Temporarily restricted net assets* – includes contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundation or University), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted even if restrictions are satisfied in the same reporting period in which the contributions are received.

- *Permanently restricted net assets* – includes contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity. Included in permanently restricted net assets is the Foundation's Endowment.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. Such investments are exposed to various risks, including market risk, company-specific risk, country-specific risk, interest rate risk, liquidity risk and credit risk. Investments in domestic and international equity securities and mutual funds, U.S. fixed income, REIT funds, and international fixed income mutual funds are valued based on quoted market prices. Investments in real estate and natural resources partnerships are recorded at fair value as determined by the fund manager based on the appraised value of the partnerships' assets. Absolute return limited partnership and fund interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Investments in alternative securities are highly susceptible to valuation changes. Private capital, private credit, and commodity limited partnership interests are recorded at fair value as determined by the fund manager. Investment income or loss comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, net of investment expenses including the Foundation's endowment fee.

Collections

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

Annuities Payable and Other Trust Liabilities

Annuities payable and other trust liabilities of $23,675,000 at June 30, 2015 are stated at the actuarially computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the statement of financial position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received ($841,000 in the year ending June 30, 2015). The fair values of such assets held in trust at June 30, 2015 total $37,902,000, of which $2,229,000 were unrestricted, $7,406,000 were temporarily restricted and $28,267,000 were permanently restricted.

Net Assets Released From Restriction

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

Campus Research Corporation

Property, Equipment and Depreciation

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

Solar Zone Development

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

Protected Water Facility Rights

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

B. Investments:

The University of Arizona Foundation

Investments comprised the following amounts at June 30, 2015:

	Carrying Value	Cost
Domestic/international equity securities and mutual funds	$ 229,360,000	$ 195,833,000
Absolute return limited partnerships and funds	236,620,000	184,575,000
U.S. fixed income obligations and mutual funds	104,882,000	102,594,000
Private capital limited partnerships	66,819,000	47,286,000
Commodities and natural resources limited partnerships	42,433,000	45,514,000
International fixed income mutual funds	13,971,000	17,401,000
REIT funds, real estate and timber partnerships	54,332,000	54,685,000
Totals	$ 748,417,000	$ 647,888,000

C. Endowment:

The University of Arizona Foundation

The Foundation's endowment consists of approximately 2,360 individual funds (1,685 for the Foundation and 675 for the University) established for a variety of purposes. In accordance with accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Foundation has also invested certain unrestricted and temporarily restricted assets in its endowment pool. These invested funds, which are stated at fair value, are reported as due from the permanently restricted fund. The endowment pool is subject to the Arizona Management of Charitable Funds Act which was signed into law on April 14, 2008.

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

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

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

The Foundation charges an endowment fee (Endowment Fee), a percentage (1.35% in fiscal 2015) of the fair value of the Endowment as determined from time to time by the

Foundation's Board, which is paid from the Endowment to defray the Foundation's costs of holding, managing and stewarding the Endowment, including costs for safeguarding, investing and accounting for such funds. Endowment fees of $6,114,000 were recognized by the Foundation in 2015; an additional $2,584,000 in such fees was collected on behalf of the University in 2015. The Foundation considers the following factors in setting the Endowment Fee:

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

The Foundation's goal is to manage Endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the Payout and the Endowment Fee) so the Endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The Foundation expects its Endowment funds to provide an annual average rate of return of 8.7% with a standard deviation of 8.6%. Actual returns in any given year may vary from this goal. These returns and risks reflect a broadly diversified asset allocation including domestic and international equities, domestic and international fixed income securities, private equity, absolute return, and real asset strategies.

The following shows the composition of the Endowment by net asset type at June 30, 2015 (the University Endowment Assets are classified as Donor Restricted Endowment Funds for financial reporting purposes):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment funds			$ 652,402,000	$ 652,402,000
Board-Designated Endowment funds	$ 4,592,000	$ 16,319,000		20,911,000
Totals	$ 4,592,000	$ 16,319,000	$ 652,402,000	$ 673,313,000

The following shows the changes in Endowment net assets for the fiscal year ending June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,763,000	$ 16,807,000	$ 643,829,000	$ 665,399,000
Investment return:				
Investment income			14,892,000	14,892,000
Less cost recovery fee			(8,697,000)	(8,697,000)
Net appreciation	(171,000)	(488,000)	(4,522,000)	(5,181,000)
Total investment return	(171,000)	(488,000)	1,673,000	1,014,000
Contributions/transfers			27,281,000	27,281,000
Appropriation for payout			(20,381,000)	(20,381,000)
Endowment net assets, end of year	$ 4,592,000	$ 16,319,000	$ 652,402,000	$ 673,313,000

D. Pledges Receivable:

The University of Arizona Foundation

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. These amounts are recorded at their net realizable value using yields on U.S. Treasury obligations of equivalent maturity dates in the fiscal year in which they were received. Unconditional promises at June 30, 2015 totaled $27,890,000.

E. Property and Equipment:

Campus Research Corporation

Property and equipment consisted of the following as of June 30, 2015:

Building and infrastructure improvements	$ 24,041,000
Furniture, equipment and other property	6,778,000
Total	$ 30,819,000
Less accumulated depreciation	(10,431,000)
Property and equipment, net	$ 20,388,000

F. Long-Term Debt:

Campus Research Corporation

Bonds payable, Series A, payable in scheduled monthly installments of principal plus interest at the floating taxable bond rate (remarketed weekly) through June 2022.	$ 4,758,000
Non-interest-bearing note payable, Arizona Commerce and Economic Development Commission, payable in monthly principal installments of $1,900 through April 2016, unsecured.	19,000
Note payable, Wells Fargo Bank, payable in aggregate monthly installments of $55,000 including interest at various rates ranging from 4.71% to 5.84% through December 2016.	180,000
Note payable, Wells Fargo Bank, payable in monthly installments of $38,000 including interest at 30-day LIBOR plus 4.25% through March 2016. At June 30, 2015, the 30-day LIBOR was 0.187%.	300,000
Total long-term debt	$ 5,257,000

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

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

G. Interest Rate Swap Agreement:

Campus Research Corporation

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

The swap was issued at market terms so that it had no value at inception. The notional amount under the agreement decreases as principal payments on the note are made. The duration of the swap agreement is structured to coincide with the maturity of the note. As required by GAAP, the carrying amount of the swap has been adjusted to fair value at June 30, 2015. CRC's derivative instrument held for risk management purposes at June 30, 2015 had a notional amount of $4,758,000 and a fair value of $623,000.

H. Project Operation Agreement (POA):

Campus Research Corporation

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

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

I. Related Party Transactions:

The University of Arizona Foundation

During fiscal year 2015, the University and the Foundation entered in to an agreement whereby the University would pay for agreed-upon services. The Foundation received $1,209,000 for services rendered for the year ended June 30, 2015.

The Foundation leases land, buildings, and equipment to the University under various financing and operating leases with terms of up to ten years. The Foundation received payments of $1,626,000 from the University for the year ended June 30, 2015.

The University of Arizona Alumni Association

Under the Administrative Services Agreement between the Alumni Association and the University, the University provided the Alumni Association with allocated support of $1,456,000 and in-kind rent of $109,000 for the year ended June 30, 2015.

Eller Executive Education

EEE has an Affiliation Agreement with Arizona Board of Regents, for and on behalf of the University through July 2017. The agreement covers policies, procedures, working relationships respective rights and responsibilities between EEE and the University. The University provides the services of certain employees to perform management and program support functions on a part-time basis for EEE, for which EEE must reimburse the University for all salary and employee related expenses. Program expenses relating to the University during the year ended June 30, 2015 were $301,000. The Organization also contributed $23,000 to the University or to specific colleges within the University during the year ended June 30, 2015.

Law College Association of The University of Arizona

During the year ended June 30, 2015, the Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of $3,511,000.

J. Concentrations:

Eller Executive Education

At June 30, 2015, four customers accounted for 84% of accounts receivable, and two customers comprised 62% of total revenue for the year then ended.


Photo: UA Marketing Communications & Brand Management

Supplementary Information

Photo: UA Marketing Communications & Brand Management

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June 30, 2015

Schedule of University's Proportionate Share of the Net Pension Liability – Arizona State Retirement System, Year Ended June 30, 2015

(in thousands of dollars)

	2015	2014 - 2006
University's proportion of the net pension liability %	3.94%	Information Not Available
University's proportion of the net pension liability $	$ 582,754,000	
University's covered-employee payroll	$ 346,708,000	
University's proportionate share of the net pension liability as a percentage of covered-employee payroll	168.08%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Schedule of University Pension Contributions – Arizona State Retirement System

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$39,376,000	38,172,000	34,946,000	33,099,000	28,741,000	26,043,000	25,366,000	23,834,000	20,890,000	15,148,000
University's contribution in relation to the statutorily required contribution	$39,376,000	38,172,000	34,946,000	33,099,000	28,741,000	26,043,000	25,366,000	23,834,000	20,890,000	15,148,000
University's contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered -employee payroll	$352,732,000	346,708,000	332,321,000	335,352,000	318,990,000	312,267,000	317,475,000	295,945,000	280,616,000	259,986,000
University's contributions as a percentage of covered-employee payroll	11.15%	11.01%	10.52%	9.87%	9.01%	8.34%	7.99%	8.05%	7.44%	5.83%

Combining Statement of Financial Position–Other Component Units

June 30, 2015 (in thousands of dollars)

	Other				
	Campus Research Corporation	**Law College Association**	**UA Alumni Association**	**Eller Executive Education**	**Total Nonmajor Component Units**
Assets					
Cash and cash equivalents	$ 5,035	$ 751	$ 1,476	$ 277	$ 7,539
Pledges receivable	-	340	107	-	447
Other receivables	878	-	3,077	30	3,985
Investments in marketable securities	-	11,575	7,040	-	18,615
Other investments	-	178	-	-	178
Property and equipment, net	20,388	-	58	-	20,446
Other assets	4,540	7	62	-	4,609
Total Assets	**$ 30,841**	**$ 12,851**	**$ 11,820**	**$ 307**	**$ 55,819**
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 2,073	$ 185	$ 173	$ 4	$ 2,435
Deferred revenue and deposits	3,181	-	4,720	2	7,903
Short-term and long-term debt	5,257	-	22	-	5,279
Other liabilities	623	-	-	-	623
Total Liabilities	**$ 11,134**	**$ 185**	**$ 4,915**	**$ 6**	**$ 16,240**
Net Assets					
Unrestricted	$ 19,707	$ 4,526	$ 6,905	$ 219	$ 31,357
Temporarily restricted	-	3,377	-	82	3,459
Permanently restricted	-	4,763	-	-	4,763
Total Net Assets	**$ 19,707**	**$ 12,666**	**$ 6,905**	**$ 301**	**$ 39,579**
Total Liabilities and Net Assets	**$ 30,841**	**$ 12,851**	**$ 11,820**	**$ 307**	**$ 55,819**

Combining Statement of Activities–Other Component Units

Year Ended June 30, 2015 (in thousands of dollars)

	Other				
	Campus Research Corporation	**Law College Association**	**UA Alumni Association**	**Eller Executive Education**	**Total Nonmajor Component Units**
Revenues					
Sales and services	-	-	$ 1,103	$ 771	$ 1,874
Contributions	-	$ 2,884	422	15	3,321
Rental revenues	$ 12,775	-	-	-	12,775
Investment income	7	241	203	-	451
Other income	416	90	2,734	-	3,240
Total revenues	**13,198**	**$ 3,215**	**$ 4,462**	**$ 786**	**$ 21,661**
Expenses					
Program services:					
Leasing related expenses	$ 9,679	-	-	-	$ 9,679
Payments to the University	-	$ 1,000	-	$ 23	1,023
Payments on behalf of the University	-	2,089	$ 3,164	571	5,824
Supporting services:					
Management and general	1,477	-	751	221	2,449
Fundraising	-	-	209	-	209
Other Expenses	1,258	-	-	-	1,258
Total expenses	**$ 12,414**	**$ 3,089**	**$ 4,124**	**$ 815**	**$ 20,442**
Increase/(decrease) in Net Assets	**$ 784**	**$ 126**	**$ 338**	**$ (29)**	**$ 1,219**
Net Assets - Beginning of the year	**$ 18,923**	**$ 12,540**	**$ 6,567**	**$ 330**	**$ 38,360**
Net Assets - End of year	**$ 19,707**	**$ 12,666**	**$ 6,905**	**$ 301**	**$ 39,579**


Photo: UA Marketing Communications & Brand Management

Statistical Section

Statistical Section Table of Contents

June 30, 2015

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the University's financial performance has changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the University's revenue sources.

DEBT CAPACITY

These schedules present information to help the reader assess the University's current levels of outstanding debt.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the University's financial information relates to the activities it performs.

NET POSITION BY COMPONENT

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net investment in capital assets	$ 637,380	$ 612,081	$ 610,237	$ 578,931	$ 522,909	$ 490,309	$ 466,674	$ 460,964	$ 410,573	$ 388,472
Restricted, Non-expendable	138,464	138,512	122,635	113,968	115,307	101,263	94,307	94,610	118,585	106,263
Restricted, Expendable	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003
Unrestricted	(124,204)	373,103	361,244	310,258	293,103	254,432	179,821	157,234	165,775	149,522
Total Net Position	**$ 870,445**	**$1,285,590**	**$1,218,698**	**$ 1,126,061**	**$ 1,069,087**	**$ 973,603**	**$ 881,177**	**$ 871,362**	**$ 828,483**	**$ 766,260**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	73.2	47.6	50.1	51.4	48.9	50.4	53.0	52.9	49.6	50.7
Restricted, Non-expendable	16.0	10.8	10.1	10.1	10.8	10.4	10.7	10.9	14.3	13.9
Restricted, Expendable	25.1	12.6	10.2	10.9	12.9	13.1	15.9	18.2	16.1	15.9
Unrestricted	(14.3)	29.0	29.6	27.6	27.4	26.1	20.4	18.0	20.0	19.5
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	4.1	0.3	5.4	10.7	6.6	5.1	1.2	12.3	5.7	(9.0)
Restricted, Non-expendable	(0.0)	12.9	7.6	(1.2)	13.9	7.4	(0.3)	(20.2)	11.6	6.2
Restricted, Expendable	35.2	29.9	1.4	(10.8)	8.0	(9.1)	(11.5)	18.7	9.5	15.7
Unrestricted	(133.3)	3.3	16.4	5.9	15.2	41.5	14.4	(5.2)	10.9	47.7
Total Net Position	**(32.3)**	**5.5**	**8.2**	**5.3**	**9.8**	**10.5**	**1.1**	**5.2**	**8.1**	**4.4**

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

CHANGE IN NET POSITION

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Operating Revenues										
Student tuition and fees,										
net of scholarship allowance	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521	$ 193,498
Federal grants and contracts	290,967	308,291	366,363	362,478	352,835	324,919	303,115	296,338	339,722	346,275
State grants and contracts	8,121	11,286	11,697	14,117	43,272	28,737	24,868	20,370	15,625	12,523
Local grants and contracts	1,754	1,614	2,749	26,820	-	-	-	-	3,041	2,577
Nongovernment grants and contracts	174,556	96,096	92,540	77,662	64,539	74,447	67,629	64,750	63,761	63,814
Sales and services of										
educational departments	51,436	44,321	35,951	50,721	36,731	28,873	29,936	25,789	24,490	23,614
Auxiliary enterprises, net	203,740	191,163	190,199	171,017	171,372	165,594	154,698	154,112	143,910	132,183
Other operating revenues*	29,749	16,387	14,285	10,906	10,674	9,804	10,356	13,906	12,215	10,209
Total Operating Revenues	**$ 1,315,091**	**$ 1,153,967**	**$ 1,175,364**	**$ 1,124,228**	**$ 1,058,622**	**$ 961,960**	**$ 860,049**	**$ 806,801**	**$ 812,285**	**$ 784,693**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 417,300	$ 425,722	$ 391,545	$ 388,313	$ 369,734	$ 357,916	$ 357,515	$ 345,242	$ 324,752	$ 308,792
Research	421,973	396,680	435,536	425,993	405,271	395,008	385,467	373,943	351,199	352,409
Public Service	78,231	84,572	91,118	77,312	74,209	70,370	69,843	71,512	65,274	63,725
Academic support	264,336	203,545	173,414	158,831	123,854	100,415	105,426	103,430	95,610	89,725
Student services	47,187	46,380	42,625	39,097	32,396	27,608	28,223	29,146	27,351	25,015
Institutional support	136,347	117,956	99,886	97,558	90,525	83,080	85,264	85,657	78,293	78,252
Operation and maintenance of plant	87,079	86,097	88,757	87,393	87,119	86,342	83,111	85,401	79,369	67,628
Scholarships and fellowships	57,158	64,070	58,145	52,475	55,510	55,316	46,673	41,860	38,373	38,498
Auxiliary enterprises	167,150	160,938	156,954	148,858	158,914	144,096	144,707	140,785	130,567	122,042
Depreciation	124,870	116,781	113,345	107,561	107,770	101,226	99,657	98,084	93,999	84,871
Total Operating Expenses	**$ 1,801,631**	**$ 1,702,741**	**$ 1,651,325**	**$ 1,583,391**	**$ 1,505,302**	**$ 1,421,377**	**$ 1,405,886**	**$ 1,375,060**	**$ 1,284,787**	**$ 1,230,957**
Operating loss	**$ (486,540)**	**$ (548,774)**	**$ (475,961)**	**$ (459,163)**	**$ (446,680)**	**$ (459,417)**	**$ (545,837)**	**$ (568,259)**	**$ (472,502)**	**$ (446,264)**
Non-Operating Revenues (Expenses)										
State appropriations	$ 270,538	$ 265,038	$ 254,654	$ 268,533	$ 330,297	$ 330,297	$ 348,941	$ 416,658	$ 389,897	$ 358,046
Share of State sales tax revenues	24,964	23,576	20,773	20,353	19,954	20,102	22,547	28,360	30,744	20,576
Federal grants and appropriations	79,316	79,287	83,064	77,276	80,955	74,308	63,172	58,667	-	-
Federal fiscal stabilization funds	-	-	-	-	755	28,313	60,824	-	-	-
State and other government grants	14,138	16,353	17,261	1,865	3,506	3,415	4,681	3,589	-	-
Nongovernment grants and contracts	114,408	91,890	99,249	4,239	2,996	3,942	2,676	2,805	-	-
Gifts	89,975	78,287	74,530	96,201	87,355	79,164	78,156	71,348	58,083	51,111
Investment income	6,638	43,229	20,619	3,386	28,686	18,133	(19,749)	4,176	42,163	25,742
Interest expense on debt	(46,293)	(50,596)	(47,643)	(44,391)	(50,447)	(45,077)	(40,887)	(41,121)	(38,426)	(31,407)
Gain on Sale of Capital Assets	46,874									
Other nonoperating revenues, net	18,103	20,009	13,440	27,644	13,849	16,063	10,175	24,688	25,123	28,958
Net Nonoperating Revenues	**$ 618,661**	**$ 567,073**	**$ 535,947**	**$ 4 55,106**	**$ 517,906**	**$ 528,660**	**$ 530,536**	**$ 569,170**	**$ 507,584**	**$ 453,026**
Income before Capital and										
Endowment Additions	**$ 132,121**	**$ 18,299**	**$ 59,986**	**$ (4,057)**	**$ 71,226**	**$ 69,243**	**$ (15,301)**	**$ 911**	**$ 35,082**	**$ 6,762**
Capital grants, gifts and conveyances	$ 36,489	$ 31,985	$ 9,697	$ 44,363	$ 7,279	$ 7,080	$ 7,548	$ 25,173	$ 12,315	$ 24,012
Capital appropriations	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901	-
Capital commitment - State Lottery Revenue	11,604	9,599	6,470							
Additions to permanent endowments	2,793	4,831	2,231	2,415	2,726	1,850	3,315	2,542	3,925	1,661
Increase/(Decrease) in Net Position	**$ 194,211**	**$ 78,967**	**$ 92,637**	**$ 56,974**	**$ 95,484**	**$ 92,426**	**$ 9,815**	**$ 42,879**	**$ 62,223**	**$ 32,435**
Total Revenues and Additions	$ 2,042,135	$ 1,832,304	$ 1,791,605	$ 1,684,756	$ 1,651,233	$ 1,558,880	$ 1,456,588	$ 1,459,060	$ 1,385,436	$ 1,294,799
Total Expenses	1,847,924	1,753,337	1,698,968	1,627,782	1,555,749	1,466,454	1,446,773	1,416,181	1,323,213	1,262,364
Increase/(Decrease) in Net Position	**$ 194,211**	**$ 78,967**	**$ 92,637**	**$ 56,974**	**$ 95,484**	**$ 92,426**	**$ 9,815**	**$ 42,879**	**$ 62,223**	**$ 32,435**

**In compliance with Arizona Revised Statues 35-391, the University of Arizona discloses the following: For fiscal year 2015, the University received a rebate in the amount of $1.42 million from J.P. Morgan for Purchase Card purchases for the year.*

CHANGE IN NET POSITION

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

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees,										
net of scholarship allowance	27.2	26.5	25.8	24.4	23.0	21.1	18.5	15.9	15.1	14.9
Federal grants and contracts	14.2	16.8	20.4	21.5	21.4	20.8	20.8	20.3	24.5	26.7
State grants and contracts	0.4	0.6	0.7	0.8	2.6	1.8	1.7	1.4	1.1	1.0
Local grants and contracts	0.1	0.1	0.2	1.6	0.0	0.0	0.0	0.0	0.2	0.2
Nongovernment grants and contracts	8.5	5.2	5.2	4.6	3.9	4.8	4.6	4.4	4.6	4.9
Sales and services of educational departments	2.5	2.4	2.0	3.0	2.2	1.9	2.1	1.8	1.8	1.8
Auxiliary enterprises	10.0	10.4	10.6	10.2	10.4	10.6	10.6	10.6	10.4	10.2
Other operating revenues	1.5	0.9	0.8	0.6	0.6	0.6	0.7	1.0	0.9	0.8
Total Operating Revenues	**64.4**	**63.0**	**65.6**	**66.7**	**64.1**	**61.7**	**59.0**	**55.3**	**58.6**	**60.6**
Expenses										
Operating Expenses										
Educational and general										
Instruction	22.6	24.3	23.0	23.9	23.8	24.4	24.7	24.4	24.5	24.5
Research	22.8	22.6	25.6	26.2	26.0	26.9	26.6	26.4	26.5	27.9
Public Service	4.2	4.8	5.4	4.7	4.8	4.8	4.8	5.0	4.9	5.0
Academic support	14.3	11.6	10.2	9.8	8.0	6.8	7.3	7.3	7.2	7.1
Student services	2.6	2.6	2.5	2.4	2.1	1.9	2.0	2.1	2.1	2.0
Institutional support	7.4	6.7	5.9	6.0	5.8	5.7	5.9	6.0	5.9	6.2
Operation and maintenance of plant	4.7	4.9	5.2	5.4	5.6	5.9	5.7	6.0	6.0	5.4
Scholarships and fellowships	3.1	3.7	3.4	3.2	3.6	3.8	3.2	3.0	2.9	3.0
Auxiliary enterprises	9.0	9.2	9.2	9.1	10.2	9.8	10.0	9.9	9.9	9.7
Depreciation	6.8	6.7	6.7	6.6	6.9	6.9	6.9	6.9	7.1	6.7
Total Operating Expenses	**97.5**	**97.1**	**97.2**	**97.3**	**96.8**	**96.9**	**97.2**	**97.1**	**97.1**	**97.5**
Operating loss	**(23.8)**	**(29.9)**	**(26.6)**	**(27.3)**	**(27.1)**	**(29.5)**	**(37.5)**	**(38.9)**	**(34.1)**	**(34.5)**
Non-Operating Revenues (Expenses)										
State operating appropriations	13.2	14.5	14.2	15.9	20.0	21.2	24.0	28.6	28.1	27.7
Share of State sales tax revenues	1.2	1.3	1.2	1.2	1.2	1.3	1.5	1.9	2.2	1.6
Federal grants and appropriations	3.9	4.3	4.6	4.6	4.9	4.8	4.3	4.0	0.0	0.0
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	1.8	4.2	0.0	0.0	0.0
State and other government grants	0.7	0.9	1.0	0.1	0.2	0.2	0.3	0.2	0.0	0.0
Nongovernment grants	5.6	5.0	5.5	0.3	0.2	0.3	0.2	0.2	0.0	0.0
Gifts	4.4	4.3	4.2	5.7	5.3	5.1	5.4	4.9	4.2	3.9
Investment income	0.3	2.4	1.2	0.2	1.7	1.2	(1.4)	0.3	3.0	2.0
Interest expense on debt	(2.5)	(2.9)	(2.8)	(2.7)	(3.2)	(3.1)	(2.8)	(2.9)	(2.9)	(2.5)
Gain on sale of capital assets	2.3									
Other nonoperating revenues, net	0.9	1.1	0.8	1.6	0.8	1.0	0.7	1.7	1.8	2.2
Net Nonoperating Revenues	**30.3**	**30.9**	**29.9**	**27.0**	**31.4**	**33.9**	**36.4**	**39.0**	**36.6**	**35.0**
Income before Capital										
and Endowment Additions	**6.5**	**1.0**	**3.3**	**(0.2)**	**4.3**	**4.4**	**(1.1)**	**0.1**	**2.5**	**0.5**
Capital grants, gifts and conveyances	1.8	1.7	0.5	2.6	0.4	0.5	0.5	1.7	0.9	1.9
Capital appropriations	0.5	0.8	0.8	0.8	0.9	0.9	1.0	1.0	0.8	0.0
Capital commitment - State Lottery Revenue	0.6	0.5	0.4							
Additions to permanent endowments	0.1	0.3	0.1	0.1	0.2	0.1	0.2	0.2	0.3	0.1
Increase/(Decrease) in Net Position	**9.5**	**4.3**	**5.2**	**3.4**	**5.8**	**5.9**	**0.7**	**2.9**	**4.5**	**2.5**

CHANGE IN NET POSITION

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees,										
net of scholarship allowance	14.4	5.0	12.4	8.3	15.1	22.3	16.4	10.5	8.3	6.4
Federal grants and contracts	(5.6)	(15.9)	1.1	2.7	8.6	7.2	2.3	(12.8)	(1.9)	(3.8)
State grants and contracts	(28.0)	(3.5)	(17.1)	(67.4)	50.6	15.6	22.1	30.4	24.8	8.9
Local grants and contracts	8.7	(41.3)	(89.8)	100.0	N/A	N/A	N/A	(100.0)	18.0	29.2
Nongovernment grants and contracts	81.6	3.8	19.2	20.3	(13.3)	10.1	4.4	1.6	(0.1)	(1.0)
Sales and services of educational departments	16.1	23.3	(29.1)	38.1	27.2	(3.6)	16.1	5.3	3.7	6.8
Auxiliary enterprises	6.6	0.5	11.2	(0.2)	3.5	7.0	0.4	7.1	8.9	9.2
Other operating revenues	81.5	14.7	31.0	2.2	8.9	(5.3)	(25.5)	13.8	19.6	40.6
Total Operating Revenues	**14.0**	**(1.8)**	**4.5**	**6.2**	**10.0**	**11.8**	**6.6**	**(0.7)**	**3.5**	**1.9**
Expenses										
Operating Expenses										
Educational and general										
Instruction	(2.0)	8.7	0.8	5.0	3.3	0.1	3.6	6.3	5.2	11.4
Research	6.4	(8.9)	2.2	5.1	2.6	2.5	3.1	6.5	(0.3)	(1.3)
Public Service	(7.5)	(7.2)	17.9	4.2	5.5	0.8	(2.3)	9.6	2.4	9.9
Academic support	29.9	17.4	9.2	28.2	23.3	(4.8)	1.9	8.2	6.6	13.8
Student services	1.7	8.8	9.0	20.7	17.3	(2.2)	(3.2)	6.6	9.3	(3.2)
Institutional support	15.6	18.1	2.4	7.8	9.0	(2.6)	(0.5)	9.4	0.1	13.5
Operation and maintenance of plant	1.1	(3.0)	1.6	0.3	0.9	3.9	(2.7)	7.6	17.4	10.5
Scholarships and fellowships	(10.8)	10.2	10.8	(5.5)	0.4	18.5	11.5	9.1	(0.3)	(15.5)
Auxiliary enterprises	3.9	2.5	5.4	(6.3)	10.3	(0.4)	2.8	7.8	7.0	7.4
Depreciation	6.9	3.0	5.4	(0.2)	6.5	1.6	1.6	4.3	10.8	10.3
Total Operating Expenses	**5.8**	**3.1**	**4.3**	**5.2**	**5.9**	**1.1**	**2.2**	**7.0**	**4.4**	**5.8**
Operating loss	**(11.3)**	**15.3**	**3.7**	**2.8**	**(2.8)**	**(15.8)**	**(3.9)**	**20.3**	**5.9**	**13.4**
Non-Operating Revenues (Expenses)										
State operating appropriations	2.1	4.1	(5.2)	(18.7)	0.0	(5.3)	(16.3)	6.9	8.9	7.3
Share of State sales tax revenues	5.9	13.5	2.1	2.0	(0.7)	(10.8)	(20.5)	(7.8)	49.4	(4.3)
Federal grants and appropriations	0.0	(4.5)	7.5	(4.5)	8.9	17.6	7.7	N/A	N/A	N/A
Federal fiscal stabilization funds	N/A	N/A	N/A	(100.0)	(97.3)	(53.5)	N/A	N/A	N/A	N/A
State and other government grants	(13.5)	(5.3)	825.5	(46.8)	2.7	(27.0)	30.4	N/A	N/A	N/A
Nongovernment grants	24.5	(7.4)	2,241.3	41.5	(24.0)	47.3	(4.6)	N/A	N/A	N/A
Gifts	14.9	5.0	(22.5)	10.1	10.3	1.3	9.5	22.8	13.6	21.2
Investment income	(84.6)	109.7	508.9	(88.2)	58.2	(191.8)	(572.9)	(90.1)	63.8	10.5
Interest expense on debt	(8.5)	6.2	7.3	(12.0)	11.9	10.2	(0.6)	7.0	22.3	17.3
Gain on Sale of Capital Assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other nonoperating revenues, net	(9.5)	48.9	(51.4)	99.6	(13.8)	57.9	(58.8)	(1.7)	(13.2)	795.7
Net Nonoperating Revenues	**9.1**	**5.8**	**17.8**	**(12.1)**	**(2.0)**	**(0.4)**	**(6.8)**	**12.1**	**12.0**	**14.1**
Income before Capital and Endowment Additions	**622.0**	**(69.5)**	**(1,578.6)**	**(105.7)**	**2.9**	**(552.5)**	**(1,779.6)**	**(97.4)**	**418.8**	**85.0**
Capital grants, gifts and conveyances	14.1	229.8	(78.1)	509.5	2.8	(6.2)	(70.0)	104.4	(48.7)	203.1
Capital appropriations	(21.4)	0.0	0.0	0.0	0.0	0.0	0.0	30.7	N/A	N/A
Capital commitment - State Lottery Revenue	20.9	48.4	100.0							
Additions to permanent endowments	(42.2)	116.5	(7.6)	(11.4)	47.4	(44.2)	30.4	(35.2)	136.3	(12.0)
Increase/(Decrease) in Net Position	**145.9**	**(14.8)**	**62.6**	**(40.3)**	**3.3**	**841.7**	**(77.1)**	**(31.1)**	**91.8**	**140.9**

OPERATING EXPENSES BY NATURAL CLASSIFICATION

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Personal Services and Benefits	$1,138,615	$1,048,926	$1,005,283	$ 981,904	$ 953,033	$ 912,762	$ 921,236	$ 898,364	$ 838,739	$ 806,375
Supplies and Services	479,021	470,546	472,323	445,084	393,371	355,586	342,581	339,824	316,452	302,311
Scholarships and Fellowships	59,125	66,488	60,374	48,842	51,128	51,803	42,412	38,788	35,597	37,400
Depreciation	124,870	116,781	113,345	107,561	107,770	101,226	99,657	98,084	93,999	84,871
Total Operating Expenses by Natural Classification	**$1,801,631**	**$1,702,741**	**$1,651,325**	**$1,583,391**	**$1,505,302**	**$1,421,377**	**$1,405,886**	**$1,375,060**	**$1,284,787**	**$1,230,957**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	63.2	61.6	60.9	62.0	63.3	64.2	65.5	65.3	65.3	65.5
Supplies and Services	26.6	27.6	28.5	28.1	26.1	25.0	24.4	24.7	24.6	24.6
Scholarships and Fellowships	3.3	3.9	3.7	3.1	3.4	3.6	3.0	2.8	2.8	3.0
Depreciation	6.9	6.9	6.9	6.8	7.2	7.1	7.1	7.1	7.3	6.9
Total Operating Expenses by Natural Classification	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	8.6	4.3	2.4	3.0	4.4	(0.9)	2.5	7.1	4.0	7.9
Supplies and Services	1.8	(0.4)	6.1	13.1	10.6	3.8	0.8	7.4	4.7	1.1
Scholarships and Fellowships	(11.1)	10.1	23.6	(4.5)	(1.3)	22.1	9.3	9.0	(4.8)	(7.0)
Depreciation	6.9	3.0	5.4	(0.2)	6.5	1.6	1.6	4.3	10.8	10.3
Total Operating Expenses by Natural Classification	**5.8**	**3.1**	**4.3**	**5.2**	**5.9**	**1.1**	**2.2**	**7.0**	**4.4**	**5.8**

ACADEMIC YEAR TUITION AND REQUIRED FEES

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Resident Undergraduate										
University of Arizona	$ 10,957	$ 10,391	$ 10,035	$ 10,035	$ 8,237	$ 6,842	$ 5,542	$ 5,048	$ 4,766	$ 4,498
percent increase from prior year	5.4%	3.5%	0.0%	21.8%	20.4%	23.5%	9.8%	5.9%	6.0%	9.8%
PAC12 Public Average	$ 10,217	$ 10,150	$ 10,294	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322	$ 5,809	$ 5,539
percent increase from prior year	0.7%	-1.4%	4.7%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%	5.7%
ABOR Peers Average	$ 11,289	$ 11,130	$ 11,012	$ 10,659	$ 9,855	$ 8,928	$ 8,435	$ 7,917	$ 7,489	$ 7,021
percent increase from prior year	1.4%	1.1%	3.3%	8.2%	10.4%	5.9%	6.5%	5.7%	6.7%	7.7%
Non-Resident Undergraduate										
University of Arizona	$ 29,421	$ 27,073	$ 26,231	$ 25,494	$ 24,597	$ 22,251	$ 18,676	$ 16,282	$ 14,972	$ 13,682
percent increase from prior year	8.7%	3.2%	2.9%	3.6%	10.5%	19.1%	14.7%	8.7%	9.4%	4.6%
PAC12 Public Average	$ 28,088	$ 27,698	$ 28,062	$ 27,510	$ 26,753	$ 25,123	$ 22,812	$ 21,357	$ 20,100	$ 19,008
percent increase from prior year	1.4%	-1.3%	2.0%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%	5.5%
ABOR Peers Average	$ 30,159	$ 29,315	$ 28,756	$ 27,918	$ 26,512	$ 24,960	$ 23,500	$ 22,256	$ 21,046	$ 19,826
percent increase from prior year	2.9%	1.9%	3.0%	5.3%	6.2%	6.2%	5.6%	5.8%	6.2%	7.7%
Resident Graduate										
University of Arizona	$ 11,723	$ 11,511	$ 11,122	$ 10,825	$ 9,027	$ 7,632	$ 6,332	$ 5,768	$ 5,452	$ 4,952
percent increase from prior year	1.8%	3.5%	2.7%	19.9%	18.3%	20.5%	9.8%	5.8%	10.1%	13.9%
PAC12 Public Average	$ 12,007	$ 11,710	$ 11,810	$ 11,494	$ 10,321	$ 9,824	$ 9,093	$ 8,516	$ 7,725	$ 7,255
percent increase from prior year	2.5%	-0.9%	2.8%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%	5.6%
ABOR Peers Average	$ 13,247	$ 13,031	$ 12,770	$ 12,339	$ 11,515	$ 10,853	$ 10,183	$ 9,440	$ 8,891	$ 8,277
percent increase from prior year	1.7%	2.0%	3.5%	7.2%	6.1%	6.6%	7.9%	6.2%	7.4%	7.0%
Non-Resident Graduate										
University of Arizona	$ 28,705	$ 27,383	$ 26,533	$ 25,787	$ 24,889	$ 22,544	$ 18,969	$ 16,574	$ 11,476	$ 13,932
percent increase from prior year	4.8%	3.2%	2.9%	3.6%	10.4%	18.8%	14.5%	44.4%	-17.6%	4.5%
PAC12 Public Average	$ 25,622	$ 24,918	$ 24,558	$ 24,051	$ 22,722	$ 21,823	$ 20,513	$ 19,002	$ 17,936	$ 17,625
percent increase from prior year	2.8%	1.5%	2.1%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%	3.6%
ABOR Peers Average	$ 27,474	$ 26,995	$ 26,456	$ 25,682	$ 24,507	$ 23,465	$ 22,504	$ 21,484	$ 20,797	$ 19,821
percent increase from prior year	1.8%	2.0%	3.0%	4.8%	4.4%	4.3%	4.7%	3.3%	4.9%	5.7%

Source: UA Fact Book

A complete list of the University of Arizona's fifteen ABOR peers can be found at http://factbook.arizona.edu

Tuition rates are approved by the Arizona Board of Regents. PAC-12 Tuition and Fees were acquired from university's websites.

PRINCIPAL REVENUE SOURCES

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees,										
net of scholarship allowance	**$ 554,768**	**$ 484,809**	**$ 461,580**	**$ 410,507**	**$ 379,199**	**$ 329,586**	**$ 269,447**	**$ 231,536**	**$ 209,521**	**$ 193,498**
percent of total revenue	27%	26%	26%	24%	23%	21%	18%	16%	15%	15%
percent increase/(decrease) from prior year	14%	5%	12%	8%	15%	22%	16%	11%	8%	6%
State of Arizona Government										
State and local grants and contracts	$ 12,905	$ 16,054	$ 17,639	$ 43,979	$ 46,244	$ 31,569	$ 27,860	$ 23,483	$ 20,886	$ 15,792
State appropriations	270,538	265,038	254,654	268,533	330,297	330,297	348,941	416,658	389,897	358,046
Technology and research initiatives funding	24,964	23,576	20,773	20,353	19,954	20,102	22,547	28,360	30,744	20,576
Capital appropriations										
and capital commitments (1)	22,808	23,852	20,723	14,253	14,253	14,253	14,253	14,253	10,901	-
AZ State Government	**$ 331,215**	**$ 328,520**	**$ 313,789**	**$ 347,118**	**$ 410,748**	**$ 396,221**	**$ 413,601**	**$ 482,754**	**$ 452,428**	**$ 394,414**
percent of total revenue	16%	18%	18%	21%	25%	25%	28%	33%	33%	30%
percent increase/(decrease) from prior year	1%	5%	-10%	-15%	4%	-4%	-14%	7%	15%	7%
Federal Government										
Federal grants and contracts	$ 290,967	$ 308,291	$ 366,363	$ 362,478	$ 352,835	$ 324,919	$ 303,115	$ 296,338	$ 319,497	$ 326,083
Federal fiscal stabilization funds	-	-	-	-	755	28,313	60,824	-	-	-
Financial aid grants	79,609	76,617	83,064	77,276	80,955	74,308	63,172	58,667	20,225	20,192
Federal Government	**$ 370,576**	**$ 384,908**	**$ 449,427**	**$ 439,754**	**$ 434,545**	**$ 427,540**	**$ 427,111**	**$ 355,005**	**$ 339,722**	**$ 346,275**
percent of total revenue	18%	21%	25%	26%	26%	27%	29%	24%	25%	27%
percent increase/(decrease) from prior year	-4%	-14%	2%	1%	2%	0%	20%	4%	-2%	-4%
Total from principal revenue payers	**$ 1,256,559**	**$ 1,198,236**	**$ 1,224,796**	**$ 1,197,379**	**$ 1,224,492**	**$ 1,153,347**	**$ 1,110,159**	**$ 1,069,295**	**$ 1,001,671**	**$ 934,187**
percent of total revenue	62%	65%	68%	71%	74%	74%	76%	73%	72%	72%
percent increase/(decrease) from prior year	5%	-2%	2%	-2%	6%	4%	4%	7%	7%	3%

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

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

LONG-TERM DEBT

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
System Revenue Bonds										
and SPEED Revenue Bonds	$ 984,265	$ 788,685	$ 811,285	$ 686,090	$ 637,140	$ 622,265	$ 498,650	$ 319,005	$ 297,015	$ 283,445
Plus Unamortized Premium/(Discount)	68,835	36,311	37,823	26,002	17,787	15,128	16,288	8,866	8,057	8,925
Less Deferred amount on Refundings*			(8,179)	(5,109)	(3,225)	(3,880)	(4,563)	(5,246)	(5,500)	(6,237)
Net System Revenue Bonds										
and SPEED Revenue Bonds	**$ 1,053,100**	**$ 824,996**	**$ 840,929**	**$ 706,983**	**$ 651,702**	**$ 633,513**	**$ 510,375**	**$ 322,625**	**$ 299,572**	**$ 286,133**
Certificates of Participation	$ 354,736	$ 377,990	$ 400,720	$ 425,530	$ 459,951	$ 475,439	$ 489,859	$ 503,723	$ 517,007	$ 520,886
Plus Unamortized Premium/(Discount)	29,001	19,145	20,864	22,878	5,313	5,737	6,161	6,585	7,009	9,938
Less Deferred amount on Refundings*			(13,301)	(14,575)	(8,678)	(9,493)	(10,307)	(11,121)	(11,957)	(8,731)
Net Certificates of Participation	**$ 383,737**	**$ 397,135**	**$ 408,283**	**$ 433,833**	**$ 456,586**	**$ 471,683**	**$ 485,713**	**$ 499,187**	**$ 512,059**	**$ 522,093**
Total Bonds Payable	$ 1,053,100	$ 824,996	$ 840,929	$ 706,983	$ 651,702	$ 633,513	$ 510,375	$ 322,625	$ 299,572	$ 286,133
COPs Payable	383,737	397,135	408,283	433,833	456,586	471,683	485,713	499,187	512,059	522,093
Capital and Operating Leases Payable	41,699	37,555	38,543	36,957	38,605	39,877	51,621	54,527	55,609	34,162
Total	**$ 1,478,536**	**$ 1,259,686**	**$ 1,287,755**	**$ 1,177,773**	**$ 1,146,893**	**$ 1,145,073**	**$1,047,709**	**$ 876,339**	**$ 867,240**	**$ 842,388**
Long Term Debt (whole dollars)										
per student FTE	$ 34,881	$ 30,881	$ 31,943	$ 30,058	$ 30,121	$ 30,860	$ 29,312	$ 25,218	$ 25,144	$ 24,285
per Dollar of State Appropriations										
and State Capital Appropriations	$ 5.25	$ 4.51	$ 4.79	$ 4.16	$ 3.33	$ 3.32	$ 2.88	$ 2.03	$ 2.16	$ 2.35
per Dollar of Total Grants										
and Contracts	$ 2.16	$ 2.07	$ 1.89	$ 2.08	$ 2.09	$ 2.24	$ 2.24	$ 1.92	$ 2.04	$ 1.98
Data Used in Above Calculations										
Total Student FTE	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491	34,688
State appropriations										
and State Capital Appropriations	$ 281,742	$ 279,291	$ 268,908	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798	$ 358,046
Grants and Contracts	$ 685,400	$ 609,596	$ 682,620	$ 566,607	$ 548,103	$ 510,868	$ 468,766	$ 455,794	$ 424,882	$ 425,389

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

SUMMARY OF RATIOS – Summary of Composite Financial Index Ratios

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.12	0.36	0.34	0.31	0.35	0.34	0.31	0.32	0.33	0.32
/ 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	0.90	2.71	2.56	2.33	2.63	2.56	2.33	2.41	2.48	2.41
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.32	0.95	0.89	0.82	0.92	0.89	0.82	0.84	0.87	0.84
= Ratio 10.00 Cap Subtotal	0.32	0.95	0.89	0.82	0.92	0.89	0.82	0.84	0.87	0.84
+ Return on Net Assets Ratio	**17.5%**	**9.3%**	**8.5%**	**1.4%**	**10.4%**	**9.2%**	**(3.6%)**	**4.6%**	**10.3%**	**5.5%**
/ 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	8.75	4.65	4.25	0.70	5.20	4.60	(1.00)	2.30	5.15	2.75
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	1.75	0.93	0.85	0.14	1.04	0.92	(0.20)	0.46	1.03	0.55
= Ratio 10.00 Cap Subtotal	1.75	0.93	0.85	0.14	1.04	0.92	(0.20)	0.46	1.03	0.55
+ Net Operating Revenues Ratio	**7.3%**	**1.4%**	**3.8%**	**(0.3%)**	**4.6%**	**4.8%**	**(1.5%)**	**0.2%**	**2.7%**	**0.9%**
/ 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	5.62	1.08	2.92	(0.23)	3.54	3.69	(1.00)	0.15	2.08	0.69
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.56	0.11	0.29	(0.02)	0.35	0.37	(0.10)	0.02	0.21	0.07
= Ratio 10.00 Cap Subtotal	0.56	0.11	0.29	(0.02)	0.35	0.37	(0.10)	0.02	0.21	0.07
+ Viability Ratio	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.5**	**0.5**
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.48	1.44	1.20	1.20	1.20	1.20	1.20	1.44	1.20	1.20
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.17	0.50	0.42	0.42	0.42	0.42	0.42	0.50	0.42	0.42
= Ratio 10.00 Cap Subtotal	0.17	0.50	0.42	0.42	0.42	0.42	0.42	0.50	0.42	0.42
Composite Financial Index	**2.80**	**2.49**	**2.46**	**1.35**	**2.73**	**2.60**	**0.94**	**1.82**	**2.53**	**1.88**
Composite Financial Index with 10.00 Cap	**2.80**	**2.49**	**2.46**	**1.35**	**2.73**	**2.60**	**0.94**	**1.82**	**2.53**	**1.88**

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

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522
Unrestricted Net Assets - Component Units	43,577	39,419	33,945	31,686	31,848	28,178	25,095	30,371	27,784	24,484
Expendable Restricted Net Assets	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003
Temporarily Restricted Net Assets - Component Units	126,134	125,534	114,430	105,820	138,951	138,133	141,096	147,555	153,653	148,316
Investment in Plant - Component Units	(32,712)	(31,088)	(30,743)	(29,792)	(29,720)	(26,616)	(14,841)	(15,033)	(15,572)	(14,667)
Expendable Net Assets	**$ 231,600**	**$ 668,862**	**$ 603,458**	**$ 540,876**	**$ 571,950**	**$ 521,726**	**$ 471,546**	**$ 478,681**	**$ 465,190**	**$ 429,658**
Operating Expenses	$1,801,631	$1,702,741	$1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787	$ 1,230,957
Nonoperating Expenses	46,293	50,596	47,643	44,391	50,447	45,077	40,887	41,121	38,426	31,407
Component Unit Total Expenses	130,081	119,033	87,516	129,492	85,761	80,778	74,779	87,471	70,816	72,635
Total Expenses	**$1,978,005**	**$1,872,370**	**$1,786,484**	**$ 1,757,274**	**$ 1,641,510**	**$ 1,547,232**	**$ 1,521,552**	**$ 1,503,652**	**$ 1,394,029**	**$ 1,334,999**
Expendable Net Assets	$ 231,600	$ 668,862	$ 603,458	$ 540,876	$ 571,950	$ 521,726	$ 471,546	$ 478,681	$ 465,190	$ 429,658
Total Expenses	$1,978,005	$1,872,370	$1,786,484	$ 1,757,274	$ 1,641,510	$ 1,547,232	$ 1,521,552	$ 1,503,652	$ 1,394,029	$ 1,334,999
Ratio	0.12	0.36	0.34	0.31	0.35	0.34	0.31	0.32	0.33	0.32

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
RETURN ON NET ASSETS RATIO										
Change in Net assets	$ 229,454	$ 163,058	$ 138,868	$ 21,734	$ 151,930	$ 122,890	$ (50,153)	$ 60,623	$ 124,132	$ 63,125
Total Net Assets (Beginning of Year)	$1,309,602	$1,755,900	$1,629,107	$ 1,607,373	$ 1,455,443	$ 1,332,553	$ 1,382,711	$ 1,322,088	$ 1,209,185	$ 1,146,062
Ratio	17.5%	9.3%	8.5%	1.4%	10.4%	9.2%	(3.6%)	4.6%	10.3%	5.5%

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.

SUMMARY OF RATIOS – Continued

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital and Endowment Additions	$ 132,121	$ 18,299	$ 59,986	$ (4,057)	$ 71,226	$ 69,243	$ (15,301)	$ 911	$ 35,082	$ 6,762
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	4,158	5,474	2,259	(162)	3,670	3,083	(5,276)	2,587	3,300	4,986
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 136,279	$ 23,773	$ 62,245	$ (4,219)	$ 74,896	$ 72,326	$ (20,577)	$ 3,498	$ 38,382	$ 11,748
Total Operating Revenues	$1,315,091	$1,153,967	$1,175,364	$ 1,124,228	$ 1,058,622	$ 961,960	$ 860,049	$ 806,801	$ 812,285	$ 784,693
State Appropriation and State related revenues	309,640	304,967	292,688	290,751	353,757	353,814	376,169	448,607	420,641	378,622
Non-capital Gifts and Grants, net	89,975	78,287	74,530	96,201	87,355	79,164	78,156	71,348	58,083	51,111
Financial aid trust	3,030	3,154	3,193	3,042	2,972	2,832	2,992	3,113	2,220	692
Investment Income/(Loss), net	6,638	43,229	20,619	3,386	28,686	18,133	(19,749)	4,176	42,163	25,742
Component Units Total Unrestricted Revenue	134,039	124,081	89,506	107,967	83,484	83,422	69,899	89,924	74,253	77,039
Adjusted Net Operating Revenues	$1,858,413	$1,707,685	$1,655,900	$ 1,625,575	$ 1,614,876	$ 1,499,325	$ 1,367,516	$ 1,423,969	$ 1,409,645	$ 1,317,899
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 136,279	$ 23,773	$ 62,245	$ (4,219)	$ 74,896	$ 72,326	$ (20,577)	$ 3,498	$ 38,382	$ 11,748
Adjusted Net Operating Revenues	$1,858,413	$1,707,685	$1,655,900	$ 1,625,575	$ 1,614,876	$ 1,499,325	$ 1,367,516	$ 1,423,969	$ 1,409,645	$ 1,317,899
Ratio	**7.3%**	**1.4%**	**3.8%**	**(0.3%)**	**4.6%**	**4.8%**	**(1.5%)**	**0.2%**	**2.7%**	**0.9%**

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

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
VIABILITY RATIO										
Unrestricted Net Assets	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522
Unrestricted Net Assets - Component Units	43,577	39,419	33,945	31,686	31,848	28,178	25,095	30,371	27,784	24,484
Expendable Restricted Net Assets	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003
Temporarily Restricted Net Assets - Component Units	126,134	125,534	114,430	105,820	138,951	138,133	141,096	147,555	153,653	148,316
Expendable Net Assets	$ 264,312	$ 699,950	$ 634,201	$ 570,668	$ 601,670	$ 548,342	$ 486,387	$ 493,714	$ 480,762	$ 444,325
University Long Term Debt, net capital leases with CUs	$1,478,536	$1,259,686	$1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388
Component Units Long Term Debt	5,279	6,682	8,105	9,344	10,487	9,374	9,109	9,829	10,559	11,265
Total Adjusted University Debt	$1,483,815	$1,266,368	$1,295,860	$ 1,187,117	$ 1,157,380	$ 1,154,447	$ 1,056,818	$ 886,168	$ 877,799	$ 853,653
Expendable Net Assets	$ 264,312	$ 699,950	$ 634,201	$ 570,668	$ 601,670	$ 548,342	$ 486,387	$ 493,714	$ 480,762	$ 444,325
Total Adjusted University Debt	$1,483,815	$1,266,368	$1,295,860	$ 1,187,117	$ 1,157,380	$ 1,154,447	$ 1,056,818	$ 886,168	$ 877,799	$ 853,653
Ratio	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.5**	**0.5**

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

SUMMARY OF RATIOS – Other Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss) before Capital and Endowment Additions	$ 132,121	$ 18,299	$ 59,986	$ (4,057)	$ 71,226	$ 69,243	$ (15,301)	$ 911	$ 35,082	$ 6,762
Capital appropriations	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901	
Less: Non-capital Gifts	(89,975)	(78,287)	(74,530)	(96,201)	(87,355)	(79,164)	(78,156)	(71,348)	(58,083)	(51,111)
Less: Net investment return	(6,638)	(43,229)	(20,619)	(3,386)	(28,686)	(18,133)	19,749	(4,176)	(42,163)	(25,742)
Less: Other nonoperating revenue, net	(18,103)	(20,009)	(13,440)	(27,644)	(13,849)	(16,063)	(10,175)	(24,688)	(25,123)	(28,958)
Adjusted Income/(Loss) before Capital and Endowment Additions	**$ 28,609**	**$ (108,973)**	**$ (34,350)**	**$ (117,035)**	**$ (44,411)**	**$ (29,864)**	**$ (69,630)**	**$ (85,048)**	**$ (79,386)**	**$ (99,049)**
Total Operating Revenues	$1,315,091	$ 1,153,967	$ 1,175,364	$ 1,124,228	$ 1,058,622	$ 961,960	$ 860,049	$ 806,801	$ 812,285	$ 784,693
Less: Scholarships and Fellowships	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)	(38,498)
State Appropriation and share of sales tax	295,502	288,614	275,427	288,886	350,251	350,399	371,488	445,018	420,641	378,622
Federal fiscal stabilization funds	-	-	-	-	755	28,313	60,824	-	-	-
Financial aid grants	79,609	76,617	83,064	77,276	80,955	74,308	63,172	58,667	20,225	20,192
Grants and contracts (Nonoperating)	128,546	108,243	116,510	6,104	6,502	7,357	7,357	6,394	-	-
Financial Aid Trust Funds	3,030	3,154	3,193	3,042	2,972	2,832	2,992	3,113	2,220	692
Capital appropriations	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901	
Adjust Net Operating Revenues less Non-capital Gifts and Grants	**$1,775,824**	**$ 1,580,778**	**$ 1,609,666**	**$ 1,461,314**	**$ 1,458,800**	**$ 1,384,106**	**$ 1,333,462**	**$ 1,292,386**	**$ 1,227,899**	**$ 1,145,701**
Adjusted Income/(Loss) before Capital and Endowment Additions	$ 28,609	$ (108,973)	$ (34,350)	$ (117,035)	$ (44,411)	$ (29,864)	$ (69,630)	$ (85,048)	$ (79,386)	$ (99,049)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$1,775,824	$ 1,580,778	$ 1,609,666	$ 1,461,314	$ 1,458,800	$ 1,384,106	$ 1,333,462	$ 1,292,386	$ 1,227,899	$ 1,145,701
Ratio	**1.6%**	**(6.9%)**	**(2.1%)**	**(8.0%)**	**(3.0%)**	**(2.2%)**	**(5.2%)**	**(6.6%)**	**(6.5%)**	**(8.6%)**

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

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$1,801,631	$1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787	$ 1,230,957
Less: Scholarships and Fellowships	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)	(38,498)
Interest on Debt	46,293	50,596	47,643	44,391	50,447	45,077	40,887	41,121	38,426	31,407
Total Adjusted Operating Expenses	**$1,790,766**	**$1,689,267**	**$ 1,640,823**	**$ 1,575,307**	**$ 1,500,239**	**$ 1,411,138**	**$ 1,400,100**	**$ 1,374,321**	**$ 1,284,840**	**$ 1,223,866**
Research Expenses	$ 421,973	$ 396,680	$ 435,536	$ 425,993	$ 405,271	$ 395,008	$ 385,467	$ 373,943	$ 351,199	$ 352,409
Total Adjusted Operating Expenses	$1,790,766	$1,689,267	$ 1,640,823	$ 1,575,307	$ 1,500,239	$ 1,411,138	$ 1,400,100	$ 1,374,321	$ 1,284,840	$ 1,223,866
Ratio	**24%**	**23%**	**27%**	**27%**	**27%**	**28%**	**28%**	**27%**	**27%**	**29%**

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

SUMMARY OF RATIOS – Other Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521	$ 193,498
Financial Aid Grants	82,639	79,770	86,257	80,318	83,927	77,140	66,164	61,780	22,445	20,884
Less Scholarships and Fellowships	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)	(38,498)
Net Tuition and Fees	**$ 580,249**	**$ 500,509**	**$ 489,692**	**$ 438,350**	**$ 407,616**	**$ 351,410**	**$ 288,938**	**$ 251,456**	**$ 193,593**	**$ 175,884**
Net Tuition and Fees	$ 580,249	$ 500,509	$ 489,692	$ 438,350	$ 407,616	$ 351,410	$ 288,938	$ 251,456	$ 193,593	$ 175,884
Undergraduate, Graduate, and Professional FTE	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491	34,688
Net Tuition per Student (whole dollars)	**$ 13,689**	**$ 12,270**	**$ 12,147**	**$ 11,187**	**$ 10,705**	**$ 9,470**	**$ 8,084**	**$ 7,236**	**$ 5,613**	**$ 5,070**
Measures the institution's net student tuition and fees received per student.										
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 270,538	$ 265,038	$ 254,654	$ 268,533	$ 330,297	$ 330,297	$ 348,941	$ 416,658	$ 389,897	$ 358,046
Capital appropriations	11,204	14,253	14,253	14,253	14,253	14,253	14,253	14,253	10,901	-
Adjusted State Appropriations	**$ 281,742**	**$ 279,291**	**$ 268,907**	**$ 282,786**	**$ 344,550**	**$ 344,550**	**$ 363,194**	**$ 430,911**	**$ 400,798**	**$ 358,046**
State Appropriations	$ 281,742	$ 279,291	$ 268,907	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798	$ 358,046
Undergraduate, Graduate, and Professional FTE	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491	34,688
State Appropriation per Student (whole dollars)	**$ 6,647**	**$ 6,847**	**$ 6,670**	**$ 7,217**	**$ 9,049**	**$ 9,286**	**$ 10,161**	**$ 12,400**	**$ 11,620**	**$ 10,322**
Measures the institution's dependency on state appropriations.										

SUMMARY OF RATIOS – Debt Related Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522
Expendable Restricted Net Assets	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003
Expendable Net Assets	$ 94,601	$ 534,997	$ 485,826	$ 433,162	$ 430,871	$ 382,031	$ 320,196	$ 315,788	$ 299,325	$ 271,525
Expendable Net Assets	$ 94,601	$ 534,997	$ 485,826	$ 433,162	$ 430,871	$ 382,031	$ 320,196	$ 315,788	$ 299,325	$ 271,525
Total Adjusted University Debt	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388
Ratio	**0.06**	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**	**0.4**	**0.3**	**0.3**

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

TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522
Expendable Restricted Net Assets	218,805	161,894	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003
Non-expendable Restricted Net Assets	138,464	138,512	122,635	113,968	115,307	101,263	94,307	94,610	118,585	106,263
Total Financial Resources	$ 233,065	$ 673,509	$ 608,461	$ 547,130	$ 546,178	$ 483,294	$ 414,503	$ 410,398	$ 417,910	$ 377,788
Total Financial Resources	$ 233,065	$ 673,509	$ 608,461	$ 547,130	$ 546,178	$ 483,294	$ 414,503	$ 410,398	$ 417,910	$ 377,788
Total Bonds, COPs and Capital Leases	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388
Ratio	**0.16**	**0.5**	**0.5**	**0.5**	**0.5**	**0.4**	**0.4**	**0.5**	**0.5**	**0.4**

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

DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (336,897)	$ (402,380)	$ (362,458)	$ (404,778)	$ (319,362)	$ (385,905)	$ (414,248)	$ (470,716)	$ (385,799)	$ (338,509)
State Appropriations and Federal Stabilization Funds	270,538	265,038	254,654	268,533	331,052	358,610	409,765	416,658	389,897	358,046
Share of State Sales Tax - TRIF	24,964	23,576	20,773	20,353	19,954	20,102	22,547	28,360	30,744	20,576
Non-capital Grants and Contracts, Gifts, Other (1)	297,837	265,817	274,104	179,581	175,567	189,142	209,509	136,409	58,083	51,111
Adjusted Cash Flow from Operations	$ 256,442	$ 152,051	$ 187,073	$ 63,689	$ 207,211	$ 181,949	$ 227,573	$ 110,711	$ 92,925	$ 91,224
Total Adjusted University Debt Outstanding	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388
Adjusted Cash Flow from Operations	$ 256,442	152,051	187,073	63,689	207,211	181,949	227,573	110,711	92,925	91,224
Ratio	**5.77**	**8.28**	**6.88**	**18.49**	**5.53**	**6.29**	**4.60**	**7.92**	**9.33**	**9.23**

(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	$ 46,293	$ 50,596	$ 47,643	$ 44,391	$ 50,447	$ 45,077	$ 40,887	$ 41,121	$ 38,426	$ 31,407
Principal Paid on Debt and Leases	197,381	47,605	120,436	241,680	42,572	52,272	41,241	59,645	131,674	97,908
Less: Principal Paid from Refinancing Activities	(157,050)	-	(71,115)	(199,835)	-	-	-	(17,970)	(100,595)	(71,585)
Debt Service	$ 86,624	$ 98,201	$ 96,964	$ 86,236	$ 93,019	$ 97,349	$ 82,128	$ 82,796	$ 69,505	$ 57,730
Debt Service	$ 86,624	$ 98,201	$ 96,964	$ 86,236	$ 93,019	$ 97,349	$ 82,128	$ 82,796	$ 69,505	$ 57,730
Operating Expenses	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787	$ 1,230,957
Ratio	**4.8%**	**5.8%**	**5.9%**	**5.4%**	**6.2%**	**6.8%**	**5.8%**	**6.0%**	**5.4%**	**4.7%**

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

DEBT SERVICE COVERAGE FOR SENIOR LIEN SYSTEM AND SUBORDINATE LIEN SYSTEM REVENUE BONDS (in thousands of dollars)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees, net of scholarship allowance	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521	$ 193,498
Receipts from Other Major Revenue Sources (Facilities Revenues)	397,917	374,153	351,162	339,498	339,520	315,907	305,137	305,881	290,812	271,651
Net Revenues Available for Debt Service	**$ 952,685**	**$ 858,962**	**$ 812,742**	**$ 750,005**	**$ 718,719**	**$ 645,493**	**$ 574,584**	**$ 537,417**	**$ 500,333**	**$ 465,149**
Senior Lien Bonds Debt Service										
Interest on Debt	$ 23,290	$ 24,887	$ 23,379	$ 21,030	$ 22,984	$ 24,593	$ 15,437	$ 14,978	$ 14,166	$ 13,433
Principal Paid on Debt	21,575	22,600	21,895	17,375	24,720	23,860	22,725	21,235	17,440	12,355
Senior Lien Bonds Debt Service Requirements	**$ 44,865**	**$ 47,487**	**$ 45,274**	**$ 38,405**	**$ 47,704**	**$ 48,453**	**$ 38,162**	**$ 36,213**	**$ 31,606**	**$ 25,788**
Coverage	21.23	18.09	17.95	19.53	15.07	13.32	15.06	14.84	15.83	18.04

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Subordinate Lien Bonds Debt Service										
Interest on Debt	$ 14,442	$ 13,362	$ 11,176	$ 10,450	$ 5,586	-	-	-	-	-
Principal Paid on Debt										
Subordinate Lien Bonds Debt Service Requirements	$ 14,442	$ 13,362	$ 11,176	$ 10,450	$ 5,586	-	-	-	-	-
Combined Senior/Subordinate Lien Debt Service	$ 59,307	$ 60,849	$ 56,450	$ 48,855	$ 53,291	$ 48,453	$ 38,162	$ 36,213	$ 31,606	$ 25,788
Coverage	16.06	14.12	14.40	15.35	13.49	13.32	15.06	14.84	15.83	18.04

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

ADMISSIONS, ENROLLMENT AND DEGREES EARNED

(Fall Enrollment)

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADMISSIONS - FRESHMEN										
Applications	32,723	26,481	26,329	26,871	26,626	24,625	22,544	21,199	16,609	17,903
Accepted	24,417	20,546	20,251	19,175	20,065	19,207	18,158	16,853	14,293	15,700
Enrolled	7,744	6,881	7,401	7,300	7,025	6,966	6,709	6,569	6,009	5,974
Accepted as Percentage of Application	75%	78%	77%	71%	75%	78%	81%	79%	86%	88%
Enrolled as Percentage of Accepted	32%	33%	37%	38%	35%	36%	37%	39%	42%	38%
Average SAT scores - Total	1113	1114	1116	1109	1100	1104	1103	1107	1109	1124
Verbal	549	549	550	547	543	547	526	547	547	557
Math	564	565	566	561	557	561	543	561	563	567
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	42,388	40,791	40,314	39,183	38,076	37,106	35,743	34,751	34,491	34,688
Undergraduate, Graduate and Professional Headcount	42,236	40,621	40,223	39,236	39,086	38,767	38,057	37,217	36,805	37,036
Men (Headcount)	20,345	19,520	19,264	18,729	18,734	18,440	18,084	17,535	17,455	17,355
Percentage of Total	48.2%	48.1%	47.9%	47.7%	47.9%	47.6%	47.5%	47.1%	47.4%	46.9%
Women (Headcount)	21,891	21,101	20,959	20,507	20,352	20,327	19,973	19,682	19,350	19,681
Percentage of Total	51.8%	51.9%	52.1%	52.3%	52.1%	52.4%	52.5%	52.9%	52.6%	53.1%
African American (Headcount)	1,402	1,266	1,540	1,487	1,438	1,341	1,221	1,142	1,041	1,020
Percentage of Total	3.3%	3.1%	3.8%	3.8%	3.7%	3.5%	3.2%	3.1%	2.8%	2.8%
White (Headcount)	22,050	21,825	22,303	22,485	23,099	23,599	23,476	23,193	23,032	23,662
Percentage of Total	52.2%	53.7%	55.4%	57.3%	59.1%	60.9%	61.7%	62.3%	62.6%	63.9%
Other (Headcount)	18,784	17,530	16,380	15,264	14,549	13,827	13,360	12,882	12,732	12,354
Percentage of Total	44.5%	43.2%	40.7%	38.9%	37.2%	35.7%	35.1%	34.6%	34.6%	33.4%
DEGREES EARNED										
Bachelor's	6,370	6,494	6,351	6,195	5,827	5,914	5,612	5,568	5,613	5,749
Master's	1,706	1,667	1,574	1,569	1,337	1,502	1,418	1,399	1,446	1,479
Doctoral	475	450	455	445	471	479	451	461	395	388
Professional	395	404	395	368	353	345	326	354	303	310

Source: University of Arizona Fact Book, Office of Institutional Research

DEMOGRAPHIC DATA

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Arizona Population	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	5,839,077
Arizona Personal Income (in millions)	$ 261,314	$ 249,027	$ 235,781	$ 227,287	$ 216,590	$ 212,873	$ 226,465	$ 218,588	$ 206,958	$ 188,152
Arizona Per Capita Personal Income	$ 37,895	$ 36,823	$ 35,979	$ 35,062	$ 33,773	$ 33,560	$ 36,059	$ 35,441	$ 34,326	$ 32,223
Arizona Unemployment Rate	5.90%	6.90%	8.00%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%

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

PRINCIPAL EMPLOYERS

	Calendar Year Ended December 31, 2015			Calendar Year Ended December 31, 2006		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total County Employment	Full-Time Equivalent Employees	Rank	Percentage of Total County Employment
University of Arizona	11,235	1	2.40%	10,282	3	2.30%
Raytheon Missile Systems	9,600	2	2.10%	10,756	2	2.40%
State of Arizona	8,524	3	1.80%	9,742	4	2.20%
Davis Monthan AFB	8,335	4	1.80%	8,233	5	1.90%
Pima County Government	7,134	6	1.50%	6,765	7	1.50%
Tucson Unified School District	7,023	5	1.50%	7,623	6	1.70%
Banner (Formally, The University of Arizona Health Network)	6,542	7	1.40%			
US Border Patrol	6,470	8	1.40%			
Freeport-McMoran Copper	5,800	9	1.30%			
Wal-Mart Stores, Inc.	5,400	10	1.20%	4,980	9	1.10%
Fort Huachuca				13,098	1	3.00%
City of Tucson				5,306	8	1.20%
Phelps Dodge				4,123	10	0.90%
Total	**76,063**		**16.40%**	**80,908**		**18.20%**
Total Work Force			**461,064**			**443,300**

Source:
Pima County CAFR FY 2006
Arizona Daily Star 200 FY 2015

FACULTY AND STAFF

Fall employment of fiscal year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
FACULTY										
Full-time	2,343	2,297	2,246	2,229	2,160	2,165	2,088	2,055	2,031	1,955
Part-time	801	752	776	693	642	591	657	644	588	606
Total Faculty	**3,144**	**3,049**	**3,022**	**2,922**	**2,802**	**2,756**	**2,745**	**2,699**	**2,619**	**2,561**
Percentage Tenured	48.0%	49.5%	50.0%	51.6%	54.1%	55.8%	56.8%	57.4%	59.1%	59.2%
Tenured Track - Dept. Head	90	91	97	98	96	94	N/A	N/A	N/A	N/A
Tenured Track - Faculty	1,420	1,419	1,413	1,409	1,419	1,445	1,559	1,549	1,548	1,515
Total Tenured Track	1,510	1,510	1,510	1,507	1,515	1,539	1,559	1,549	1,548	1,515
STAFF										
Full-time	7,775	7,663	7,506	7,407	7,260	7,168	7,495	7,515	7,378	7,430
Part-time	4,696	4,630	4,770	4,832	4,772	4,472	4,423	4,362	4,469	4,412
Total Staff	**12,471**	**12,293**	**12,276**	**12,239**	**12,032**	**11,640**	**11,918**	**11,877**	**11,847**	**11,842**
Total Faculty and Staff	**15,615**	**15,342**	**15,298**	**15,161**	**14,834**	**14,396**	**14,663**	**14,576**	**14,466**	**14,403**

Source: University of Arizona Fact Book

CAPITAL ASSETS

Fiscal Year Ended June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Academic/Support Facilities	643	647	622	621	593	584	580	590	587	583
Auxiliary Facilities	74	71	70	71	68	69	63	67	65	61
Total	**717**	**718**	**692**	**692**	**661**	**653**	**643**	**657**	**652**	**644**

Source: UA Capital Improvement Plan from Real Estate Administration


Photo: UA Marketing Communications & Brand Management

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