THE STATE UNIVERSITY OF NEW YORK

2016 ANNUAL FINANCIAL REPORT

SUNY The State University of New York

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A Message from the Chairman and the Chancellor

We are pleased to present the Annual Financial Report of The State University of New York, providing an overview of the State University's finances and operating results for the year ending June 30, 2016.

The preliminary enrollment headcount for fall 2016 is 436,227, which represents a decline of 1.5 percent from last fall. Preliminary enrollment at the state-operated campuses is 219,307, down 0.3 percent over last fall, while preliminary enrollment at the community colleges is 216,920, down 2.7 percent.

In the 2015-16 fiscal year, key numbers for State University research through The Research Foundation for SUNY are up more than two percent over last year, with six of the nine university centers/doctoral campuses showing increased activity. State University faculty, students, and staff attracted over $920 million in activity supporting 7,102 research, training, and public service projects as well as 15,876 employees statewide.

Furthermore, the SUNY Networks of Excellence program, now in its third year, has successfully brought together 400 faculty from across disciplines and campuses to work on collaborative research efforts that address challenges of state, national and global significance. Faculty-led teams have launched 70 collaborative research projects that have generated grant proposals and awards to and from the NSF, NIH, EPA, and NYSERDA, as well as publications and manuscripts, has developed new partnerships, and has had more than 100 workshop and conferences.

We at the State University are more committed than ever to expanding college Access, Completion, and Success for all New York State students, driven by the deep understanding that an educated citizenry is the foundation for a healthy society.

H. Carl McCall
Chairman

Nancy L. Zimpher
Chancellor

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
State University of New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the State University of New York (the University), as of and for the years ended June 30, 2016 and 2015, and the financial statements of the aggregate discretely presented component units of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

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 certain discretely presented component units, which represent 64% of the total assets and 82% of the total revenues of the aggregate discretely presented component units. The financial statements of those entities were audited by other auditors whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for those certain discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 certain discretely presented component units identified in note 15 to the financial statements were not audited 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the State University of New York as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended, and the financial position of the aggregate discretely presented component units of the State University of New York as of June 30, 2016, and the changes in net assets for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Financial Presentation of the University

As discussed in note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, the changes in net assets, and, where applicable, cash flows of only that portion of the State of New York that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the State of New York as of June 30, 2016 or 2015, the changes in its financial position and, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2015 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified audit opinions on those audited financial statements in our report dated November 24, 2016. In our opinion, based on our audit and the reports of the other auditors, the summarized comparative information related to the aggregate discretely presented component units presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 8 to 15 and the required supplementary information on pages 53 to 57 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 management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Other Information

Page 3, A Message from the Chairman and the Chancellor, is not a required part of the basic financial statements and has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

KPMG LLP

April 7, 2017
Albany, New York

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Management's Discussion and Analysis

(Unaudited)

Management's discussion and analysis (MD&A) provides a broad overview of the State University of New York's (State University) financial condition as of June 30, 2016 and 2015, the results of its operations for the years then ended, and significant changes from the previous years. Management has prepared the financial statements and related note disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related notes of the State University, which directly follow the MD&A.

For financial reporting purposes, the State University's reporting entity consists of all sectors of the State University including the university centers, health science centers (including hospitals), colleges of arts and sciences, colleges of technology and agriculture, specialized colleges, statutory colleges (located at the campuses of Cornell and Alfred Universities), and central services, but excluding community colleges. The financial statements also include the financial activity of The Research Foundation for The State University of New York (Research Foundation), which administers the sponsored program activity of the State University; the State University Construction Fund (Construction Fund), which administers the capital program of the State University; and the auxiliary services corporations, foundations, and student housing corporations located on its campuses.

The auxiliary services corporations, foundations, and student housing corporations meet the criteria for component units under the Governmental Accounting Standards Board (GASB) accounting and financial reporting requirements for inclusion in the State University's financial statements. For financial statement presentation purposes, these component units are not included in the reported amounts of the State University, but the combined totals of these component units are discretely presented on pages 20 and 21 of the State University's financial statements, in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations.

The focus of the MD&A is on the State University financial information contained in the balance sheets, the statements of revenues, expenses, and changes in net position, and the statements of cash flows, which exclude the auxiliary services corporations, foundations, and student housing corporations.

Overview of the Financial Statements

The financial statements of the State University have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the GASB.

The financial statement presentation consists of comparative balance sheets, statements of revenues, expenses, and changes in net position, statements of cash flows, and accompanying notes for the June 30, 2016 and 2015 fiscal years. These statements provide information on the financial position of the State University and the financial activity and results of its operations during the years presented. A description of these statements follows:

The *Balance Sheets* present information on all of the State University's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State University is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing the change in the State University's net position during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements include items that will result in cash received or disbursed in future fiscal periods.

The *Statements of Cash Flows* provide information on the major sources and uses of cash during the year. The cash flow statements portray net cash provided by or used in operating, investing, capital, and noncapital financing activities.

During 2015 the State University was required to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and related amendments. For the cost-sharing multiple employer pension plans the State University participates in, this Statement requires that a portion of the Plan's net pension liability (asset) be reflected in the reported amounts on the balance sheet, as well as deferred inflows and outflows of resources from pension activities. The State University is considered a participating employer of the New York State and Local Retirement System (ERS) and New York State Teachers' Retirement System (TRS) and as a result, the State University has recorded a participating proportion of the net pension liability (asset) of the ERS and TRS plans. Also, the State University has recorded a net pension liability for a single-employer defined benefit plan that it administers.

Financial Highlights

The State University's net position of $(2.42) billion is comprised of $18.78 billion in total assets and deferred outflows of resources, less $21.21 billion in total liabilities and deferred inflows of resources. The net position decreased $537 million in 2016 driven by an increase in accrued other postemployment benefit (OPEB) expenses of $639 million. The State University's total revenues increased $391 million and total expenses increased $501 million in 2016 compared to 2015. The growth in revenues is primarily due to increases in hospital revenue of $143 million, and direct and indirect State appropriation revenue of $130 million, net tuition and fees revenue of $106 million, and gain on disposal of plant assets of $87 million compared to the previous year. These increases were offset by a decrease of $34 million in capital gifts and grants. Expense growth was driven by an overall increase in operating expenses of $393 million, or 4% compared to the prior year, as well as an increase of $70 million in net realized and unrealized investment losses.

Balance Sheets

The balance sheets present the financial position of the State University at the end of its fiscal years. The State University's net position was $(2.42) billion and $(1.89) billion at June 30, 2016 and 2015, respectively, and experienced a decrease of $537 million in 2016, and $427 million in 2015. The State University's total assets and deferred outflows of resources increased $1.66 billion and $1.15 billion in 2016 and 2015, respectively. Total liabilities and deferred inflows of resources during 2016 and 2015 increased $2.20 billion and $2.00 billion, respectively. The following table reflects the financial position at June 30, 2016, 2015, and 2014 (in thousands):

	2016	2015	2014
Current assets	$ 3,553,995	3,488,407	2,966,993
Capital assets, net	12,072,883	11,246,347	10,701,489
Other noncurrent assets	2,319,503	2,322,928	2,279,889
Deferred outflows of resources	836,229	64,216	23,707
Total assets and deferred outflows of resources	18,782,610	17,121,898	15,972,078
Current liabilities	2,154,294	2,278,917	2,076,995
Noncurrent liabilities	18,883,495	16,656,662	14,929,843
Deferred inflows of resources	167,468	72,097	—
Total liabilities and deferred inflows of resources	21,205,257	19,007,676	17,006,838
Net investment in capital assets	1,271,715	1,206,777	1,090,418
Restricted - nonexpendable	439,759	407,723	357,733
Restricted - expendable	366,478	358,723	347,716
Unrestricted	(4,500,599)	(3,859,001)	(2,830,627)
Total net position	$(2,422,647)	(1,885,778)	(1,034,760)

Current Assets

Current assets at June 30, 2016 increased $66 million compared to the previous year. In general, current assets are those assets that are available to satisfy current liabilities (i.e., those that will be paid within one year). Current assets at June 30, 2016 and 2015 consist primarily of cash and cash equivalents of $1.82 billion and $1.52 billion and receivables of $1.06 billion and $1.31 billion, respectively. The increase in current assets during 2016 is primarily due to an increase of $300 million in cash and cash equivalents offset by a decrease of $253 million in accounts receivable mainly related to the hospitals' receiving Medicaid Disproportionate Share Hospital (DSH) Program payments.

Current Liabilities

Current liabilities decreased $125 million compared to the previous year. Current liabilities at June 30, 2016 and 2015 consist principally of accounts payable and accrued expenses of $896 million and $1.03 billion, the current portion of long-term debt and long-term liabilities of $642 million and $630 million, and unearned revenue of $408 million and $426 million, respectively. The decrease in current liabilities during 2016 is primarily due to a decrease in salary accruals.

Capital Assets, net

The State University's capital assets are substantially comprised of State-operated campus educational, residence, and hospital facilities. Personal Income Tax (PIT) revenue bonds support the majority of the funding for construction and critical maintenance projects on State University educational and hospital facilities.

During the 2016 and 2015 fiscal years, capital assets (net of depreciation) increased $827 million and $545 million, respectively. The majority of the increase occurred at the State University campuses due to the completion of new building construction, renovations, and rehabilitation totaling $1.04 billion and $889 million for the 2016 and 2015 fiscal years, respectively. Equipment additions during 2016 and 2015 of $199 million and $172 million, respectively, also contributed to the increase.

Significant projects completed and capitalized during the 2016 fiscal year included construction of a 200 bed residence hall at the College of New Paltz, a recreation center at Stony Brook University, and college stadiums at the University at Albany and College of Geneseo. Other significant projects included renovations to Hayes Hall at the University at Buffalo, renovation of Bowers Hall at the College at Cortland, renovation of the humanities building at Purchase College, renovations of the water tower and fountains at the University at Albany, renovation and improvement to the Campus Center exterior at the College at Old Westbury and rehabilitation of the hospital deck at Stony Brook University Hospital.

A summary of capital assets, by major classification, and related accumulated depreciation for the 2016, 2015, and 2014 fiscal years is as follows (in thousands):

	2016	2015	2014
Land	$ 666,891	650,290	622,077
Infrastructure and land improvements	1,184,886	1,099,472	981,829
Buildings	12,192,656	11,290,228	10,506,594
Equipment, library books and other	3,198,018	3,128,257	3,008,558
Construction in progress	2,189,752	2,045,561	2,161,475
Total capital assets	19,432,203	18,213,808	17,280,533
Less accumulated depreciation:			
Infrastructure and land improvements	538,748	498,331	464,927
Buildings	4,329,000	4,022,241	3,793,898
Equipment, library books and other	2,491,572	2,446,889	2,320,219
Total accumulated depreciation	7,359,320	6,967,461	6,579,044
Capital assets, net	$ 12,072,883	11,246,347	10,701,489

Other Noncurrent Assets

Other noncurrent assets decreased $3 million compared to the previous year. Noncurrent assets at June 30, 2016 and 2015 include long-term investments of $847 million and $891 million, noncurrent portion of receivables of $789 million and $690 million, deposits with trustees of $327 million and $300 million, and restricted cash of $127 million and $152 million, respectively.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2016 and 2015 of $18.88 billion and $16.66 billion, respectively, are largely comprised of debt on State University facilities, other long-term liabilities accrued for postemployment and post-retirement benefits, and litigation reserves. The State University capital funding levels and bonding authority are subject to operating and capital appropriations of the State. Funding for capital construction and rehabilitation of educational and residence hall facilities of the State University is provided principally through the issuance of bonds by the Dormitory Authority of the State of New York (DASNY). The debt service for the educational facilities is paid by, or provided through a direct appropriation from, the State. The debt service on residence hall bonds is funded primarily from room rents. A summary of noncurrent, long-term liabilities at June 30, 2016, 2015, and 2014 is as follows (in thousands):

	2016	2015	2014
Educational facilities	$ 8,133,041	7,741,066	7,232,933
Unamortized bond premium - educational facilities	653,313	598,247	474,681
Residence hall facilities	649,780	1,111,095	1,164,255
Unamortized bond premium - residence hall facilities	58,033	70,028	72,999
Postemployment and post-retirement	5,527,503	4,871,192	4,170,783
Litigation	663,251	562,691	507,551
Collateralized borrowings	1,061,257	459,541	467,424
Pension	1,054,885	397,746	9,989
Other obligations	697,928	455,416	476,526
Long-term liabilities	$18,498,991	16,267,022	14,577,141

During the year, PIT bonds were issued with a par amount of $704.1 million at a premium of $88.0 million for the purpose of financing capital construction and major rehabilitation for educational facilities. In addition, during the year PIT bonds were issued with a par amount of $429.6 million at a premium of $46.5 million in order to refund $435.6 million of the State University's existing educational facilities obligations.

The State University's credit ratings for PIT, educational and residence hall bonds were unchanged in the 2016 and 2015 fiscal years. The credit ratings at June 30, 2016 are as follows:

	PIT Bonds	Educational Facilities	Residence Halls
Moody's Investors Service	Aa1	Aa2	Aa2
Standard & Poor's	AAA	AA	AA-
Fitch	AA+	AA	AA-

During fiscal years 2016 and 2015, the long-term portion of postemployment and post-retirement benefit obligations increased $656 million and $700 million, respectively. The State, on behalf of the State University, provides health insurance coverage for eligible retired State University employees and their qualifying dependents as part of the New York State Health Insurance Plan (NYSHIP). The State University, as a participant in the plan, recognizes these other postemployment benefits (OPEB) on an accrual basis. The State University's OPEB plan is financed annually on a pay-as-you-go basis. There are no assets set aside to fund the plan.

The Research Foundation sponsors a separate defined benefit OPEB plan and has established a Voluntary Employee Benefit Association (VEBA) trust. Legal title to all the assets in the trust is vested for the benefit of the participants. Contributions are made by the Research Foundation pursuant to a funding policy established by its board of directors.

The long-term portion of pension liabilities increased $657 million and $388 million at June 30, 2016 and 2015, respectively. The increase in 2016 was primarily due to an increase in pension liabilities under the ERS Plan.

The State University has recorded a long-term litigation liability and a corresponding appropriation receivable of $663 million and $563 million at June 30, 2016 and 2015, respectively (almost entirely related to hospitals and clinics) for unfavorable judgments, both anticipated and awarded but not yet paid.

In March 2013, the State enacted legislation to authorize the State University to assign to DASNY all of the State University's rights, title and interest in dormitory facilities revenues derived from payments made by students and others for use and occupancy of certain dormitory facilities. The legislation authorized DASNY to issue State University of New York Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by the State University. These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by the State University as agent for DASNY. The outstanding obligations under these bonds is reported as collateralized borrowing in the State University's financial statements. During the year, bonds with a par amount of $555.0 million at a premium of $84.1 million were issued for the purpose of financing capital construction as well as to refinance $428.9 million of the State University's existing residential facility obligations. The credit ratings assigned to these bonds in 2016 were as follows: Moody's (Aa3), S&P (A+), and Fitch (A+). These ratings were unchanged in 2016 and 2015.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the State University's results of operations, as well as nonoperating activities. Revenues, expenses, and the changes in net position for the 2016, 2015 and 2014 fiscal years are summarized as follows (in thousands):

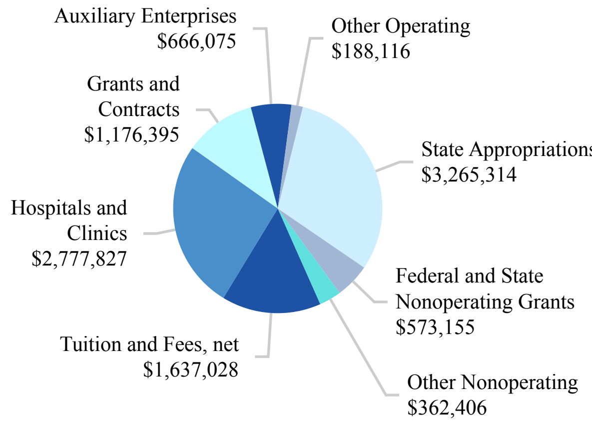
	2016	2015	2014
Operating revenues	$ 6,445,441	6,254,726	6,049,331
Nonoperating revenues	4,111,656	3,858,795	3,927,018
Other revenues	89,219	141,370	144,282
Total revenues	10,646,316	10,254,891	10,120,631
Operating expenses	10,612,036	10,219,436	9,936,282
Nonoperating expenses	571,149	462,625	415,926
Total expenses	11,183,185	10,682,061	10,352,208
Change in net position	$ (536,869)	(427,170)	(231,577)

Total operating revenues of the State University increased $191 million in 2016 and $205 million in 2015. Nonoperating and other revenues, which include State appropriations, increased $201 million and decreased $71 million for fiscal years 2016 and 2015, respectively. Total expenses for 2016 and 2015 increased $501 million and $330 million, respectively.

Revenue Overview

Revenues (in thousands):	2016	2015	2014
Tuition and fees, net	$ 1,637,028	1,530,594	1,418,319
Hospitals and clinics	2,777,827	2,634,882	2,499,595
Grants and contracts	1,176,395	1,235,369	1,269,459
Auxiliary enterprises	666,075	648,368	640,911
Other operating	188,116	205,513	221,047
Operating revenues	6,445,441	6,254,726	6,049,331
State appropriations	3,265,314	3,135,670	3,085,627
Federal and State nonoperating grants	573,155	566,023	536,326
Other nonoperating	362,406	298,472	449,347
Nonoperating and other revenues	4,200,875	4,000,165	4,071,300
Total revenues	$10,646,316	10,254,891	10,120,631

2016 Revenues (in thousands)



Tuition and Fees, Net

Tuition and fee revenue, net of scholarship allowances, increased $106 million and $112 million in 2016 and 2015, respectively. These increases were mainly driven by a $300 tuition rate increase for resident undergraduates and increases in professional and nonresident tuition rates in 2016 and 2015. Annual average full-time equivalent students, including undergraduate and graduate, were approximately 196,400, 193,100, and 193,800 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Hospitals and Clinics

The State University has three hospitals (each with academic medical centers) – the State University Hospitals at Brooklyn (UHB), Stony Brook, and Syracuse.

Hospital and clinic revenue increased $143 million in 2016 due to an increase in net patient revenues of $80 million due to volume and rate increases. DSH program revenue also increased $63 million. Hospital and clinic revenue increased $135 million in 2015 due mainly to an increase of $134 million in DSH revenue.

Grants and Contracts

Grants and contracts revenue decreased $59 million in 2016 driven by decreases in private grants and contracts of $70 million and state and local grants of $4 million, offset by an increase in federal grants of $15 million. A majority of the State University's grants and contracts are administered by the Research Foundation and totaled $813 million and $895 million for the fiscal years ended June 30, 2016 and 2015, respectively. The decline in 2016 is due primarily to decreases in private grant activity at SUNY Poly.

Auxiliary Enterprises

The State University's auxiliary enterprise activity is comprised of sales and services for residence halls, food services, intercollegiate athletics, student health services, parking, and other activities. The residence halls are operated and managed by the State University and its campuses.

Auxiliary enterprise sales and services revenue increased $18 million and $7 million for fiscal years 2016 and 2015, respectively. These increases were largely due to modest increases in room rates and occupancy levels.

The residence hall operations and capital programs are financially self-sufficient. Each campus is responsible for the operation of its residence halls program including setting room rates and covering operating, maintenance, capital and debt service costs. Any excess funds generated by residence halls operating activities are separately maintained for improvements and maintenance of the residence halls. Revenue producing occupancy at the residence halls was 78,932 for the fall of 2015, an increase of 414 students compared to the previous year. The overall utilization rate for the fall of 2015 was reported at 96 percent.

State Appropriations

The State University's single largest source of revenues are State appropriations, which for financial reporting purposes are classified as nonoperating revenues. State appropriations totaled $3.27 billion, $3.14 billion, and $3.09 billion and represented approximately 31 percent, 31 percent, and 30 percent of total revenues for fiscal years 2016, 2015, and 2014, respectively. State support (both direct support for operations and indirect support for fringe benefits, debt service, and litigation) for State University campus operations, statutory colleges, and hospitals and clinics increased $130 million in 2016 and $50 million in 2015, compared to the prior year. In 2016, State support for operating expenses increased $16 million and indirect State support for fringe benefits and litigation increased $120 million and $55 million, respectively. Indirect State support for debt service decreased $61 million compared to the previous year.

Federal and State Nonoperating Grants

Major scholarships and grants received include the State Tuition Assistance Program of $215 million and $213 million during fiscal years 2016 and 2015, respectively, and federal Pell Program revenue of $290 million in both the 2016 and 2015 fiscal years.

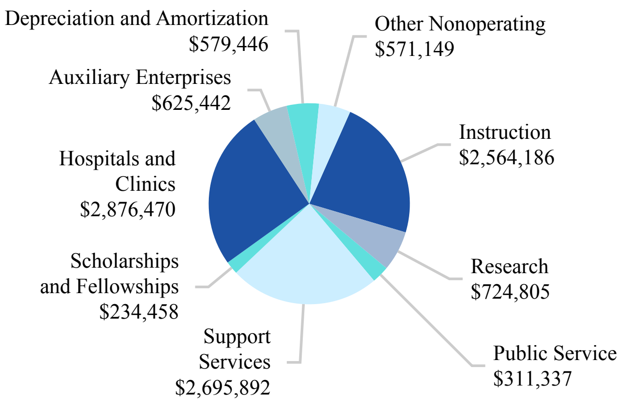
Other Nonoperating Revenues

Other nonoperating revenues increased $64 million and decreased $151 million in 2016 and 2015, respectively. The increase in 2016 was primarily due to a gain of $95 million on the disposal of Long Island College Hospital (LICH) assets. The first of three closings for LICH occurred on September 1, 2015. Seventeen properties of the former LICH campus were conveyed for consideration of payment of $120 million. This increase was offset by a $34 million decrease in capital gifts and grants. The decrease in 2015 was primarily due to a decrease in investment return and capital gifts and grants.

Expense Overview

Expenses (in thousands):	**2016**	**2015**	**2014**
Instruction	$ 2,564,186	2,469,683	2,315,342
Research	724,805	728,789	765,033
Public service	311,337	302,311	305,970
Support services	2,695,892	2,616,099	2,534,416
Scholarships and fellowships	234,458	237,921	214,144
Hospitals and clinics	2,876,470	2,690,530	2,708,912
Auxiliary enterprises	625,442	621,548	585,908
Depreciation and amortization	579,446	552,555	506,557
Other nonoperating	571,149	462,625	415,926
Total expenses	$11,183,185	10,682,061	10,352,208

2016 Expenses (in thousands)



During the 2016 fiscal year, instruction expenses increased $95 million predominately from increases of $47 million in personal service costs and $36 million in fringe benefit expenses.

Support services, which include expenses for academic support, student services, institutional support, and operation and maintenance of plant, increased $80 million between fiscal years 2016 and 2015. This increase was mainly due to increases of $37 million in personal service costs and $23 million in fringe benefit expenses. Support services increased $82 million between 2015 and 2014.

In the State University's financial statements, scholarships used to satisfy student tuition and fees (residence hall, food service, etc.) are reported as an allowance (offset) to the respective revenue classification up to the amount of the student charges. The amount reported as expense represents amounts provided to the student in excess of State University charges.

Expenses at the State University's hospitals and clinics increased $186 million in 2016 and decreased $18 million during 2015. The increase during 2016 is mainly due to increases of $60 million in personal service costs, $55 million in litigation accruals, and $52 million in supplies and contractual service expenses. The decrease during 2015 was mainly due to a decrease in expenses for LICH at UHB.

Depreciation and amortization expense recognized in fiscal years 2016 and 2015 totaled $579 million and $553 million, respectively. Other nonoperating expenses were $571 million and $463 million for the years ended June 30, 2016 and 2015, respectively. The increase in nonoperating expenses during fiscal year 2016 was mainly due to an increase in realized and unrealized losses on investments of $70 million and an impairment expense of $38 million recognized for LICH. The University Hospital of Brooklyn determined that certain LICH assets held for sale that are no longer being used are impaired and should be reported at the lower of carrying value or fair value.

Economic Factors That Will Affect the Future

The State University is one of the largest public universities in the nation, with headcount enrollment of approximately 219,300 for fall 2016, on twenty nine State-operated campuses and five contract/ statutory colleges. The State University's student population is directly influenced by State demographics, as the majority of students attending the State University are New York residents. The enrollment outlook remains stable for the State University based on its continued ability to attract quality students for its academic programs. Full-time equivalent (FTE) enrollment, excluding community colleges, for the fiscal year ended June 30, 2016 is approximately 196,400, an increase of 3,300 compared to June 30, 2015.

New York State appropriations remain the largest single source of revenues. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support. For the most recent fiscal year, State appropriations totaled $3.27 billion which represented 31 percent of the total revenues of the State University. State appropriations consisted of direct support ($1.09 billion), fringe benefits for State University employees ($1.51 billion), debt service on educational facilities ($539 million), and litigation ($133 million). Debt service on educational facilities is paid by the State in an amount sufficient to cover annual debt service requirements; pursuant to annual statutory provisions, each of the State University's three teaching hospitals must reimburse the State for their share of debt service costs to finance their capital projects.

Beginning with the 2011-12 fiscal year, legislation was passed called the NY-SUNY 2020 Challenge Grant Program Act, which includes capital funds for investments in economic expansion and job creation at the State University campuses, as well as a predictable and rational tuition plan. The rational tuition plan authorized the State University trustees to increase resident undergraduate tuition by up to $300 per year for five years and also the ability to increase non-resident undergraduate tuition up to 10 percent at all State-operated campuses as well as certain fees at the four University Centers after approval of their NY-SUNY 2020 Challenge grant plans. The five year plan expired at the end of the 2015-16 academic year. Resident tuition rates were not allowed to be increased during the 2016-17 academic year; however the University Centers retained the authority to increase non-resident undergraduate tuition by up to 10 percent in fiscal year 2016-17 only.

The State University depends on the State to provide appropriations in support of its capital programs. In 2004-05 and again in 2008-09, the State Budget provided nearly $8.0 billion through two multi-year capital plans for strategic initiatives and critical maintenance projects for the preservation or rehabilitation of existing educational facilities. These cumulative multi-year funding authorizations provided the State University with the resources required to address the core critical maintenance needs of its existing buildings and infrastructure, as well as the means to make additional capital investments in a range of programmatic initiatives.

The 2014-2015, 2015-2016 and 2016-2017 State Budgets did provide $562 million, $244 million and $465 million in new appropriations for one year only. The lack of funding for another multi-year capital plan is attributable to State-imposed limits under the State Debt Reform Act of 2000 that caps the level of outstanding debt as well as the Executive's focus on economic development and municipal infrastructure. It is likely that the Debt Reform Act will continue to affect the State's ability to invest in SUNY's capital programs in the near future.

The State University hospitals, which are all part of larger State University Academic Health Centers at Brooklyn, Stony Brook and Syracuse, serve large numbers of Medicaid and uninsured patients and, as a result, the Medicaid Disproportionate Share Hospital (DSH) Program revenue stream and Medicaid reimbursement is critical to their continued viability. With the pressure to reduce the Federal budget deficit, it is likely that both the federal and state governments will be under pressure to reduce their overall spending in future years. These spending reductions could result in significant cuts to Medicare and Medicaid rates, having a negative impact on each of the hospitals' overall revenue. The hospitals' financial and operational capabilities will also continue to be challenged by potential declines in direct State appropriation support and inflationary and contractual cost increases.

Balance Sheets

June 30, 2016 and 2015

In thousands

Assets and Deferred Outflows of Resources	**2016**	**2015**
Current Assets:		
Cash and cash equivalents	$ 1,820,911	1,520,809
Deposits with bond trustees	386,936	386,449
Short-term investments	216,204	204,772
Accounts, notes, and loans receivable, net	633,586	850,121
Appropriations receivable	162,495	145,056
Grants receivable	264,007	317,553
Other assets	69,856	63,647
Total current assets	3,553,995	3,488,407
Noncurrent Assets:		
Restricted cash and cash equivalents	127,214	151,813
Deposits with bond trustees	326,571	300,232
Accounts, notes, and loans receivable, net	123,859	125,384
Appropriations receivable	664,690	564,136
Long-term investments	847,378	891,394
Other noncurrent assets	229,791	289,969
Capital assets, net	12,072,883	11,246,347
Total noncurrent assets	14,392,386	13,569,275
Total assets	**17,946,381**	**17,057,682**
Deferred outflows of resources	836,229	64,216
Total assets and deferred outflows of resources	**$ 18,782,610**	**17,121,898**

Liabilities, Deferred Inflows and Net Position	**2016**	**2015**
Current Liabilities:		
Accounts payable and accrued liabilities	896,389	1,025,781
Interest payable	81,893	81,083
Unearned revenue	408,326	425,749
Long-term debt - current portion	355,862	394,203
Long-term liabilities - current portion	285,950	235,347
Other liabilities	125,874	116,754
Total current liabilities	2,154,294	2,278,917
Noncurrent Liabilities:		
Long-term debt	9,910,995	9,694,636
Long-term liabilities	8,587,996	6,572,386
Refundable government loan funds	141,378	141,046
Other noncurrent liabilities	243,126	248,594
Total noncurrent liabilities	18,883,495	16,656,662
Total liabilities	**21,037,789**	**18,935,579**
Deferred inflows of resources	167,468	72,097
Total liabilities and deferred inflows of resources	**21,205,257**	**19,007,676**
Net Position:		
Net investment in capital assets	1,271,715	1,206,777
Restricted - nonexpendable:		
Instruction and departmental research	194,701	173,817
Scholarships and fellowships	106,523	103,967
General operations and other	138,535	129,939
Restricted - expendable:		
Instruction and departmental research	104,135	128,312
Scholarships and fellowships	55,079	68,319
General operations and other	207,264	162,092
Unrestricted	(4,500,599)	(3,859,001)
Total net position	**(2,422,647)**	**(1,885,778)**
Total liabilities, deferred inflows and net position	**$ 18,782,610**	**$ 17,121,898**

See accompanying notes to the financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2016 and 2015
In thousands

	2016	2015
Operating revenues:		
Tuition and fees	$ 2,239,519	2,110,686
Less: scholarship allowances	(602,491)	(580,092)
Net tuition and fees	1,637,028	1,530,594
Federal grants and contracts	628,917	613,668
State and local grants and contracts	156,089	160,163
Private grants and contracts	391,389	461,538
Hospitals and clinics	2,777,827	2,634,882
Sales and services of auxiliary enterprises:		
Residence halls, net	447,074	433,781
Food service and other, net	219,001	214,587
Other sources	188,116	205,513
Total operating revenues	**6,445,441**	**6,254,726**
Operating expenses:		
Instruction	2,564,186	2,469,683
Research	724,805	728,789
Public service	311,337	302,311
Academic support	552,763	525,192
Student services	367,897	340,429
Institutional support	1,071,044	1,011,070
Operation and maintenance of plant	670,301	711,729
Scholarships and fellowships	234,458	237,921
Hospitals and clinics	2,876,470	2,690,530
Auxiliary enterprises:		
Residence halls	355,408	358,975
Food service and other	270,034	262,573
Depreciation and amortization expense	579,446	552,555
Other operating expenses	33,887	27,679
Total operating expenses	**10,612,036**	**10,219,436**
Operating loss	**(4,166,595)**	**(3,964,710)**
Nonoperating revenues (expenses):		
State appropriations	3,265,314	3,135,670
Federal and State nonoperating grants	573,155	566,023
Investment income, net	56,453	47,565
Net realized and unrealized losses	(75,919)	(5,469)
Gifts	130,023	109,537
Interest expense on capital related debt	(456,727)	(426,909)
Gain (loss) on disposal of plant assets	86,711	(15,878)
Other nonoperating expenses, net	(38,503)	(14,369)
Net nonoperating revenues	**3,540,507**	**3,396,170**
Loss before other revenues and gains	**(626,088)**	**(568,540)**
Capital appropriations	25,164	23,719
Capital gifts and grants	31,223	65,387
Additions to permanent endowments	32,832	52,264
Decrease in net position	**(536,869)**	**(427,170)**
Net position at the beginning of year	**(1,885,778)**	**(1,458,608)**
Net position at the end of year	**$ (2,422,647)**	**(1,885,778)**

See accompanying notes to the financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015
In thousands

	2016	2015
Cash flows from operating activities:		
Tuition and fees	$ 1,638,843	1,541,417
Grants and contracts:		
Federal	630,418	615,084
State and local	210,130	121,586
Private	464,083	471,053
Hospital and clinics	2,903,869	2,328,621
Personal service payments	(4,313,809)	(4,035,392)
Other than personal service payments	(2,551,895)	(2,552,982)
Payments for fringe benefits	(554,392)	(480,472)
Payments for scholarships and fellowships	(263,376)	(261,792)
Loans issued to students	(24,784)	(27,815)
Collection of loans to students	25,014	25,481
Auxiliary enterprise charges:		
Residence halls	449,750	438,173
Food service and other	213,140	206,734
Other receipts	151,674	142,359
Net cash used by operating activities	**(1,021,335)**	**(1,467,945)**
Cash flows from noncapital financing activities:		
State appropriations:		
Operations	1,089,416	1,066,998
Debt service	498,799	803,832
Federal and State nonoperating grants	573,159	565,933
Private gifts and grants	104,791	111,690
Proceeds from short-term loans	90,637	259,278
Repayment of short-term loans	(96,561)	(257,144)
Direct loan receipts	1,155,383	1,148,684
Direct loan disbursements	(1,155,383)	(1,148,684)
Other receipts	(16,574)	141,038
Net cash provided by noncapital financing activities	**2,243,667**	**2,691,625**
Cash flows from capital and related financing activities:		
Proceeds from capital debt	1,951,348	1,412,680
Capital appropriations	26,383	25,718
Capital grants and gifts received	31,733	64,088
Proceeds from sale of capital assets	98,853	1,711
Purchases of capital assets	(191,903)	(189,914)
Payments to contractors	(998,256)	(988,433)
Principal paid on capital debt and leases	(1,345,757)	(859,972)
Interest paid on capital debt and leases	(505,871)	(479,108)
Deposits with bond trustees	(27,787)	(82,807)
Net cash used by capital and related financing activities	**(961,257)**	**(1,096,037)**
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	371,448	327,042
Interest, dividends, and realized gains on investments	41,306	53,787
Purchases of investments	(398,326)	(326,296)
Net cash provided by investing activities	**14,428**	**54,533**
Net change in cash	**275,503**	**182,176**
Cash - beginning of year	**1,672,622**	**1,490,446**
Cash - end of year	**$ 1,948,125**	**1,672,622**
End of year cash comprised of:		
Cash and cash equivalents	**$ 1,820,911**	**1,520,809**
Restricted cash and cash equivalents	**$ 127,214**	**151,813**

Statements of Cash Flows (continued)

For the Years Ended June 30, 2016 and 2015
In thousands

	2016	2015
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$ (4,166,595)	(3,964,710)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	579,446	552,555
Fringe benefits and litigation	1,525,573	1,473,952
Change in assets and liabilities:		
Receivables, net	206,864	(199,571)
Other assets	32,085	14,390
Accounts payable and accrued liabilities	(145,618)	64,041
Unearned revenue	70,663	1,544
Other liabilities	876,247	589,854
Net cash used by operating activities	**$ (1,021,335)**	**(1,467,945)**
Supplemental disclosures for noncash transactions:		
New capital leases / debt agreements	$ 2,242,206	1,410,350
Fringe benefits provided by the State	$ 1,497,863	1,305,804
Litigation costs provided by State	$ 27,710	28,258
Noncash gifts	$ 4,413	3,135
Unrealized losses on investments	$ (61,747)	(20,471)

See accompanying notes to the financial statements.

State University of New York Component Units
Balance Sheet

June 30, 2016 (with comparative financial information as of June 30, 2015)
In thousands

Assets	2016	2015
Cash and cash equivalents	$ 277,028	244,512
Accounts and notes receivable, net	47,134	44,913
Pledges receivable, net	156,804	142,857
Investments	2,045,905	2,034,050
Assets held for others	40,598	32,541
Other assets	76,979	74,927
Capital assets, net	578,741	590,390
Total assets	**$ 3,223,189**	**3,164,190**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	58,938	80,709
Deferred revenue	15,162	17,602
Deposits held in custody for others	158,242	113,993
Other liabilities	81,223	70,368
Long-term debt	394,541	412,801
Total liabilities	**708,106**	**695,473**
Net Assets:		
Unrestricted:		
Board designated for:		
Fixed assets	221,170	214,284
Campus programs	110,786	103,666
Investments	205,591	218,471
General operations and other	89,749	79,514
Undesignated	133,299	141,201
Total unrestricted net assets	760,595	757,136
Temporarily restricted:		
Scholarships and fellowships	172,702	193,955
Campus programs	438,666	419,121
Research, general operations and other	321,055	324,257
Total temporarily restricted net assets	932,423	937,333
Permanently restricted:		
Scholarships and fellowships	363,311	333,369
Campus programs	369,648	354,947
Research, general operations and other	89,106	85,932
Total permanently restricted net assets	822,065	774,248
Total net assets	**2,515,083**	**2,468,717**
Total liabilities and net assets	**$ 3,223,189**	**3,164,190**

See accompanying notes to the financial statements.

State University of New York Component Units
Statement of Activities

For the Year Ended June 30, 2016 (with summarized financial information for the year ended June 30, 2015)
In thousands

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Revenues:					
Contributions, gifts and grants	$ 38,511	123,781	49,753	212,045	181,107
Loss on uncollectible contributions	—	(2,747)	(61)	(2,808)	(16,747)
Food service	289,766	—	—	289,766	281,151
Other auxiliary services	77,793	—	—	77,793	77,480
Rental income	68,501	309	—	68,810	66,741
Sales and services	27,635	2,091	—	29,726	130,097
Program income and special events	45,932	2,371	7	48,310	47,490
Investment income, net	9,589	20,977	454	31,020	32,802
Net realized and unrealized gains (losses)	(7,907)	(13,863)	(101)	(21,871)	41,663
Change in value of split interest agreements	299	(453)	(590)	(744)	(3,917)
Other sources	17,703	2,426	21	20,150	24,040
Transfers of permanently restricted net assets	10,881	(11,182)	301	—	—
Endowment earnings transferred	—	17	(17)	—	—
Net assets released from restrictions	129,790	(129,790)	—	—	—
Total revenues	**708,493**	**(6,063)**	**49,767**	**752,197**	**861,907**
Expenses:					
Food service	246,138	—	—	246,138	237,282
Other auxiliary services	66,980	—	—	66,980	65,948
Program expenses	123,533	—	—	123,533	129,259
Health care services	20,220	—	—	20,220	121,093
Payments to the State University:					
Scholarships and fellowships	57,115	—	—	57,115	54,082
Other	50,300	—	—	50,300	47,557
Real estate expenses	44,635	—	—	44,635	47,331
Management and general	55,321	—	—	55,321	52,465
Fundraising	25,122	—	—	25,122	23,887
Other expenses	16,467	—	—	16,467	17,217
Total expenses	**705,831**	**—**	**—**	**705,831**	**796,121**
Change in net assets	**2,662**	**(6,063)**	**49,767**	**46,366**	**65,786**
Net asset reclassification	**797**	**1,153**	**(1,950)**	**—**	**—**
Total change in net assets	**3,459**	**(4,910)**	**47,817**	**46,366**	**65,786**
Net assets at the beginning of year	**757,136**	**937,333**	**774,248**	**2,468,717**	**2,402,931**
Net assets at the end of year	**$ 760,595**	**932,423**	**822,065**	**2,515,083**	**2,468,717**

See accompanying notes to the financial statements.

Notes to Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies and Basis of Presentation

Reporting Entity

For financial reporting purposes, the State University of New York (State University) consists of all sectors of the State University including the university centers, health science centers (including hospitals), colleges of arts and sciences, colleges of technology and agriculture, specialized colleges, statutory colleges (located at the campuses of Cornell and Alfred Universities), central services and other affiliated entities determined to be includable in the State University's financial reporting entity.

Inclusion in the reporting entity is based primarily on the notion of financial accountability, defined in terms of a primary government (State University) that is financially accountable for the organizations that make up its legal entity. Separate legal entities meeting the criteria for inclusion in the blended totals of the State University reporting entity are described below. The State University is included in the financial statements of the State of New York (State) as an enterprise fund, as the State is the primary government of the State University.

The Research Foundation for The State University of New York (Research Foundation) is a separate, private, nonprofit educational corporation that administers the majority of the State University's sponsored programs. These programs are for the exclusive benefit of the State University and include research, training, and public service activities of the State-operated campuses supported by sponsored funds other than State appropriations. The Research Foundation provides sponsored programs administration and innovation support services to State University faculty performing research in life sciences and medicine; engineering and technology; physical sciences and energy; social sciences; and computer and information services. The activity of the Research Foundation has been included in these financial statements using GASB measurements and recognition standards. The financial activity was primarily derived from audited financial statements of the Research Foundation for the years ended June 30, 2016 and 2015.

The State University Construction Fund (Construction Fund) is a public benefit corporation that designs, constructs, reconstructs and rehabilitates facilities of the State University pursuant to an approved master plan. Although the Construction Fund is a separate legal entity, it carries out operations which are integrally related to and for the exclusive benefit of the State University and, therefore, the financial activity related to the Construction Fund is included in the State University's financial statements as of the Construction Fund's fiscal years ended March 31, 2016 and 2015.

The State statutory colleges at Cornell University and Alfred University are an integral part of, and are administered by, those universities. The statutory colleges are fiscally dependent on State appropriations through the State University. The financial statement information of the statutory colleges of Cornell University and Alfred University has been included in the accompanying financial statements.

Most of the State University's campuses maintain auxiliary services corporations and some campuses maintain student housing corporations. These corporations are legally separate, nonprofit organizations which, as independent contractors, operate, manage, and promote educationally related services for the benefit of the campus community. Almost all of the State University campuses also maintain foundations, which are legally separate, nonprofit, affiliated organizations that receive and hold economic resources that are significant to, and that are entirely for the benefit of the State University, and are required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the campus-related auxiliary service corporations, student housing corporations and foundations are separately presented as an aggregate component unit on pages 20 and 21 of these financial statements in accordance with display requirements prescribed by the Financial Accounting Standards Board (FASB). All of the financial data for these organizations was derived from each entity's individual audited financial statements, the majority of which have a May 31 or June 30 fiscal year end. The combined totals are also included in the financial statements of the State's discretely presented component unit combining statements.

The operations of certain related but independent organizations, i.e., clinical practice management plans, alumni associations and student associations, do not meet the criteria for inclusion, and are not included in the accompanying financial statements.

The State University administers State financial assistance to the community colleges in connection with its general oversight responsibilities pursuant to New York State Education Law. However, since these community colleges are sponsored by local

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

governmental entities and are included in their financial statements, the community colleges are not considered part of the State University's financial reporting entity and, therefore, are not included in the accompanying financial statements.

The accompanying financial statements of the State University have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the GASB. The State University reports its financial statements as a special purpose government engaged in business-type activities, as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the State University consist of classified balance sheets, which separately classify deferred outflows of resources and deferred inflows of resources; statements of revenues, expenses, and changes in net position, which distinguish between operating and nonoperating revenues and expenses; and statements of cash flows, using the direct method of presenting cash flows from operations and other sources.

The State University's policy for defining operating activities in the statement of revenues, expenses, and changes in net position are those that generally result from exchange transactions, i.e., the payments received for services and payments made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities and include the State University's operating and capital appropriations from the State, federal and State financial aid grants (e.g., Pell and TAP), investment income gains and losses, gifts, and interest expense.

Net Position

Resources are classified for accounting and financial reporting purposes into the following four net position categories:

Net investment in capital assets

Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted – nonexpendable

Net position component subject to externally imposed conditions that the State University is required to retain in perpetuity.

Restricted – expendable

Net position component whose use is subject to externally imposed conditions that can be fulfilled by the actions of the State University or by the passage of time.

Unrestricted component of net position

The unrestricted component of net position includes amounts provided for specific use by the State University's colleges and universities, hospitals and clinics, and separate legal entities included in the State University's reporting entity that are designated for those entities and, therefore, not available for other purposes.

The State University has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

Revenues

Revenues are recognized in the period earned. State appropriations are recognized when they are made legally available for expenditure. Revenues and expenses arising from nonexchange transactions are recognized when all eligibility requirements, including time requirements, are met. Promises of private donations are recognized at fair value. Net patient service revenue for the hospitals is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors.

Tuition and fees and auxiliary sales and service revenues are reported net of scholarship discounts and allowances. Auxiliary sales and service revenue classifications for 2016 and 2015 were reported net of scholarship discount and allowance amounts of $105.4 million and $100.6 million for residence halls and $40.8 million and $39.1 million for food service and other auxiliary services, respectively.

Notes to Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined as current operating assets and include investments with original maturities of less than 90 days, except for cash and cash equivalents held in investment pools which are included in short-term and long-term investments on the accompanying balance sheets.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent unspent funds under various capital financing arrangements, cash held for others, and cash restricted for loan and residence hall programs.

Investments

During the year, the State University implemented GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Investments in marketable securities are stated at fair value based upon quoted market prices. Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade date basis. Any net earnings not expended are included as increases in restricted – nonexpendable net position if the terms of the gift require that such earnings be added to the principal of a permanent endowment fund, or as increases in restricted – expendable net position as provided for under the terms of the gift, or as unrestricted. At June 30, 2016 and 2015, the State University had $198 million and $274 million available for authorization for expenditure, including $125 million and $178 million from restricted funds and $73 million and $96 million from unrestricted funds, respectively.

The Investment Committee of the Cornell Board of Trustees establishes the investment policy for Cornell University as a whole, including investments that support the statutory colleges. Distributions from the pool are approved by the Cornell Board of Trustees and are provided for program support independent of the cash yield and appreciation of investments in that year. The Board applies the "prudent person" standard when making its decision whether to appropriate or accumulate endowment funds in compliance with the New York Prudent Management of Institutional Funds Act (NYPMIFA). Investments in the pool are stated at fair value and include limited use of derivative instruments including futures, forward, options and swap contracts designed to manage market exposure and to enhance the total return.

Alternative investments are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by the external investment managers. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed.

Capital Assets

Capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. Building renovations and additions costing over $100,000 and equipment items with a unit cost of $5,000 or more are capitalized. Equipment under capital leases is stated at the present value of minimum lease payments at the inception of the lease. Generally, the net interest cost on debt during the construction period related to capital projects is capitalized. Capitalized interest totaled $14 million and $15 million in the 2016 and 2015 fiscal years, respectively. Intangible assets, including internally generated computer software of $1 million or more are capitalized. Library materials are capitalized and amortized over a ten-year period. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized. Capital assets, with the exception of land, construction in progress, and inexhaustible works of art or intangible assets, are depreciated on a straight-line basis over their estimated useful lives, using historical and industry experience, ranging from 2 to 50 years.

Notes to Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by a college or university that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the college or university that is applicable to a future reporting period. Deferred inflows and deferred outflows of resources include amounts related to changes in the net pension liability of the State University's cost sharing pension plans. Deferred outflows of resources also include losses resulting from refinancing of debt which represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt.

Compensated Absences

Employees accrue annual leave based primarily on the number of years employed up to a maximum rate of 21 days per year up to a maximum total of 40 days.

Fringe Benefits

Employee fringe benefit costs (e.g., health insurance, workers' compensation, and post-retirement benefits) for State University and statutory employees are paid by the State on behalf of the State University (except for the State University hospitals and Research Foundation, which pay their own fringe benefit costs) at a fringe benefit rate determined by the State. The State University records an expense and corresponding State appropriation revenue for fringe benefit costs based on the fringe benefit rate applied to total eligible personal service costs incurred.

Pensions

During 2015, the State University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and related amendments. For the cost-sharing multiple employer pension plans the State University participates in, this Statement requires that a portion of the Plan's net pension liability (asset), as well as deferred inflows and outflows from pension activities be reflected in the reported amounts on the balance sheet. The State University is considered a participating employer of the New York State and Local Retirement System (ERS) and New York State Teachers' Retirement System (TRS) pension plans. As a result, the State University has recorded a participating proportion of the net pension asset and liability and related deferrals of the TRS and ERS plans, respectively. Also, the State University administers a single-employer defined benefit plan for which the State University reports the entire net pension liability and related deferred inflows and deferred outflows. This plan is frozen and is further described in note 8 to the financial statements. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to and deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by those plans.

Postemployment and Post-retirement Benefits

Postemployment benefits other than pensions are recognized on an actuarially determined basis as employees earn benefits that are expected to be used in the future. The amounts earned include employee sick leave credits expected to be used to pay for a share of post-retirement health insurance.

Tax Status

The State University and the Construction Fund are political subdivisions of the State and are, therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations. The Research Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally tax-exempt on related income, pursuant to Section 501(a) of the Code.

Reclassifications

Certain amounts displayed in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

1. Summary of Significant Accounting Policies and Basis of Presentation (continued)

Use of Estimates

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

2. Cash and Cash Equivalents

Cash and cash equivalents represent State University funds held in the State treasury, in the short-term investment pool (STIP), or local depositories, and cash held by affiliated organizations. Cash held in the State treasury beyond immediate need is pooled with other State funds for short-term investment purposes.

The pooled balances are limited to legally-stipulated investments which include obligations of, or are guaranteed by, the United States; obligations of the State and its political subdivisions; and repurchase agreements. These investments are reported at cost (which approximates fair value) and are held by the State's agent in its name on behalf of the State University.

The New York State Comprehensive Annual Financial Report contains the GASB Statement No. 40 risk disclosures for deposits held in the State treasury. Deposits not held in the State treasury that are not covered by depository insurance and are (a) uncollateralized or (b) collateralized with securities held by a pledging financial institution at June 30, 2016 and 2015, are as follows (in thousands):

	Category (a)	Category (b)
2016	$ 7,274	10,451
2015	5,433	14,762

3. Deposits with Bond Trustees

Deposits with bond trustees primarily represent DASNY bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. Pursuant to financing agreements with DASNY, bond proceeds, including interest income, are restricted for capital projects or debt service. Also included are non-bond proceeds which have been designated for capital projects and equipment.

The State University's deposits with bond trustees, which include cash and investments, are registered in the State University's name and held by an agent or in trust accounts in the State University's name. Cash and short-term investments held in the State treasury and money market accounts were approximately $127 million and $121 million at June 30, 2016 and 2015, respectively. The market value of investments held and maturity period are displayed in the following table (in thousands):

Fiscal Year 2016

Type of Investments	Fair Value	Less than 1 year	1-5 years
US Treasury notes/bonds	$ 237,600	236,755	845
US Treasury bills	94,064	94,064	—
US Treasury strips	85,818	85,818	—
Federal Home Loan Mortgage Corp.*	67,426	67,426	—
Federal National Mortgage Assoc.*	41,793	775	41,018
Federal Home Loan Bank	59,308	59,308	—
Total	$ 586,009	544,146	41,863

Notes to Financial Statements

June 30, 2016 and 2015

3. Deposits with Bond Trustees (continued)

Fiscal Year 2015

Type of Investments	**Fair Value**	**Less than 1 year**	**1-5 years**
US Treasury notes/bonds	$ 114,591	114,542	49
US Treasury bills	6,727	6,727	—
US Treasury strips	170,823	170,823	—
Federal Home Loan Mortgage Corp.*	76,432	76,432	—
Federal National Mortgage Assoc.*	187,339	95,538	91,801
Federal Home Loan Bank	9,899	9,839	60
Total	$ 565,811	473,901	91,910

**Rating on investments is AAA*

4. Investments

Investments of the State University are recorded at fair value. Investments include those held by the statutory colleges at Cornell University and Alfred University (Alfred Ceramics), the Research Foundation, the Construction Fund, and State University campuses.

For financial reporting purposes, assets attributable to the statutory colleges at Cornell University and Alfred University are held in Cornell University's and Alfred University's entire portfolio of investments and are invested in external investment pools. The assets are not managed by, or attributable to, any individual college and the statutory colleges do not have the authority to manage investment assets independently. The fair value of the statutory colleges' investments is primarily based on the unit value of the pools and the number of shares owned in the various investment pools. The table below presents the unit value of each external investment pool, in addition to the fair value (in thousands) of assets attributable to statutory colleges at June 30.

	2016		**2015**	
	Unit Value	**Fair Value**	**Unit Value**	**Fair Value**
Cornell Statutory Colleges:				
Endowments:				
Long-term investment pool	$ 52.32	771,006	$ 57.31	$ 809,971
Charitable gift annuities master trust units	1.47	11,544	1.49	12,191
Charitable trusts:				
Endowment strategy	51.97	23,571	55.28	25,525
Common trust fund - growth	32.81	5,918	33.94	6,413
Common trust fund - income	13.22	2,247	13.16	2,416
Common trust fund - premier	8.37	574	8.58	565
Pooled life income funds:				
PLIF A	1.32	665	1.33	735
PLIF B	2.43	987	2.47	789
Alfred Ceramics:				
Endowment long-term investment pool	6.21	19,731	6.48	21,581
Total external investment pools		$ 836,243		$ 880,186

4. Investments (continued)

The Research Foundation maintains a diverse investment portfolio and follows an investment policy and asset guidelines approved and monitored by its board of directors. The portfolio is mainly comprised of mutual funds, exchange-traded funds and alternative investments of high quality and liquidity. Investments are held with the investment custodian in the Research Foundation's name.

Investments of the Construction Fund are made in accordance with the applicable provisions of the laws of the State and the Construction Fund's investment policy and consist primarily of obligations of the United States government and its agencies. These investments are held by the State's agent in the State University Construction Fund's name.

Except for investments reported at net asset value (NAV) or its equivalent as a practical expedient to estimate fair value, fair value is measured using three levels:

Level 1: Investments include cash and money market funds, equity and fixed income securities with observable market prices. Fair value is readily determinable based on quoted market prices in active markets for those securities.

Level 2: Investments whose inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Investments have significant unobservable inputs. The inputs into the determination of fair value are based on the best information available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for investments measured at fair value:

Mutual funds and exchange traded funds are reported at current quoted fair values as of the balance sheet date.

Investments in limited liability partnerships and corporations represent investments measured at NAV or its equivalent and consist of hedge funds of funds, real estate, domestic and foreign equity funds, fixed income securities and private equity funds in various investment vehicles. These investments, which are not exchange traded, do not have readily determinable fair values. These investments are typically redeemable at NAV under the terms of the investment agreements. Estimates of fair value are made using NAV per share or its equivalent as a practical expedient and are not required to be categorized in the fair value hierarchy.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the State University believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a materially different fair value measurement at the reporting dates.

Notes to Financial Statements

June 30, 2016 and 2015

4. Investments (continued)

The composition of investments at June 30, 2016 and 2015 is as follows (in thousands):

Investments at June 30, 2016	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Cash and money market funds	$ 33,755	$ 33,755	$ —	$ —
U.S. Treasury bills	30,288	30,288	—	—
U.S. Treasury notes and bonds	121	121	—	—
Municipal bonds	158	—	158	—
U.S. fixed income	22,392	22,348	44	—
Global fixed income	8	8	—	—
Mutual funds - non-equities	1,490	—	1,490	—
U.S. equities	7,999	7,999	—	—
Foreign equities	4,933	4,933	—	—
Global equities	810	810	—	—
Real estate	7,292	6,717	—	575
Commodities	4,650	4,650	—	—
Emerging markets	2,077	2,077	—	—
Other	1,954	359	1	1,594
Total investments by fair value level	117,927	114,065	1,693	2,169
Investments measured at the net asset value (NAV):				
External investment pools	836,243			
Global equities	25,101			
Private equity	12,761			
Hedged equities	29,921			
Multi-strategy funds	29,281			
Credit securities	6,613			
Other	5,735			
Total investments measured at the NAV	945,655			
Total investments measured at fair value	$ 1,063,582			

4. Investments (continued)

2016 redemption disclosures for investments measured at the NAV (in thousands):

	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
External investment pools	$ 836,243	Monthly	Two months
Global equities	25,101	Monthly, quarterly, annually	30 to 90
Private equity	12,761	See below	N/A
Hedged equities	29,921	Quarterly	95
Multi-strategy funds	29,281	Quarterly	45 to 95
Credit securities	6,613	Quarterly	30 to 45
Other	5,735	N/A	N/A
Total investments measured at the NAV	$ 945,655		

Investments at June 30, 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level:				
Cash and money market funds	$ 25,497	$ 25,497	$ —	$ —
U.S. Treasury bills	15,058	15,058	—	—
U.S. Treasury notes and bonds	15,133	15,133	—	—
Municipal bonds	625	—	625	—
U.S. fixed income	20,358	20,326	32	—
Global fixed income	9	9	—	—
Mutual funds - non-equities	1,234	75	1,159	—
U.S. equities	5,518	5,518	—	—
Foreign equities	8,248	8,248	—	—
Global equities	976	976	—	—
Real estate	7,468	6,543	—	925
Commodities	4,261	4,261	—	—
Other	1,786	564	1	1,221
Total investments by fair value level	106,171	102,208	1,817	2,146
Investments measured at the net asset value (NAV):				
External investment pools	880,186			
Global equities	17,234			
Private equity	11,689			
Hedged equities	30,735			
Multi-strategy funds	28,605			
Credit securities	10,813			
U.S. equities	7,259			
Other	3,474			
Total investments measured at the NAV	989,995			
Total investments measured at fair value	$ 1,096,166			

Notes to Financial Statements

June 30, 2016 and 2015

4. Investments (continued)

2015 redemption disclosures for investments measured at the NAV (in thousands):

	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
External investment pools	$ 880,186	Monthly	Two months
Global equities	17,234	Monthly, quarterly, annually	30 to 90
Private equity	11,689	See below	N/A
Hedged equities	30,735	Quarterly	95
Multi-strategy funds	28,605	Quarterly	45 to 95
Credit securities	10,813	Quarterly	30 to 45
U.S. equities	7,259	Quarterly	45
Other	3,474	N/A	N/A
Total investments measured at the NAV	$ 989,995		

External investment pools represents ownership in Cornell University's and Alfred University's long-term investment pools (LTIP) or other split interest agreement pools. The objective of the LTIP investment policy is to maximize total return within a reasonable risk parameter - specifically, to achieve a total return, net of investment expenses, of at least 5% in excess of inflation as measured by a rolling average of the Consumer Price Index.

Private equity fund investments include non-controlling shares or interests in funds where the controlling general partner serves as the investment's manager. Such investments are generally not eligible for redemption from the fund or general partner, but can potentially be sold to third-party buyers in private transactions. It is the intent to hold these investments until the fund has fully distributed all proceeds to the investors. The State University has unfunded commitments to private equity investments as of June 30, 2016 and 2015 of approximately $10.9 million and $6.3 million, respectively.

Investment income is reported net of investment fees of approximately $6 million for both the June 30, 2016 and 2015 fiscal years. The State University did not have any exposure to foreign currency risk for investments held at June 30, 2016 and 2015.

At June 30, 2016 and 2015, the State University had non-equity investments and maturities as summarized in Table A.

Table A *(in thousands)*

	Fiscal Year 2016					Fiscal Year 2015				
Investment Type	**Market Value**	**Less than 1 yr**	**1-5 yrs**	**6-10 yrs**	**More than 10 yrs**	**Market Value**	**Less than 1 yr**	**1-5 yrs**	**6-10 yrs**	**More than 10 yrs**
US Treasury bills	$ 30,288	30,288	—	—	—	15,058	15,058	—	—	—
US Treasury notes/bonds	121	121	—	—	—	15,133	15,133	—	—	—
Municipal bonds	158	45	—	113	—	625	351	162	112	—
Fixed income & mutual funds - non-equities	23,170	—	1,981	20,957	232	21,722	836	2,011	18,646	229
Total investments	$ 53,737	30,454	1,981	21,070	232	52,538	31,378	2,173	18,758	229

4. Investments (continued)

Credit quality ratings of the State University's investments in debt securities, as described by Moody's, S&P, and Fitch as of June 30, 2016 and 2015 are summarized in Table B.

Table B *(in thousands)*

Credit Rating	AAA	AA	A	BBB	BB	B	Not Rated
Investment Type - 2016							
External investment pools	—	816,512	—	—	—	—	19,731
Municipal bonds	—	45	—	—	—	—	113
Fixed income and mutual funds - non-equities*	21,754	—	1,184	232	—	—	—
Total	$ 21,754	816,557	1,184	232	—	—	19,844
Investment Type - 2015							
External investment pools	—	858,605	—	—	—	—	21,581
Municipal bonds	—	513	—	—	—	—	112
Fixed income and mutual funds - non-equities*	20,563	—	930	229	—	—	—
Total	$ 20,563	859,118	930	229	—	—	21,693

**based on average credit quality of holdings*

5. Accounts, Notes, and Loans Receivable

At June 30, accounts, notes, and loans receivable are summarized for years 2016 and 2015, as follows (in thousands):

	2016	2015
Tuition and fees	$ 47,074	43,937
Allowance for uncollectible	(10,872)	(10,094)
Net tuition and fees	36,202	33,843
Room rent	12,249	11,407
Allowance for uncollectible	(2,936)	(2,650)
Net room rent	9,313	8,757
Patient fees, net of contractual allowances	871,621	1,087,750
Allowance for uncollectible	(383,464)	(358,372)
Net patient fees	488,157	729,378
Other, net	85,147	64,582
Total accounts and notes receivable	618,819	836,560
Student loans	162,744	163,102
Allowance for uncollectible	(24,118)	(24,157)
Total student loans receivable	138,626	138,945
Total, net	$ 757,445	975,505

Notes to Financial Statements

June 30, 2016 and 2015

6. Capital Assets

Capital assets, net of accumulated depreciation, totaled $12.07 billion and $11.25 billion at fiscal year ends 2016 and 2015, respectively. Capital asset activity for fiscal years 2016 and 2015 is reflected in Table C. In the table, closed projects and retirements represent capital assets retired and assets transferred from construction in progress for projects completed and added to the related capital assets category.

***Table C** (in thousands)*

	July 1, 2014	Additions	Closed Projects & Retirements	June 30, 2015	Additions	Closed Projects & Retirements	June 30, 2016
Capital assets:							
Land	$ 622,077	29,723	1,510	650,290	18,322	1,721	666,891
Infrastructure and land improvements	981,829	131,941	14,298	1,099,472	97,712	12,298	1,184,886
Buildings	10,506,594	888,714	105,080	11,290,228	1,043,853	141,425	12,192,656
Equipment, library books and other	3,008,558	184,051	64,352	3,128,257	211,548	141,787	3,198,018
Construction in progress	2,161,475	913,329	1,029,243	2,045,561	1,043,097	898,906	2,189,752
Total capital assets	17,280,533	2,147,758	1,214,483	18,213,808	2,414,532	1,196,137	19,432,203
Less: accumulated depreciation:							
Infrastructure and land improvements	464,927	45,656	12,252	498,331	50,424	10,007	538,748
Buildings	3,793,898	316,215	87,872	4,022,241	394,368	87,609	4,329,000
Equipment, library books and other	2,320,219	185,892	59,222	2,446,889	180,009	135,326	2,491,572
Total accumulated depreciation	6,579,044	547,763	159,346	6,967,461	624,801	232,942	7,359,320
Capital assets, net	$10,701,489	1,599,995	1,055,137	11,246,347	1,789,731	963,195	12,072,883

7. Long-term Liabilities

The State University has entered into capital leases and other financing agreements with DASNY to finance most of its capital facilities. The State University has also entered into financing arrangements with the New York Power Authority under the statewide energy services program. Equipment purchases are also made through DASNY's Tax-exempt Equipment Leasing Program (TELP), PIT Revenue Bonds, various state sponsored equipment leasing programs, and private financing arrangements. The State University is responsible for lease debt service payments sufficient to cover the interest and principal amounts due under these arrangements.

Notes to Financial Statements

June 30, 2016 and 2015

7. Long-term Liabilities (continued)

Total obligations as of June 30, 2016 and 2015, other than facilities obligations, which are included as of March 31, 2016 and 2015, are summarized in Table D.

Table D *(in thousands)*

For the 2016 Fiscal Year	July 1, 2015	Additions	Reductions	June 30, 2016	Current Portion
Long-term debt:					
Educational facilities	$ 7,991,574	1,137,563	769,305	8,359,832	226,791
Unamortized bond premium - educational facilities	630,148	134,444	76,014	688,578	35,265
Residence hall facilities	1,164,255	—	482,080	682,175	32,395
Unamortized bond premium - residence hall facilities	72,999	—	12,567	60,432	2,399
Capital lease arrangements	155,769	331,089	68,470	418,388	48,899
Other long-term debt	74,094	—	16,642	57,452	10,113
Total long-term debt	10,088,839	1,603,096	1,425,078	10,266,857	355,862
Other long-term liabilities:					
Postemployment and post-retirement	4,871,192	962,330	306,019	5,527,503	—
Collateralized borrowing	467,425	639,108	11,233	1,095,300	34,043
Litigation	592,829	129,261	24,094	697,996	34,745
Pension	424,659	956,012	300,035	1,080,636	25,751
Other long-term liabilities	451,628	180,777	159,894	472,511	191,411
Total other long-term liabilities	6,807,733	2,867,488	801,275	8,873,946	285,950
Total long-term liabilities	$16,896,572	4,470,584	2,226,353	19,140,803	641,812

For the 2015 Fiscal Year	July 1, 2014	Additions	Reductions	June 30, 2015	Current Portion
Long-term debt:					
Educational facilities	$ 7,541,201	1,191,381	741,008	7,991,574	250,508
Unamortized bond premium - educational facilities	500,993	188,276	59,121	630,148	31,901
Residence hall facilities	1,215,060	—	50,805	1,164,255	53,160
Unamortized bond premium - residence hall facilities	75,970	—	2,971	72,999	2,971
Capital lease arrangements	176,356	30,693	51,280	155,769	45,098
Other long-term debt	88,177	—	14,083	74,094	10,565
Total long-term debt	9,597,757	1,410,350	919,268	10,088,839	394,203
Other long-term liabilities:					
Postemployment and post-retirement	4,170,783	985,410	285,001	4,871,192	—
Collateralized borrowing	471,334	—	3,909	467,425	7,884
Litigation	542,768	65,471	15,410	592,829	30,138
Pension	438,366	246,871	260,578	424,659	26,913
Other long-term liabilities	449,583	149,152	147,107	451,628	170,412
Total other long-term liabilities	6,072,834	1,446,904	712,005	6,807,733	235,347
Total long-term liabilities	$15,670,591	2,857,254	1,631,273	16,896,572	629,550

7. Long-term Liabilities (continued)

Educational Facilities

The State University, through DASNY, has entered into financing agreements to finance various educational facilities which have a maximum 30-year life. Athletic facility debt is aggregated with educational facility debt. Debt service is paid by, or from specific appropriations of, the State.

During 2016, Personal Income Tax (PIT) Revenue Bonds were issued with a par amount of $704.1 million at a premium of $88.0 million for the purpose of financing capital construction and major rehabilitation for educational facilities. PIT bonds were also issued with a par amount of $21.0 million in order to refund $19.4 million of the State University's existing educational facilities obligations. The result will produce an estimated savings of $8.9 million in future cash flow, with an estimated present value gain of $3.6 million. In addition, during 2016 PIT bonds were issued with a par amount of $408.6 million at a premium of $46.5 million in order to refund $416.2 million of the State University's existing educational facilities obligations. The result will produce an estimated savings of $25.5 million in future cash flow, with an estimated present value gain of $37.8 million.

Residence Hall Facilities

The State University has entered into capital lease agreements for residence hall facilities. DASNY bonds for most of the residence hall facilities, which have a maximum 30-year life, are repaid from room rentals and other residence hall revenues. Upon repayment of the bonds, including interest thereon, and the satisfaction of all other obligations under the lease agreements, DASNY shall convey to the State University all rights, title, and interest in the assets financed by the capital lease agreements. Residence hall facilities revenue realized during the year from facilities from which there are bonds outstanding is pledged as a security for debt service and is assigned to DASNY to the extent required for debt service purposes. Any excess funds pledged to DASNY are available for residence hall capital and operating purposes.

In prior years, the State University defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in the State University's financial statements. As of March 31, 2016, $730.7 million of outstanding educational facilities obligations and $265.2 million of residence hall obligations were considered defeased.

Requirements of the long-term debt obligations as of June 30, 2016 are as follows (in thousands):

Fiscal Year(s)	Educational Facilities		Residential Facilities		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 226,793	416,782	32,395	32,686	96,674	26,091	355,862	475,559
2018	358,372	402,955	29,835	31,268	88,488	24,360	476,695	458,583
2019	285,901	387,118	25,810	29,924	86,571	22,551	398,282	439,593
2020	229,649	375,188	21,935	28,827	78,633	20,670	330,217	424,685
2021	242,300	365,402	19,095	27,882	71,753	18,713	333,148	411,997
2022-26	1,965,671	1,574,225	108,930	124,065	321,882	62,983	2,396,483	1,761,273
2027-31	1,682,332	1,096,045	98,445	97,938	246,261	9,807	2,027,038	1,203,790
2032-36	1,579,855	693,948	135,765	70,474	115,852	1	1,831,472	764,423
2037-41	1,349,740	303,986	172,565	30,374	86,544	—	1,608,849	334,360
2042-46	439,219	43,817	37,400	1,570	32,192	—	508,811	45,387
Total	$ 8,359,832	5,659,466	682,175	475,008	1,224,850	185,176	10,266,857	6,319,650
	Interest rates range from 0.70% to 5.88%		Interest rates range from 3.0% to 5.25%		Interest rates range from 0.51% to 8.28%			

7. Long-term Liabilities (continued)

Collateralized Borrowing

In March 2013, the State enacted legislation amending the Public Authorities Law and Education Law of the State. The amendments, among other things, authorized the State University to assign to DASNY all of the State University's rights, title and interest in dormitory facilities revenues derived from payments made by students and others for use and occupancy of certain dormitory facilities. The amendments further authorize DASNY to issue State University of New York Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by the State University. The enacted legislation also created a special fund to be held by the State's Commissioner of Taxation and Finance on behalf of DASNY. All dormitory facilities revenues collected by the State University are required to be deposited in this special fund.

The outstanding obligations under these bonds are reported as collateralized borrowing in the State University's financial statements since these bonds are not payable from any money of the State University or the State and neither the State University nor the State has any obligation to make any payments with respect to the debt service on the bonds. The pledged revenues recognized during the fiscal years ended June 30, 2016 and 2015 amounted to $536.8 million and $527.5 million, respectively. There were principal payments of $29.6 million and $2.8 million and interest payments of $38.9 million and $21.8 million during fiscal years 2016 and 2015, respectively. Total principal and interest outstanding on the bonds at June 30, 2016 were $985.4 million and $534.7 million, respectively, payable through July 1, 2045.

During 2016, bonds with a par amount of $555.0 million at a premium of $84.1 million were issued for purpose of financing capital construction as well as to refinance $428.9 million of the State University's existing residential facility obligations. The result will produce an estimated savings of $54.0 million in future cash flow, with an estimated present value gain of $42.5 million.

These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by the State University as agent for DASNY.

8. Retirement Plans

Retirement Benefits

The two major defined benefit retirement plans State University employees participate in are ERS and TRS. ERS is a cost-sharing, multiple-employer, defined benefit public plan administered by the State Comptroller. TRS is a cost-sharing, multiple-employer, defined benefit public plan separately administered by a ten-member board. The State University reported amounts include the net pension asset (liability) for employees of the State University that participate in ERS and TRS pension plans.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law (NYSRSSL) and Education Law and may only be amended by the Legislature with the Governor's approval. These plans offer a wide range of programs and benefits. ERS and TRS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Both plans provide a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to these plans on an actuarially determined rate. For ERS, this rate is determined annually by the State Comptroller and the average contribution rate for the fiscal year ended March 31, 2016 was approximately 18.2 percent of payroll. For TRS, this rate is determined by the TRS Board on annual basis and was 17.5 percent of payroll for the year ended June 30, 2015.

ERS and **TRS** provide retirement benefits as well as death and disability benefits through a range of programs. Benefits vary based on the date of membership, years of credited service and final average salary, as well as vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. For those members joining prior to January 1, 2010 benefits generally vest after five years of credited service. For those joining after January 1, 2010, benefits generally vest after 10 years of credited service. The NYSRSSL provides that all participants in ERS and TRS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS and TRS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to

8. Retirement Plans (continued)

contribute 3 percent of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5 percent of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS and TRS.

The State University administers a single-employer defined benefit plan, "the Upstate Medical University Retirement Plan for Former Employees of Community General Hospital (CGH)" (Upstate Plan). This plan provides for retirement benefits for former employees of CGH, and can be amended subject to applicable collective bargaining and employment agreements. For those who opted out of this plan, benefit accruals were frozen. No new participants can enter this plan. The State University established a Pension Oversight Committee (Committee) which has the primary fiduciary responsibility oversight of the Upstate Plan. The Committee is permitted to invest plan assets pursuant to various provisions of State law, including the State Retirement and Social Security Law (RSSL).

The Upstate Plan provides retirement, disability, termination and death benefits to plan participants and their beneficiaries. Pension benefits are generally based on the highest five year average compensation of the final ten years of employment, and years of credited service as outlined in the plan. Covered employees with five or more years of service are entitled to a pension benefit beginning at normal retirement age (65). Participants with less than five years of service are not vested. Participants become fully vested after five years of service. The funding policy is to contribute enough to the plan to satisfy the annual required contributions (ARC) and the employer contributions. Employees do not contribute to the Plan.

For ERS, TRS and the Upstate Plan, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. In addition, for each plan, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from participating employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position for each plan 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 for each plan. For 2016 and 2015, ERS used a discount rate of 7.0 percent and 7.5 percent, respectively, TRS used a discount rate of 8.0 percent and the Upstate Plan used a discount rate of 6.5 percent. The total contributions made to the ERS, TRS and Upstate Plan during 2016 and 2015 were $214.8 million and $244 million, $19.6 million and $17 million, and $2.0 million and $3 million, respectively. At June 30, 2016 and 2015, the total net pension liability, included in long-term liabilities, for these plans was $873.7 million and $188.3 million, respectively. Additionally, at June 30, 2016 and 2015, there is a pension asset, included in other noncurrent assets, of $77.2 million and $79.6 million, deferred outflows of resources of $780.0 million and $41.3 million, and deferred inflows of resources of $157.4 million and $72.1 million, respectively. For the fiscal years ended June 30, 2016 and 2015, the State University recognized pension expense of $300.7 million and $155.8 million, respectively.

ERS – The State University recognized a net pension liability of $859.3 million and $179.8 million for its proportionate share of the ERS net pension liability at June 30, 2016 and 2015, respectively. The State University's proportionate share of the net pension liability was determined consistent with the manner in which contributions to the pension plan are determined and was based on the ratio of the State University's total projected long-term contribution effort to the total ERS projected long-term contribution effort from all employers. The net pension liability at June 30, 2016 was measured as of March 31, 2016, and was determined by an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The net pension liability at June 30, 2015 was measured as of March 31, 2015, and was determined by an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The proportionate share of the net pension liability was 5.35 percent measured at March 31, 2016 compared to 5.32 percent measured at March 31, 2015.

Notes to Financial Statements

June 30, 2016 and 2015

8. Retirement Plans (continued)

For the fiscal years ended June 30, 2016 and 2015, the State University recognized pension expense related to ERS of $300.0 million and $159.1 million, respectively. At June 30, 2016 and 2015, the State University reported deferred outflows and deferred inflows of resources related to ERS from the following sources (in thousands):

	2016		2015	
	Deferred Outflows of Resources:	Deferred Inflows of Resources:	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 4,342	101,862	5,755	—
Changes of assumptions	229,162	—	—	—
Net difference between projected and actual earnings on pension plan investments	509,813	—	31,224	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,350	27,893	2,805	17,324
Total	$ 746,667	129,755	39,784	17,324

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30:	
2017	$ 155,716
2018	155,716
2019	155,716
2020	149,764

The actuarial assumptions included in the April 1, 2015 actuarial valuation included an inflation factor of 2.5 percent, projected salary increases of 3.8 percent and investment rate of return of 7.0 percent. The ERS Plan also assumes a projected COLA of 1.3 percent annually. Annuitant mortality rates are based on the Plan's 2015 experience study of the period April 1, 2010 – March 31, 2015 system experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions included in the April 1, 2014 actuarial valuation included an inflation factor of 2.7 percent, projected salary increases of 4.9 percent and investment rate of return of 7.5 percent. The ERS Plan also assumes a projected COLA of 50 percent of the annual CPI published by U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent. Annuitant mortality rates are based on April 1, 2005 - March 31, 2010 system experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2014 valuation were based on the actuarial experience study for the period April 1, 2005 to March 31, 2010.

Notes to Financial Statements

June 30, 2016 and 2015

8. Retirement Plans (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the ERS target asset allocation as of March 31, 2016 and 2015 are as follows:

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equities	38%	7.30%
International equities	13	8.55
Private equities	10	11.00
Real Estate	8	8.25
Absolute return strategies	3	6.75
Opportunistic portfolio	3	8.60
Real assets	3	8.65
Bonds and mortgages	18	4.00
Cash	2	2.25
Inflation-indexed bonds	2	4.00
Total	100%	

Sensitivity of the net pension (liability) asset to changes in the discount rate. The following presents the net pension (liability) asset of the State University, calculated using the discount rate of 7.0 percent as well as what the State University's net pension (liability) asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) and 1 percentage point higher (8.0%) than the current year rate (in thousands):

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Net Pension (Liability) Asset	$ (1,937,769)	(859,349)	51,870

The ERS retirement system issues a publicly available financial report that includes financial statements and supplementary information and provides detailed information about the pension plan's fiduciary net position. The report may be obtained at http://www.osc.state.ny.us/retire/about_us/financial_ statements_index.php.

The ERS plan allows participating employers to amortize a portion of their annual pension costs. The amounts amortized will be paid back with interest over 10 years. The State University participates in this program and the total pension payable included in long-term liabilities at June 30, 2016 and 2015 is $206.9 million and $236.3 million, respectively.

TRS – The State University recognized a net pension asset of $77.2 million and $79.6 million for its proportionate share of the TRS net pension asset at fiscal year ends 2016 and 2015, respectively. The State University's proportionate share of the net pension asset was based on the ratio of the State University's actuarially determined employer contribution to the total TRS actuarially determined employer contribution. The net pension asset reported at June 30, 2016 was measured as of June 30, 2015, and was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The net pension asset reported at June 30, 2015 was measured as of June 30, 2014, and was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The proportionate share of the net pension asset was 0.743% measured at June 30, 2015 compared to 0.714% at June 30, 2014.

8. Retirement Plans (continued)

For fiscal years ended June 30, 2016 and 2015, the State University recognized pension expense related to TRS of $(5.2) million and $(3.1), respectively. At June 30, 2016 and 2015, the State University reported deferred outflows and deferred inflows of resources related to TRS from the following sources (in thousands):

	2016		2015	
	Deferred Outflows of Resources:	Deferred Inflows of Resources:	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ —	2,139	—	1,164
Net difference between projected and actual earnings on pension plan investments	—	24,399	—	53,453
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	1,032	—	156
Employer contributions subsequent to measurement date	23,746	—	—	—
Total	$ 23,746	27,570	—	54,773

The employee contributions subsequent to the measurement date of $23.7 million will be recognized as a reduction of net pension liability in fiscal year 2017. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30:		
2017	$	(9,967)
2018		(9,967)
2019		(9,967)
2020		3,932
2021		(393)
Thereafter	$	(1,208)

The actuarial assumptions included in the June 30, 2015 and 2014 measurements included an inflation factor of 3.0 percent, investment rate of return of 8.0 percent, and projected COLA of 1.625 percent compounded annually. Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA. Projected salary increases are below and differ based on age and gender. They have been calculated based on recent TRS member experience. During the measurement period beginning July 1, 2014, there were no changes in assumptions or benefit terms. The actuarial assumptions used in the June 30, 2014 valuation were based on the actuarial experience study for the period July 1, 2005 to June 30, 2010.

Age	Female	Male
25	10.35%	10.91%
35	6.26	6.27
45	5.39	5.04
55	4.42	4.01

Notes to Financial Statements

June 30, 2016 and 2015

8. Retirement Plans (continued)

Best estimates of arithmetic real rates of return for each major asset class included in TRS target asset allocation as of the valuation date of June 30, 2015 and June 30, 2014 for reporting at June 30, 2016 and 2015 were as follows:

	2016		2015	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equities	37%	6.5%	37%	7.3%
International equities	18	7.7	18	8.5
Real estate	10	4.6	10	5.0
Alternative investments	7	9.9	7	11.0
Domestic fixed income securities	17	2.1	18	1.5
Global fixed income securities	2	1.9	2	1.4
Mortgages	8	3.4	8	3.4
Short-term	1	1.2	—	0.8
Total	100%		100%	

*Real rates of return are net of a long-term inflation assumption of 2.3% for 2014 and 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.0%.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension (liability) asset of the State University, calculated using the discount rate of 8.0% as well as what the State University's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (7.0%) and 1-percentage point higher (9.0%) than the current year rate (in thousands):

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
Net Pension (Liability) Asset	$ (5,265)	77,186	147,499

TRS report may be obtained at: https://www.nystrs.org/Library/Publications/Annual-Report.

Upstate Plan – At June 30, 2016, the State University recognized a net pension liability of $14.4 million based on the net pension liability as reported by the plan as follows (in thousands):

	2016	2015
Total pension liability	$ (104,611)	$ (104,665)
Plan fiduciary net position	90,223	96,114
Net pension liability	$ (14,388)	$ (8,551)
Ratio of plan fiduciary net position to total pension liability	(86.3)%	(91.8)%

The total pension liability was measured as of January 1, 2016 and was determined by using an actuarial valuation as of January 1, 2016. For the years ended June 30, 2016 and 2015, the State University recognized pension expense of $5.9 million and ($0.1) million related to the Upstate Plan. At June 30, 2016 and 2015, $2.8 million and $1.5 million were reported as deferred outflows of resources related to pensions resulting from the State University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, respectively.

8. Retirement Plans (continued)

At June 30, 2016, the State University reported deferred outflows and deferred inflows of resources related to the Upstate Plan from the following sources (in thousands):

	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 604	—
Net difference between projected and actual earnings on pension plan investments	5,463	43
Changes in assumptions	754	—
Employer contributions subsequent to measurement date	2,800	—
Total	$ 9,621	43

There were no material deferred inflows or deferred outflows of resources associated with the Upstate Plan at June 30, 2015.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow (in thousands):

Year Ended June 30:	
2017	$ 2,659
2018	1,402
2019	1,351
2020	1,366

Membership of the Upstate Plan at December 31, 2015 totaled 1,607 members, comprised of 465 active members, 439 inactive vested members, and 703 retirees and beneficiaries currently receiving benefits. Membership of the Upstate Plan at December 31, 2014 totaled 1,816 members, comprised of 569 active members, 599 inactive vested members, and 648 retirees and beneficiaries currently receiving benefits. The actuarial assumptions included in the December 31, 2015 and 2014 measurements included an inflation factor of 3.0 percent, projected salary increases of 3.5 percent and investment rate of return of 6.5 percent. Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted back to 2006 using Scale MP-2014, and then projected with mortality improvements using Scale MP-2015 on a fully generational basis.

Best estimates of arithmetic real rates of return for each major asset class included in the Upstate Plan's target asset allocation as of December 31, 2015 and 2014 for reporting at June 30, 2016 and 2015 were as follows:

	2016		2015	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	50%	5.10	50	5.35
Non-U.S. Equities	15	5.00	15	5.25
Fixed Income	30	0.75	30	0.75
Alternatives (Real Assets)	5	3.75	5	3.9
	100%		100%	

8. Retirement Plans (continued)

Sensitivity of the net pension (liability) asset to changes in the discount rate: The following presents the net pension liability calculated using the discount rate of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate (in thousands):

	1% Decrease (5.5%)	Current Discount (6.5%)	1% Increase (7.5%)
Net Pension (Liability) Asset	$ (26,842)	(14,388)	(3,931)

The Upstate Plan issues a stand-alone financial report on a calendar year basis (i.e., December 31) that includes disclosure about the elements of the pension plan's basic financial statements. These financial statements are prepared on the accrual basis of accounting in accordance with GAAP, with investments reported at fair value and benefits recognized when due and payable in accordance with the terms of the Upstate Plan. The pension plan fiduciary net position has been determined on the same basis used by the pension plan. The schedule of changes in the net pension liability for the Upstate Plan are reflected in the Required Supplementary Information on page 56. The pension plan financial statements may be requested at FOIL@upstate.edu.

ORP – State University employees may also participate in an Optional Retirement Program (ORP) under IRS Section 401(a), which is a multiple-employer, defined contribution plan administered by separate vendors – TIAA-CREF, Fidelity, Metropolitan Life, VALIC, and VOYA. ORP employer and employee contributions are dictated by State law. The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in an ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such there are no forfeitures reported by these plans if an employee is terminated prior to vesting. Employees who joined an ORP after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the respective ORP. State University employer contributions of $242.3 million and $223.8 million and employee contributions of $27.7 and $23.4 million were made during fiscal years 2016 and 2015, respectively.

Each retirement system issues a publicly available financial report that includes financial statements and supplementary information. The ORP financial reports can be obtained by requesting them from their respective corporate offices.

The Research Foundation maintains a separate non-contributory plan through TIAA-CREF for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 8 percent to 15 percent, depending on date of hire. Employees become fully vested after completing one year of service. Contributions are allocated to individual employee accounts. The payroll for Research Foundation employees covered by TIAA-CREF for its fiscal years ended June 30, 2016 and 2015 was $371 million and $362 million, respectively. The Research Foundation pension contributions were $31 million and $30 million for 2016 and 2015, respectively. These contributions are equal to 100 percent of the required contributions for each year.

Postemployment and Post-retirement Benefits

The State, on behalf of the State University, provides health insurance coverage for eligible retired State University employees and their survivors as part of the New York State Health Insurance Plan (NYSHIP). NYSHIP offers comprehensive benefits through various providers consisting of hospital, medical, mental health, substance abuse and prescription drug programs. The State administers NYSHIP and has the authority to establish and amend the benefit provisions offered. NYSHIP is considered an agent multiple-employer defined benefit plan, is not a separate entity or trust, and does not issue stand-alone financial statements. The State University, as a participant in the plan, recognizes these other postemployment benefit (OPEB) expenses on an accrual basis.

8. Retirement Plans (continued)

Employee and retiree contribution rates for NYSHIP are established by the State and are generally 12 percent for enrollee coverage and 27 percent for dependent coverage. NYSHIP premiums are being financed on a pay-as-you-go basis. During the fiscal year, the State, on behalf of the State University, paid health insurance premiums of $283.7 million. The State University's OPEB obligation and funded status of the plan for the years ended June 30, 2016, 2015, and 2014 were as follows (in thousands):

	2016	2015	2014
Annual OPEB cost	$ 922,570	$ 926,232	718,598
Benefits paid	(283,650)	(263,780)	(252,084)
Increase in OPEB obligation	638,920	662,452	466,514
Net obligation at beginning of year	4,680,385	4,017,933	3,551,419
Net obligation at end of year	$ 5,319,305	4,680,385	4,017,933
Funded Status:			
Actuarial accrued liability (AAL)	14,427,276	14,427,276	13,932,707
Actuarial value of OPEB plan assets	—	—	—
Unfunded AAL (UAAL)	$ 14,427,276	14,427,276	13,932,707
Actuarial valuation date	April 1, 2014	April 1, 2014	April 1, 2012
Funded ratio	—	—	—
Covered payroll	$ 3,600,635	$ 3,336,622	3,201,732
UAAL as a % of covered payroll	401%	432%	435%

The components of the State University's OPEB obligation include the total ARC of $939.4 million, ARC reduction of $164.5 million, and interest costs of $147.7 million.

The initial unfunded accrued actuarial liability is being amortized over an open period of thirty years using the level percentage of projected payroll amortization method.

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 3.2 percent discount rate, payroll growth rate of 3.0 percent, and an annual healthcare cost trend rate for medical coverage of 8.25 percent initially, reduced by decrements to a rate of 4.75 percent after 7 years.

Projections of benefits are based on the plan and include the types of benefits provided at the time of each valuation. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of future events, and actual results are considered for future valuations. The actuarial methods and assumptions used are designed to reduce short-term volatility in reported amounts and reflect a long-term perspective.

The Research Foundation sponsors a separate single employer defined benefit post-retirement plan that covers substantially all nonstudent employees. The plan provides post-retirement medical benefits and is contributory for employees hired after 1985. In fiscal years 2011 and 2013, the Research Foundation amended the plan to increase the participant contribution rates for those hired after 1985 with the specific rates to be determined based on an employee's years of service.

Contributions by the Research Foundation are made pursuant to a funding policy established by its Board of Directors. Assets are held in a Voluntary Employee Benefit Association (VEBA) trust and are considered plan assets in determining the funded status or funding progress of the plan under GASB reporting and measurement standards. The plan issued stand-alone financial statements for the 2015 calendar year.

Notes to Financial Statements

June 30, 2016 and 2015

8. Retirement Plans (continued)

The Research Foundation's OPEB obligation and funded status of the plan for the years ended June 30, 2016, 2015 and 2014, respectively, were as follows (in thousands):

	2016	2015	2014
Annual OPEB cost	$ 39,760	$ 59,177	(9,982)
Benefits paid	(11,659)	(10,859)	(9,557)
Contribution to plan	(10,709)	(10,362)	(8,447)
Change in OPEB obligation	17,392	37,956	(27,986)
Net obligation at beginning of year	190,806	152,850	180,836
Net obligation at end of year	$ 208,198	190,806	152,850
Funded status:			
Actuarial accrued liability (AAL)	400,221	359,877	294,535
Actuarial value of OPEB plan assets	176,347	169,827	148,675
Unfunded AAL (UAAL)	$ 223,874	190,050	145,860
Actuarial valuation date	June 30, 2016	June 30, 2015	June 30, 2014
Funded ratio	44%	47%	50%
Covered payroll	$ 239,443	235,284	235,751
UAAL as a % of covered payroll	93%	81%	62%

The components of the Research Foundation OPEB obligation at June 30, 2016 include the total ARC of $230.6 million, ARC reduction of $204.2 million, and interest costs of $13.4 million. The unfunded actuarial accrued liability is amortized over one year. The cost of the benefits provided under this plan is recognized on an actuarially determined basis using the projected unit cost method. Under this method, actuarial assumptions are made based on employee demographics and medical trend rates to calculate the accrued benefit cost. The actuarial assumptions include a 7.0 percent discount rate, and an initial healthcare cost trend rate range of 7.0 percent to 8.5 percent grading down to 5.0 percent in 2022 and later. A blended discount rate was utilized using the expected investment return on investments of the plan and investments held in the operational pool expected to be used to fund future OPEB obligations.

9. Commitments

The State University has entered into contracts for the construction and improvement of various projects. At June 30, 2016 and 2015, these outstanding contract commitments totaled approximately $900 million and $1.2 billion, respectively.

The State University is also committed under numerous operating leases covering real property and equipment. The Research Foundation also contracts with various entities to lease space as part of its mission to support the State University research and university-industry-government partnerships. Rental expenditures reported for the years ended June 30, 2016 and 2015 under such operating leases were $50.9 million and $90.3 million, respectively. The following is a summary of the future minimum rental commitments under real property and equipment leases with terms exceeding one year (in thousands):

Year(s) Ending June 30:		
2017	$	48,654
2018		40,640
2019		38,678
2020		34,355
2021		28,851
2022-26		85,452
2027-31		39,034
2032-98		30,636
Total	$	346,300

10. Contingencies

The State is contingently liable in connection with claims and other legal actions involving the State University, including those currently in litigation, arising in the normal course of State University activities. The State University does not carry malpractice insurance and, instead, administers these types of cases in the same manner as all other claims against the State involving State University activities in that any settlements of judgments and claims are paid by the State from an account established for this purpose. With respect to pending and threatened litigation, the medical malpractice liability includes incurred but not reported (IBNR) loss estimates. The estimate of IBNR losses is actuarially determined based on historical experience using a discount rate of 2.9 percent to calculate the present value of estimated future cash payments. The State University has recorded a liability and a corresponding appropriation receivable of approximately $698 million and $593 million at June 30, 2016 and 2015, respectively (almost entirely related to hospitals and clinics).

The State University is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. The State University has insurance coverage for its residence hall facilities. However, in general, the State University does not insure its educational buildings, contents or related risks and does not insure its vehicles and equipment for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by the State University are covered by the State on a self-insured basis. The State does have fidelity insurance on State employees.

As part of the acquisition of Long Island College Hospital (LICH), a separate entity, Staffco of Brooklyn, LLC (Staffco), was created as a single member Limited Liability Company of the Health Science Center at Brooklyn Foundation, Inc. In 2011, Staffco entered into a professional employer agreement with the State University (acting through the Downstate Hospital) to provide non-physician staffing at the LICH campus. Staffco is responsible for providing all routine administrative and human resources functions with respect to the employment of the Staffco employees. The State University is responsible for reimbursing Staffco for its direct and indirect costs relating to the non-physician staffing.

Notes to Financial Statements

June 30, 2016 and 2015

10. Contingencies (continued)

Staffco contributes to a multiemployer defined benefit pension plan (multiemployer plan) under the terms of a collective-bargaining agreement that covers union-represented employees. Under this multiemployer plan, assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be shared by the remaining participating employers. If Staffco were to stop participating in the multiemployer plan, Staffco may be required to pay this multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability. In accordance with the professional employer agreement, the State University may be required to pay Staffco the amount of the withdrawal liability.

11. Related Parties

The State University's single largest source of revenue is State appropriations. State appropriations take the form of direct assistance, debt service on educational facilities, fringe benefits for State University employees, and litigation expenses for which the State is responsible. State appropriations totaled $3.27 billion and $3.14 billion and represented approximately 31 percent of total revenues for both the 2016 and 2015 fiscal years. The State University's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

12. Federal Grants and Contracts and Third-Party Reimbursement

Substantially all federal grants and contracts are subject to financial and compliance audits by the grantor agencies of the federal government. Disallowances, if any, as a result of these audits may become liabilities of the State University. State University management believes that no material disallowances will result from audits by the grantor agencies.

The State University hospitals have agreements with third-party payors, which provide for reimbursement to the hospitals at amounts different from the hospitals' established charges. Contractual service allowances and discounts (reflected through State University hospitals and clinics sales and services) represent the difference between the hospitals' established rates and amounts reimbursed by third-party payors. The State University has made provision in the accompanying financial statements for estimated retroactive adjustments relating to third-party payor cost reimbursement items.

13. Condensed financial statement information of the Research Foundation

The condensed financial statement information of the Research Foundation, contained in the combined totals of the State University reporting entity in accordance with GASB accounting and reporting requirements, is shown below (in thousands):

Condensed Balance Sheets

	2016	2015
Assets:		
Current assets	$ 434,383	470,249
Capital assets	522,082	211,681
Other assets	8,648	53,219
Total assets	$ 965,113	735,149
Liabilities:		
Total current liabilities	343,273	282,736
Total noncurrent liabilities	681,024	384,603
Total liabilities	1,024,297	667,339
Net Position:		
Invested in capital assets, net	69,715	46,369
Unrestricted	(128,899)	21,441
Total net position	(59,184)	67,810
Total liabilities and net position	$ 965,113	735,149

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

	2016	2015
Operating revenues:		
Federal grants and contracts	$ 491,236	485,712
State grants and contracts	111,352	113,807
Private grants and contracts	202,472	286,014
Other operating revenues	58,360	81,964
Total operating revenues	863,420	967,497
Operating expenses:		
Instruction	96,353	91,729
Research	504,799	535,047
Public service	106,173	114,806
Institutional support	137,609	129,307
Other operating expenses	37,901	39,187
Depreciation and amortization expense	65,651	43,435
Total operating expenses	948,486	953,511
Operating (loss) income	(85,066)	13,986
Net nonoperating expenses	(41,928)	(15,576)
Change in net position	(126,994)	(1,590)
Net position at the beginning of the year	67,810	69,400
Net position at the end of the year	$ (59,184)	67,810

Notes to Financial Statements

June 30, 2016 and 2015

13. Condensed financial statement information of the Research Foundation (continued)

Condensed Statements of Cash Flows

	2016	2015
Cash flows from operating activities	$ 111,717	(15,538)
Cash flows from noncapital financing activities	(5,924)	10,452
Cash flows from capital and related financing activities	(97,243)	(50,030)
Cash flows from investing activities	(7,994)	55,082
Net change in cash	556	(34)
Cash - beginning of year	185	219
Cash - end of year	$ 741	185

14. Subsequent Events

The State University considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements covering the year ended June 30, 2016 were available to be issued on April 7, 2017 and subsequent events have been evaluated through that date.

15. Component Units

The reported totals of the discretely presented component units include campus-related foundations, auxiliary services corporations, and student housing corporations. These related entities are campus-based, legally separate, nonprofit organizations. The campus-related foundations are responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of campuses, the State University and its students, faculty, staff and alumni. The foundations receive the majority of their support and revenues through contributions, gifts and grants and provide benefits to their campus, students, faculty, staff and alumni. The auxiliary services corporations act as independent contractors, operate, manage, and promote educationally related services for the benefit of the campus community. In addition, the reported amounts include student housing corporations, nonprofit organizations that operate and administer certain housing and related services for students.

All these organizations are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. All of the financial data for these organizations was derived from each entity's individual audited financial statements, reported in accordance with generally accepted accounting principles promulgated by FASB, the majority of which have a May 31 or June 30 fiscal year end. The financial statements of the discretely presented component units were not audited in accordance with Government Auditing Standards.

Separately issued financial statements of the component unit entities may be obtained by writing to:

The State University of New York
Office of the University Controller
State University Plaza, N-514
Albany, New York 12246

Net Asset Classifications

Unrestricted net assets represent resources whose uses are not restricted by donor-imposed stipulations and are generally available for the support of the State University campus and affiliated entity programs and activities. Temporarily restricted net assets

15. Component Units (continued)

represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or are removed by specific actions. Permanently restricted net assets represent resources that donors have stipulated must be maintained permanently. The income derived from the permanently restricted net assets is permitted to be spent in part or in whole, restricted only by the donors' wishes.

Investments

All investments with readily determinable fair values have been reported in the financial statements at fair value. Realized and unrealized gains and losses are recognized in the statement of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investments of the State University discretely presented component units were $2.05 billion and $2.03 billion as of June 30, 2016 and 2015, respectively.

The composition of investments is as follows (in thousands):

	2016	2015
Equities - domestic	$ 608,905	637,107
Equities - international	313,964	330,492
Non-equities	503,897	433,920
Multi-strategy funds	182,600	225,029
Equity partnerships	153,475	152,532
Hedge funds	158,816	147,756
Real assets/real estate	107,384	90,327
Other investments	16,864	16,887
Total investments	$ 2,045,905	2,034,050

Capital Assets

Capital assets are stated at cost, if purchased, or fair value at date of receipt, if acquired by gift. Land improvements, buildings, and equipment are depreciated over their estimated useful lives using the straight-line method. Capital assets, net of accumulated depreciation, totaled $578.7 million and $590.4 million at fiscal year end 2016 and 2015, respectively. Capital asset classifications are summarized as follows (in thousands):

	2016	2015
Land and land improvements	$ 34,649	36,154
Buildings	686,950	663,658
Equipment	122,236	118,683
Artwork and library books	29,201	28,465
Construction in progress	24,331	37,208
Total capital assets	897,367	884,168
Less accumulated depreciation	318,626	293,778
Capital assets, net	$ 578,741	590,390

Notes to Financial Statements

June 30, 2016 and 2015

15. Component Units (continued)

Long-term Debt

The component units have entered into various financing arrangements, principally through the issuance of Industrial Development Agency, Local Development Corporation, and Housing Authority bonds, for the construction of student residence hall facilities. The following is a summary of the future minimum annual debt service requirements for the next five years and thereafter (in thousands):

Year ending June 30:		
2017	$	16,255
2018		13,558
2019		13,736
2020		46,394
2021		13,430
Thereafter		291,168
	$	394,541

Notes to Financial Statements

June 30, 2016 and 2015

15. Component Units (continued)

Condensed financial statement information

The table below displays the combined totals of the foundations (including student housing corporations) and auxiliary services corporations (ASCs) (in thousands):

Combined Balance Sheets

	2016			2015		
	Foundations	ASC	Total	Foundations	ASC	Total
Assets:						
Investments	$ 1,982,218	63,687	2,045,905	1,968,612	65,438	2,034,050
Capital assets, net	476,056	102,685	578,741	484,408	105,982	590,390
Other assets	413,258	185,285	598,543	375,260	164,490	539,750
Total assets	$ 2,871,532	351,657	3,223,189	2,828,280	335,910	3,164,190
Liabilities:						
Other liabilities	204,581	108,984	313,565	179,336	103,336	282,672
Long-term debt	372,058	22,483	394,541	387,671	25,130	412,801
Total liabilities	576,639	131,467	708,106	567,007	128,466	695,473
Net Assets:						
Unrestricted	540,905	219,690	760,595	550,155	206,981	757,136
Temporarily restricted	932,166	257	932,423	937,113	220	937,333
Permanently restricted	821,822	243	822,065	774,005	243	774,248
Total net assets	2,294,893	220,190	2,515,083	2,261,273	207,444	2,468,717
Total liabilities and net assets	$ 2,871,532	351,657	3,223,189	2,828,280	335,910	3,164,190

Combined Statements of Activities

	2016			2015		
	Foundations	ASC	Total	Foundations	ASC	Total
Revenues:						
Contributions, gifts and grants	$ 211,945	100	212,045	181,107	—	181,107
Food and auxiliary services	—	367,559	367,559	—	358,631	358,631
Sales and services	29,726	—	29,726	130,097	—	130,097
Other revenue	136,348	6,519	142,867	187,605	4,467	192,072
Total revenues	378,019	374,178	752,197	498,809	363,098	861,907
Expenses:						
Food and auxiliary services	—	313,118	313,118	—	303,230	303,230
Program expenses	123,533	—	123,533	129,259	—	129,259
Health care services	20,220	—	20,220	121,093	—	121,093
Other expenses	200,646	48,314	248,960	192,003	50,536	242,539
Total expenses	344,399	361,432	705,831	442,355	353,766	796,121
Total change in net assets	33,620	12,746	46,366	56,454	9,332	65,786
Net assets at the beginning of year	2,261,273	207,444	2,468,717	2,204,819	198,112	2,402,931
Net assets at the end of year	$ 2,294,893	220,190	2,515,083	2,261,273	207,444	2,468,717

Required Supplementary Information

(Unaudited)

Schedule of Funding Progress
Other Postemployment Benefits and Post-Retirement Benefits

(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
State University Plan:						
April 1, 2014	—	14,427	14,427	—%	3,601	401%
April 1, 2012	—	13,933	13,933	—%	3,201	435%
April 1, 2010	—	12,200	12,200	—%	3,037	402%
Research Foundation Plan:						
June 30, 2016	176	400	224	44%	239	93%
June 30, 2015	170	360	190	47%	235	81%
June 30, 2014	149	295	146	50%	236	62%

Required Supplementary Information

(Unaudited)

Schedule of the State University's Proportionate Share of the ERS Net Pension Liability

(Amounts in millions)

	2016	2015
Proportion of the net pension liability	5.35%	5.32%
Proportionate share of the net pension liability	$859.3	$179.8
Covered-employee payroll	$1,405.6	$1,262.1
Proportionate share of the net pension liability as a % of its covered payroll	61.1%	14.2%
Pension plan's fiduciary net position as a % of the total pension liability	90.7%	97.9%

Changes in benefit terms. There were no significant legislative changes in benefits from the April 1, 2015 and 2014 actuarial valuations.

Changes of assumptions. There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP-2014. Except for the reduction of the discount rate from 7.5% on April 1, 2014 to 7.0% on April 1, 2015, there were no significant changes in actuarial assumptions for the April 1, 2015 actuarial valuation.

Methods and assumptions used in calculations of actuarially determined contributions. The April 1, 2013 and 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2015 and 2016, respectively. The following actuarial methods and assumptions were used for both fiscal years:

Actuarial cost method	The system is funded using the Aggregate Cost Method, all unfunded actuarial liabilities are evenly (as a percentage of projected pay) amortized over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8%
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.

Schedule of Employer Contributions for the ERS Plan

(Amounts in millions)

	2016	2015
Actuarially determined contribution (1)	214.8	242.2
Contributions in relation to the actuarial determined contribution (2)	214.8	242.2
Contribution deficiency	—	—
Covered-employee payroll (3)	1,418.8	1,384.2
Contribution as a percentage of covered-employee payroll	15.1%	17.5%

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.

(2) The contributions in relation to the actuarially determined contribution reflects actual payments.

(3) Total payroll of covered employees for fiscal years ended June 30, 2016 and 2015.

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

Required Supplementary Information

(Unaudited)

Schedule of the State University's Proportionate Share of the TRS Net Pension Liability (Asset)

(Amounts in millions)

	2016	2015
Proportion of the net pension liability (asset)	0.74%	0.71%
Proportionate share of the net pension liability (asset)	(77.2)	(79.6)
Covered-employee payroll	145.2	140.7
Proportionate share of the net pension liability (asset) as a % of its covered payroll	(53.2)%	(56.6)%
Pension plan's fiduciary net position as a % of the total pension liability	110.46%	111.48%

Change in benefit terms. There were no significant legislative changes in benefits for the June 30, 2014 and 2013 actuarial valuations.

*Changes of assumptions.*There were no significant changes in actuarial assumption for the June 30, 2014 and 2013 actuarial valuations.

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used:

Actuarial cost method	The system is funded using the Aggregate Cost Method..
Asset valuation period	5-year phased in deferred recognition of each year's actual gain or loss, above (or below) an assumed inflationary gain of 3.0%
Inflation	3.0%
Salary scale	Rates of increase differ based on age and gender as disclosed on page 36.
Investment Rate of Return	8.0%

Schedule of Employer Contributions for the TRS Plan

(Amounts in millions)

	2016	2015
Actuarially determined contribution (1)	19.6	17.2
Contributions in relation to the actuarial determined contribution (2)	19.6	17.2
Contribution deficiency	—	—
Covered-employee payroll (3)	141.9	145.2
Contribution as a percentage of covered-employee payroll	13.81%	11.81%

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.

(2) The contributions in relation to the actuarially determined contribution reflects actual payments.

(3) Total payroll of covered employees for fiscal years ended June 30, 2016 and 2015.

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios for the Upstate Plan

(Amounts in millions)

	2016	2015
Total pension liability:		
Service cost	$ 0.8	$ 0.9
Interest	6.5	6.0
Changes of assumptions	—	5.8
Difference between expected and actual experience	1.0	0.4
Benefit payments	(7.0)	(3.8)
Net change in total pension liability	1.3	9.3
Total pension liability, beginning	103.3	94.0
Total pension liability, ending (a)	104.6	103.3
Plan fiduciary net position:		
Employer contributions	2.0	3.5
Net investment income	(0.7)	5.9
Benefit payments	(7.0)	(3.8)
Administrative expenses	(0.2)	(0.1)
Net change in fiduciary net position	(5.9)	5.5
Fiduciary net position, beginning	96.1	90.6
Fiduciary net position, ending (b)	90.2	96.1
Net pension liability, ending (a) - (b)	$ 14.4	$ 7.2
Ratio of fiduciary net position to total pension liability	86.3%	93.0%
Covered-employee payroll	29.9	33.6
Net pension liability as a percentage of covered-employee payroll	48.0%	21.3%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

Required Supplementary Information

(Unaudited)

Schedule of Employer Contributions for the Upstate Plan

(Amounts in millions)

	2015	2014	2013	2012	2011*
Actuarially determined contribution (1)	1.9	1.5	2.6	3.0	1.2
Contributions in relation to the actuarial determined contribution (2)	2.0	3.0	2.6	3.0	1.2
Contribution deficiency (excess)	(0.1)	(1.5)	—	—	—
Covered-employee payroll (3)	29.9	33.6	36.0	16.0	21.9
Contribution as a percentage of covered-employee payroll	6.76%	9.02%	7.14%	18.57%	5.44%

*Period from July 7, 2011 through December 31, 2011

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.

(2) The contributions in relation to the actuarially determined contribution reflects actual payments.

(3) Covered-employee payroll represents pensionable payroll at the end of each Plan year. It is not practicable to obtain covered employee payroll amounts at the end of each fiscal year.

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

Notes for the Plan

Changes in benefit terms. There was no significant legislative changes in benefits for the January 1, 2016 actuarial valuation.

Changes in assumptions. The actuarial assumptions for the mortality basis used for the January 1, 2016 actuarial valuation where changed from RP-2014 Mortality Tables for Males and Females, with fully generational mortality improvements using Scale MP-2015 to sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted back to 2006 using Scale MP 2014, and then projected with mortality improvements using Scale MP-2015 on a fully generational basis.

Methods and assumptions used in calculations of actuarially determined contributions. The January 1, 2016 actuarial valuation determines the employer rates for contributions payable in 2016. The following actuarial methods and assumptions were used:

Investment rate of return - 6.5%

Mortality basis - sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted back to 2006 using Scale MP 2014, and then projected with mortality improvements using Scale MP-2015 on a fully generational basis

Amortization method - Level dollar, 20 year closed

Remaining amortization period - 16.5 years

Asset valuation method - Market value

Inflation - 3.0%

Compensation - 3.5% increases, limited to a maximum of $265,000

Termination - 1992 Vaughn Select and Ultimate Table

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
State University of New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and the aggregate discretely presented component units of the State University of New York (the University) as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated April 7, 2017. Our report includes a reference to other auditors who audited the financial statements of certain discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University's internal control. Accordingly we do not express an opinion on the effectiveness of University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

April 7, 2017
Albany, New York

ANNUAL FINANCIAL REPORT **2016**

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