THE STATE UNIVERSITY OF NEW YORK

2017 ANNUAL FINANCIAL REPORT

SUNY The State University of New York

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Chancellor

Kristina M. Johnson

Board of Trustees

Chancellor's Executive Leadership Team

Ricardo Azziz
Chief Officer, Academic Health and Hospital Affairs

Robert Haelen
Vice Chancellor for Capital Facilities, and Manager of the Construction Fund

Eileen G. McLoughlin
Senior Vice Chancellor for Finance and Chief Financial Officer

Robert Megna
Interim Chief Operating Officer

Johanna Duncan-Poiteir
Senior Vice Chancellor for Community Colleges and the Education Pipeline

Joseph Porter
Senior Vice Chancellor for Legal Affairs and General Counsel

Grace Wang
Interim Provost and Vice Chancellor for Research and Economic Development

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, 2017.

The preliminary enrollment headcount for Fall 2017 is 436,765, which represents an increase of 0.1 percent from last fall. Preliminary enrollment at the State-operated campuses is 223,509, up 1.7 percent over last fall, while preliminary enrollment at the community colleges is 213,256, down 1.4 percent.

This year saw the launch of the groundbreaking New York State Excelsior Scholarship, introduced by Governor Andrew Cuomo and included in the fiscal year 2017-18 State budget. This first-in-the-nation program is sure to increase interest and enrollment at the State University, making public two- and four-year colleges in New York State tuition-free for students whose families make up to $125,000 per year. This means 940,000 middle-class families and individuals will now qualify for the scholarship, putting college within reach for the next generation of New York's makers, thinkers, doers, and leaders.

The Excelsior Scholarship comes at a critical time, when nearly 70 percent of jobs across the workforce require education and training beyond high school but only 46 percent of New Yorkers hold an associate degree or higher. The Excelsior Scholarship will go a long way toward closing that gap, expanding college access to legions of New Yorkers who can build a better life through higher education. Also provided for in the state budget was a significant increase in funding for capital projects and continued state support for the cost of employee benefits for over 45,000 State University professionals.

We are also happy to report that in the 2016-17 fiscal year, key numbers for State University research through The Research Foundation for The State University of New York are up more than two percent over last year, with five of the nine university centers/doctoral campuses showing increased activity. State University faculty, students, and staff attracted $940 million in activity supporting 7,068 research, training, and public service projects, as well as 15,564 employees statewide.

The State University of New York is an excellent investment for students who seek higher education, and for New York taxpayers as well. The State University's founding and perennial commitment to New Yorkers is to provide excellent and meaningful higher education to the broadest base of our residents. And as we continue to step into the future, the State University system will deepen its commitment to fostering environmentally sustainable and responsible campuses and communities in every corner of our system and state. The State University owns and operates 40% of New York State-owned buildings, and though our physical footprint has grown by 57% since 1990, we have reduced our carbon footprint by 27% over the same time period, and the State University is on track to achieve the State goal of 30% reduction in greenhouse gas emissions by 2020, as compared to the 1990 levels.

Through the millions of New Yorkers we serve annually and our collective research and development capacity, we have both the responsibility and the power to improve our local and global communities. We take these responsibilities to heart and will continue to strive to be the best possible stewards of public dollars in order to do the most good possible through teaching, research, community service, and economic development in the state, in the country, and in the world.

Sincerely,

H. Carl McCall
Chairman

Kristina M. Johnson, Ph.D.
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, 2017 and 2016, and the financial statements of the aggregate discretely presented component units of the University as of and for the year ended June 30, 2017, 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 63% of the total assets and 76% 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 the discretely presented component units identified in note 16 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the State University of New York as of June 30, 2017 and 2016, 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, 2017, and the respective changes in net assets thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter – 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, 2017 or 2016, 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 2016 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 April 7, 2017. 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, 2016, 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 the 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State University of New York's basic financial statements. A Message from the Chairman and the Chancellor on page 3 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.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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 solely 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 the effectiveness of the University's 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

November 8, 2017

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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, 2017 and 2016, 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 generally 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. As disclosed in note 1 of the financial statements, the State University was required to adopt GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement establishes an additional blending requirement for the financial statement presentation of component units. A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of this pronouncement required a restatement to the amounts previously reported in the financial statements and MD&A. A component unit previously included in the discretely presented reporting totals is now included in the primary reporting entity, as it meets the criteria for blended presentation.

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, 2017 and 2016 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.

Financial Highlights

The State University's net position of $(2.99) billion is comprised of $18.88 billion in total assets and deferred outflows of resources, less $21.87 billion in total liabilities and deferred inflows of resources. The net position decreased $569 million in 2017 driven by an increase in accrued other postemployment benefit (OPEB) expenses of $692 million. The State University's total revenues increased $280 million and total expenses increased $312 million in 2017 compared to 2016. The growth in revenues is primarily due to increases in other nonoperating revenues of $170 million, net realized and unrealized investment gains of $68 million, and net tuition and fees revenue of $26 million. Expense growth was driven by an overall increase in operating expenses of $410 million, or 4% compared to the prior year. These increases were offset by a decrease of $76 million in net realized and unrealized investment losses recorded in the prior year.

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 $(2.99) billion and $(2.42) billion at June 30, 2017 and 2016, respectively, and experienced a decrease of $569 million in 2017, and $537 million in 2016. The State University's total assets and deferred outflows of resources increased $63 million and $1.66 billion in 2017 and 2016, respectively. Total liabilities and deferred inflows of resources during 2017 and 2016 increased $633 million and $2.20 billion, respectively. The following table reflects the financial position at June 30, 2017, 2016, and 2015 (in thousands):

	2017	2016	2015
Current assets	$ 3,623,775	3,554,432	3,488,914
Capital assets, net	12,458,133	12,103,259	11,277,517
Other noncurrent assets	2,331,549	2,321,912	2,324,818
Deferred outflows of resources	465,753	836,229	64,216
Total assets and deferred outflows of resources	18,879,210	18,815,832	17,155,465
Current liabilities	3,044,060	2,155,338	2,279,894
Noncurrent liabilities	18,687,964	18,914,501	16,688,250
Deferred inflows of resources	137,904	167,468	72,097
Total liabilities and deferred inflows of resources	21,869,928	21,237,307	19,040,241
Net investment in capital assets	1,126,096	1,144,763	1,088,762
Restricted - nonexpendable	468,873	439,759	407,723
Restricted - expendable	323,141	366,478	358,723
Unrestricted	(4,908,828)	(4,372,475)	(3,739,984)
Total net position	$(2,990,718)	(2,421,475)	(1,884,776)

Current Assets

Current assets at June 30, 2017 increased $69 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, 2017 and 2016 consist primarily of cash and cash equivalents of $2.04 billion and $1.82 billion and receivables of $1.04 billion and $1.06 billion, respectively. The increase in current assets during 2017 is primarily due to an increase of $219 million in cash and cash equivalents offset by a decrease of $177 million in deposits with bond trustees.

Current Liabilities

Current liabilities increased $889 million compared to the previous year. Current liabilities at June 30, 2017 and 2016 consist principally of accounts payable and accrued expenses of $1.50 billion and $896 million, the current portion of long-term debt and long-term liabilities of $782 million and $642 million, and unearned revenue of $540 million and $409 million, respectively. The increase in current liabilities during 2017 is primarily due to an increase of $559 million in liabilities owed to the State for project costs funded by the State in advance. The State University will relieve this liability in 2018 when bond proceeds are made available.

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 facilities.

During the 2017 and 2016 fiscal years, capital assets (net of depreciation) increased $355 million and $826 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 $809 million and $1.04 billion for the 2017 and 2016 fiscal years, respectively. Equipment additions during 2017 and 2016 of $170 million and $207 million, respectively, also contributed to the increase.

A summary of capital assets, by major classification, and related accumulated depreciation for the 2017, 2016, and 2015 fiscal years is as follows (in thousands):

	2017	2016	2015
Land	$ 689,587	667,416	650,815
Infrastructure and land improvements	1,245,684	1,184,886	1,099,472
Buildings	12,969,695	12,223,238	11,320,810
Equipment, library books and other	3,121,639	3,207,151	3,129,535
Construction in progress	2,163,764	2,183,139	2,046,745
Total capital assets	20,190,369	19,465,830	18,247,377
Less accumulated depreciation:			
Infrastructure and land improvements	582,994	538,748	498,331
Buildings	4,643,010	4,332,221	4,024,619
Equipment, library books and other	2,506,232	2,491,602	2,446,910
Total accumulated depreciation	7,732,236	7,362,571	6,969,860
Capital assets, net	$ 12,458,133	12,103,259	11,277,517

Significant projects completed and capitalized during the 2017 fiscal year included construction of two new residence halls and a new computer science building at Stony Brook University, a new school of agriculture and natural resources building at the College of Cobleskill and a new academic building at Upstate Medical University. Other significant projects included rehabilitation and renovations to Tyler Hall and Park Hall at Oswego State College, renovation of the physical science building at the College at Oneonta, renovation of Caudell Hall at Buffalo State College, rehabilitation of O'Connor and Johnson Halls at Binghamton University, and renovation of the life sciences building at Stony Brook University.

Other Noncurrent Assets

Other noncurrent assets increased $10 million compared to the previous year. Noncurrent assets at June 30, 2017 and 2016 include long-term investments of $927 million and $847 million, noncurrent portion of receivables of $780 million and $789 million, deposits with trustees of $349 million and $327 million, restricted cash of $137 million and $130 million, and other noncurrent assets of $139 million and $230 million, respectively.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2017 and 2016 of $18.69 billion and $18.91 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 liabilities at June 30, 2017, 2016, and 2015 is as follows (in thousands):

	2017	2016	2015
Educational facilities	$ 7,774,668	8,133,041	7,741,066
Unamortized bond premium - educational facilities	618,048	653,313	598,247
Residence hall facilities	619,945	649,780	1,111,095
Unamortized bond premium - residence hall facilities	55,634	58,033	70,028
Postemployment and post-retirement	6,219,922	5,527,503	4,871,192
Litigation	656,836	663,251	562,691
Collateralized borrowings	1,019,399	1,061,257	459,541
Pension	709,440	1,054,885	397,746
Other obligations	1,014,072	1,113,438	876,644
Total noncurrent liabilities	$18,687,964	18,914,501	16,688,250

There was no new debt issued during the year for the educational and residence hall facilities programs.

The State University's credit ratings for PIT, educational and residence hall bonds were unchanged in the 2017 and 2016 fiscal years. The credit ratings at June 30, 2017 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 2017 and 2016, the long-term portion of postemployment and post-retirement benefit obligations increased $692 million and $656 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 decreased $345 million at June 30, 2017 mainly due to better than expected earnings on pension plan investments. Pension liabilities increased $657 million at June 30, 2016 due primarily to a decrease in the discount rate from 7.5% to 7.0% for the ERS Plan and other actuarial changes.

The State University has recorded a long-term litigation liability and a corresponding appropriation receivable of $657 million and $663 million at June 30, 2017 and 2016, 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. In April 2017, bonds with a par amount of $345 million at a premium of $64 million were issued for purpose of financing capital construction as well as to refinance $212 million of the State University's existing residential facility obligations. The credit ratings assigned to these bonds in 2017 were as follows: Moody's (Aa3), S&P (A+), and Fitch (A+). These ratings were unchanged in 2017 and 2016.

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 2017, 2016 and 2015 fiscal years are summarized as follows (in thousands):

	2017	2016	2015
Operating revenues	$ 6,515,365	6,448,951	6,258,779
Nonoperating revenues	4,269,007	4,111,656	3,858,795
Other revenues	145,309	89,219	142,364
Total revenues	10,929,681	10,649,826	10,259,938
Operating expenses	11,024,040	10,613,807	10,221,187
Nonoperating expenses	474,884	572,718	464,203
Total expenses	11,498,924	11,186,525	10,685,390
Change in net position	$ (569,243)	(536,699)	(425,452)

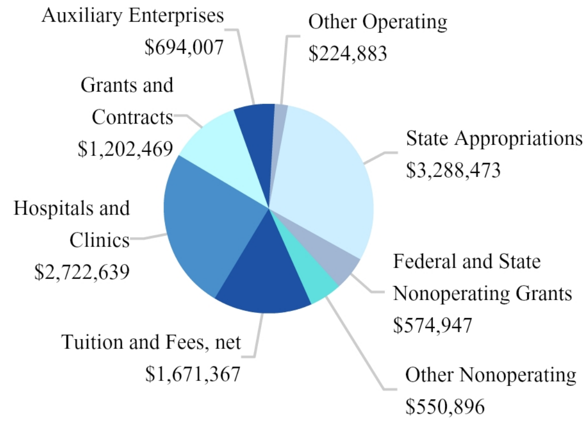
Total operating revenues of the State University increased $66 million in 2017 and $190 million in 2016. Nonoperating and other revenues, which include State appropriations, increased $213 million in 2017 and increased $200 million in 2016. Total expenses for 2017 and 2016 increased $312 million and $501 million, respectively.

Revenue Overview

Revenues (in thousands):

	2017	2016	2015
Tuition and fees, net	$ 1,671,367	1,645,552	1,530,594
Hospitals and clinics	2,722,639	2,777,827	2,634,882
Grants and contracts	1,202,469	1,167,871	1,235,369
Auxiliary enterprises	694,007	669,585	652,421
Other operating	224,883	188,116	205,513
Operating revenues	6,515,365	6,448,951	6,258,779
State appropriations	3,288,473	3,265,314	3,135,670
Federal and State nonoperating grants	574,947	573,155	566,023
Other nonoperating	550,896	362,406	299,466
Nonoperating and other revenues	4,414,316	4,200,875	4,001,159
Total revenues	$10,929,681	10,649,826	10,259,938

2017 Revenues (in thousands)



Tuition and Fees, Net

Tuition and fee revenue, net of scholarship allowances, increased $26 million and $115 million in 2017 and 2016, respectively. These increases were mainly driven by a tuition rate increase for professional and nonresident tuition rates in 2017 and 2016 and also a $300 tuition rate increase for resident undergraduates in 2016. Annual average full-time equivalent students, including undergraduate and graduate, were approximately 195,700, 196,500, and 196,600 for the fiscal years ended June 30, 2017, 2016, and 2015, 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 Upstate Medical.

Hospital and clinic revenue decreased $55 million in 2017 mainly due to a decrease of $158 million in Medicaid Disproportionate Share Hospital (DSH) program revenue offset by an increase in net patient revenues of $103 million due to volume and rate increases. Hospital and clinic revenue increased $143 million in 2016 due to an increase of $80 million and net patient revenues and $63 million in DSH revenue.

Grants and Contracts

Grants and contracts revenue increased $35 million in 2017 driven by increases in state and local grants of

$17 million, private grants and contracts of $11 million and federal grants of $7 million.

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 $24 million and $17 million for fiscal years 2017 and 2016, respectively. These increases were largely due to modest increases in room and board rates.

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 68,440 for the fall of 2016, a decrease of 883 students compared to the previous year. The overall utilization rate for the fall of 2016 was reported at 95 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 $3.29 billion, $3.27 billion, and $3.14 billion and represented approximately 30 percent, 31 percent, and 31 percent of total revenues for fiscal years 2017, 2016, and 2015, 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 $23 million in 2017 and $130 million in 2016, compared to the prior year. In 2017, State support for operating expenses increased $36 million and indirect State support for fringe benefits increased $114 million. Indirect State support for litigation and debt service decreased $115 million and $12 million, respectively, compared to the previous year.

Federal and State Nonoperating Grants

Major scholarships and grants revenue includes the State Tuition Assistance Program of $195 million and $199 million during fiscal years 2017 and 2016, respectively, and federal Pell Program revenue of $290 million in both the 2017 and 2016 fiscal years.

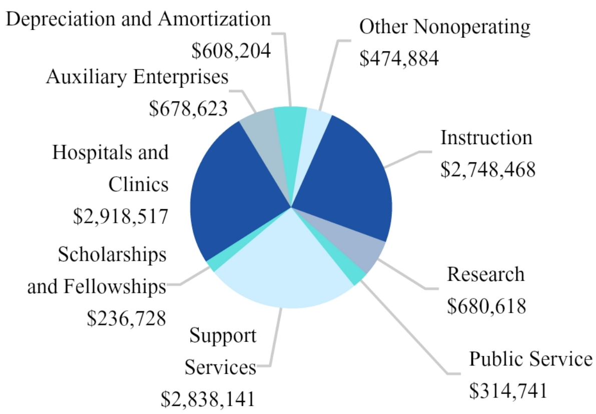
Other Nonoperating Revenues

Other nonoperating revenues increased $188 million and $63 million in 2017 and 2016, respectively. The increase in 2017 was primarily due to a $151 million increase in nonoperating revenues related to the Research Foundation OPEB plan. The Research Foundation amended their OPEB Plan, which lowered their OPEB liability, to utilize the individual Medicare health care exchange market to provide benefits to Medicare-eligible participants. The increase in 2016 was mainly due to a gain of $95 million on the disposal of Long Island College Hospital (LICH) assets offset by a $34 million decrease in capital gifts and grants.

Expense Overview

Expenses (in thousands):	**2017**	**2016**	**2015**
Instruction	$ 2,748,468	2,564,186	2,469,683
Research	680,618	724,805	728,789
Public service	314,741	311,337	302,311
Support services	2,838,141	2,695,892	2,616,099
Scholarships and fellowships	236,728	234,458	237,921
Hospitals and clinics	2,918,517	2,876,470	2,690,530
Auxiliary enterprises	678,623	626,360	622,426
Depreciation and amortization	608,204	580,299	553,428
Other nonoperating	474,884	572,718	464,203
Total expenses	$11,498,924	11,186,525	10,685,390

2017 Expenses (in thousands)



During the 2017 fiscal year, instruction expenses increased $184 million predominately from increases of $98 million in OPEB accrual expenses and $62 million in other fringe benefit expenses. Fringe benefit expenses increased mainly due to an increase in the State fringe benefit rate from 55.88 percent in 2016 to 58.71 percent in 2017.

Support services, which include expenses for academic support, student services, institutional support, and operation and maintenance of plant, increased $142 million between fiscal years 2017 and 2016. This increase was mainly due to increases of $75 million in OPEB accrual expenses and $64 million in other fringe benefit expenses. Support services increased $80 million between 2016 and 2015.

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 $42 million in 2017 and $186 million during 2016. The increase during 2017 is mainly due to increases of $61 million in personal service costs, $35 million in OPEB accrual expenses, $27 million in other fringe benefit expenses, and $22 million in supplies and contractual service expenses. These increases were offset by a decrease of $117 million in litigation accruals. 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.

Depreciation and amortization expense recognized in fiscal years 2017 and 2016 totaled $608 million and $580 million, respectively. Other nonoperating expenses were $475 million and $573 million for the years ended June 30, 2017 and 2016, respectively. Other nonoperating expenses during fiscal year 2016 included realized and unrealized losses on investments of $76 million as well as an asset impairment of $38 million for LICH.

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 223,500 for fall 2017, on twenty nine State-operated campuses and five statutory colleges. Full-time equivalent (FTE) enrollment, excluding community colleges, for the fiscal year ended June 30, 2017 is approximately 195,700, a slight decrease compared to June 30, 2016.

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. Beginning with the 2017-18 fiscal year, legislation was passed enacting the Excelsior Scholarship Program to provide tuition-free college at New York's public colleges and universities to families making up to $125,000 a year phased in over three years. The State University will see an increase in enrollment due to this new program.

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 $3.29 billion which represented 30 percent of the total revenues of the State University. State appropriations consisted of direct support ($1.12 billion), fringe benefits for State University employees ($1.62 billion), debt service on educational facilities ($527 million), and litigation support ($18 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.

The State University depends on the State to provide appropriations in support of its capital program. While the increased level of support planned for the Educational Facilities Program ($550 million planned annually through 2021-22) will provide much needed funding to address the significant needs of nearly 1,900 aging academic buildings and the State University's vast infrastructure, the $550 million planned for each of the next four years will be subject to annual appropriation by the Executive and the Legislature. In addition, the planned level of new support ($2.8 billion), as well as prior year unspent appropriations totaling $1.9 billion, must be accommodated within significantly reduced annual spending limits established in the 2017-18 Enacted State Five-Year Capital Program and Financing Plan. Managing the disbursements associated with this level of appropriation will require careful monitoring and accurate predicting of project disbursements to ensure minimal disruption to the capital program.

The State University hospitals, which are all part of larger State University Academic Health Centers at Brooklyn, Stony Brook and Upstate Medical, serve large numbers of patients who are uninsured, under-insured or covered by Medicare and Medicaid programs. As a result, the Hospital's continued viability is directly linked to appropriate levels of funding from Medicare, Medicaid and the Medicaid DSH Programs. The New York State Department of Health has proposed limits on funds it will contribute towards DSH funding for the State's public hospitals. The cuts being discussed are material in nature and would adversely impact the Hospital's revenue stream and income if enacted. The Affordable Care Act and renewed health care reform efforts at the Federal level also pose threats to future DSH funding. At this time however, the outcome of these deliberations are uncertain.

With the pressure to reduce the Federal Budget deficit, it is also anticipated 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 the hospitals' Medicare and Medicaid rates and the State's Support for Costs of State Sponsorship, having a negative impact on overall revenue.

Balance Sheets

June 30, 2017 and 2016
In thousands

Assets and Deferred Outflows of Resources	2017	Restated 2016
Current Assets:		
Cash and cash equivalents	$ 2,040,114	1,821,322
Deposits with bond trustees	209,975	386,936
Short-term investments	252,918	216,204
Accounts, notes, and loans receivable, net	640,521	633,603
Appropriations receivable	165,020	162,495
Grants receivable	236,933	264,007
Other assets	78,294	69,865
Total current assets	3,623,775	3,554,432
Noncurrent Assets:		
Restricted cash and cash equivalents	136,789	129,623
Deposits with bond trustees	349,483	326,571
Accounts, notes, and loans receivable, net	121,270	123,859
Appropriations receivable	658,368	664,690
Long-term investments	927,058	847,378
Other noncurrent assets	138,581	229,791
Capital assets, net	12,458,133	12,103,259
Total noncurrent assets	14,789,682	14,425,171
Total assets	**18,413,457**	**17,979,603**
Deferred outflows of resources	465,753	836,229
Total assets and deferred outflows of resources	**$ 18,879,210**	**18,815,832**

Liabilities, Deferred Inflows and Net Position	2017	Restated 2016
Current Liabilities:		
Accounts payable and accrued liabilities	1,502,982	896,400
Unearned revenue	540,379	408,637
Long-term debt - current portion	488,890	356,457
Long-term liabilities - current portion	293,007	285,950
Other liabilities	218,802	207,894
Total current liabilities	3,044,060	2,155,338
Noncurrent Liabilities:		
Long-term debt	9,503,459	9,942,001
Long-term liabilities	8,891,328	8,587,996
Refundable government loan funds	138,916	141,378
Other noncurrent liabilities	154,261	243,126
Total noncurrent liabilities	18,687,964	18,914,501
Total liabilities	**21,732,024**	**21,069,839**
Deferred inflows of resources	137,904	167,468
Total liabilities and deferred inflows of resources	**21,869,928**	**21,237,307**
Net Position:		
Net investment in capital assets	1,126,096	1,144,763
Restricted - nonexpendable:		
Instruction and departmental research	232,865	194,701
Scholarships and fellowships	112,943	106,523
General operations and other	123,065	138,535
Restricted - expendable:		
Instruction and departmental research	120,295	104,135
Scholarships and fellowships	63,751	55,079
General operations and other	139,095	207,264
Unrestricted	(4,908,828)	(4,372,475)
Total net position	**(2,990,718)**	**(2,421,475)**
Total liabilities, deferred inflows and net position	**$ 18,879,210**	**18,815,832**

See accompanying notes to the financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2017 and 2016
In thousands

	2017	Restated 2016
Operating revenues:		
Tuition and fees	$ 2,279,625	2,248,043
Less: scholarship allowances	(608,258)	(602,491)
Net tuition and fees	1,671,367	1,645,552
Federal grants and contracts	636,096	628,917
State and local grants and contracts	172,727	156,089
Private grants and contracts	393,646	382,865
Hospitals and clinics	2,722,639	2,777,827
Sales and services of auxiliary enterprises:		
Residence halls, net	461,907	450,584
Food service and other, net	232,100	219,001
Other sources	224,883	188,116
Total operating revenues	**6,515,365**	**6,448,951**
Operating expenses:		
Instruction	2,748,468	2,564,186
Research	680,618	724,805
Public service	314,741	311,337
Academic support	598,377	552,763
Student services	394,086	367,897
Institutional support	1,116,085	1,071,044
Operation and maintenance of plant	716,963	670,301
Scholarships and fellowships	236,728	234,458
Hospitals and clinics	2,918,517	2,876,470
Auxiliary enterprises:		
Residence halls	399,958	356,326
Food service and other	278,665	270,034
Depreciation and amortization expense	608,204	580,299
Other operating expenses	12,630	33,887
Total operating expenses	**11,024,040**	**10,613,807**
Operating loss	**(4,508,675)**	**(4,164,856)**
Nonoperating revenues (expenses):		
State appropriations	3,288,473	3,265,314
Federal and State nonoperating grants	574,947	573,155
Investment income, net	67,910	56,453
Net realized and unrealized gains (losses)	67,793	(75,919)
Gifts	100,116	130,023
Interest expense on capital related debt	(463,946)	(458,296)
(Loss) gain on disposal of plant assets	(10,938)	86,711
Other nonoperating revenues (expenses), net	169,768	(38,503)
Net nonoperating revenues	**3,794,123**	**3,538,938**
Loss before other revenues and gains	**(714,552)**	**(625,918)**
Capital appropriations	57,723	25,164
Capital gifts and grants	61,130	31,223
Additions to permanent endowments	26,456	32,832
Decrease in net position	**(569,243)**	**(536,699)**
Net position at the beginning of year, as restated	**(2,421,475)**	**(1,884,776)**
Net position at the end of year	**$ (2,990,718)**	**(2,421,475)**

See accompanying notes to the financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016
In thousands

	2017	Restated 2016
Cash flows from operating activities:		
Tuition and fees	$ 1,678,006	1,638,843
Grants and contracts:		
Federal	649,157	630,418
State and local	207,026	210,130
Private	471,400	464,083
Hospital and clinics	2,650,912	2,903,869
Personal service payments	(4,330,457)	(4,313,809)
Other than personal service payments	(2,575,248)	(2,552,800)
Payments for fringe benefits	(556,865)	(554,392)
Payments for scholarships and fellowships	(257,139)	(263,376)
Loans issued to students	(27,611)	(24,784)
Collection of loans to students	25,071	25,014
Auxiliary enterprise charges:		
Residence halls	457,100	453,459
Food service and other	227,561	213,140
Other receipts	206,115	151,674
Net cash used by operating activities	**(1,174,972)**	**(1,018,531)**
Cash flows from noncapital financing activities:		
State appropriations:		
Operations	1,120,468	1,089,416
Debt service	631,353	498,799
Federal and State nonoperating grants	574,905	573,159
Private gifts and grants	101,655	104,791
Proceeds from short-term loans	110,964	90,637
Repayment of short-term loans	(99,644)	(96,561)
Direct loan receipts	1,156,323	1,155,383
Direct loan disbursements	(1,156,323)	(1,155,383)
Other receipts (payments)	52,737	(16,574)
Net cash provided by noncapital financing activities	**2,492,438**	**2,243,667**
Cash flows from capital and related financing activities:		
Proceeds from capital debt	57,890	1,951,348
Capital appropriations	53,702	26,383
Capital grants and gifts received	63,058	31,733
Proceeds from sale of capital assets	1,295	98,853
Purchases of capital assets	(242,306)	(191,962)
Payments to contractors	(876,407)	(998,256)
Principal paid on capital debt and leases	(355,454)	(1,346,307)
Interest paid on capital debt and leases	(525,082)	(507,456)
Deposits advanced from State	559,143	—
Deposits with bond trustees	154,362	(27,787)
Net cash used by capital and related financing activities	**(1,109,799)**	**(963,451)**
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	221,094	371,448
Interest, dividends, and realized gains on investments	66,928	41,306
Purchases of investments	(269,731)	(398,326)
Net cash provided by investing activities	**18,291**	**14,428**
Net change in cash	**225,958**	**276,113**
Cash - beginning of year	**1,950,945**	**1,674,832**
Cash - end of year	**$ 2,176,903**	**1,950,945**
End of year cash comprised of:		
Cash and cash equivalents	**2,040,114**	**1,821,322**
Restricted cash and cash equivalents	**136,789**	**129,623**
Total cash and cash equivalents	**$ 2,176,903**	**1,950,945**

Statements of Cash Flows (continued)

For the Years Ended June 30, 2017 and 2016

In thousands

	2017	Restated 2016
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$ (4,508,675)	(4,164,856)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	608,204	580,299
Fringe benefits and litigation	1,634,464	1,525,573
Change in assets and liabilities:		
Receivables, net	16,817	207,023
Other assets	434,973	32,087
Accounts payable and accrued liabilities	22,386	(145,607)
Unearned revenue	(158,942)	70,703
Other liabilities	775,801	876,247
Net cash used by operating activities	**$ (1,174,972)**	**(1,018,531)**
Supplemental disclosures for noncash transactions:		
New capital leases / debt agreements	$ 57,890	2,242,206
Fringe benefits provided by the State	$ 1,616,627	1,497,863
Litigation costs provided by State	$ 17,837	27,710
Noncash gifts	$ 4,298	4,413
Unrealized gains (losses) on investments	$ 65,083	(61,747)

See accompanying notes to the financial statements.

State University of New York Component Units
Balance Sheet

June 30, 2017 (with comparative financial information as of June 30, 2016)
In thousands

Assets	2017	Restated 2016
Cash and cash equivalents	$ 237,196	274,209
Accounts and notes receivable, net	38,441	47,117
Pledges receivable, net	183,121	156,803
Investments	2,321,273	2,045,905
Assets held for others	30,979	40,597
Other assets	63,275	73,631
Capital assets, net	552,447	548,365
Total assets	**$ 3,426,732**	**3,186,627**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	59,973	58,927
Deferred revenue	18,625	14,851
Deposits held in custody for others	171,910	164,373
Other liabilities	80,875	81,096
Long-term debt, net	346,844	360,201
Total liabilities	**678,227**	**679,448**
Net Assets:		
Unrestricted:		
Board designated for:		
Fixed assets	226,009	204,839
Campus programs	113,381	110,786
Investments	215,140	189,098
General operations and other	89,988	89,749
Undesignated	171,682	147,858
Total unrestricted net assets	816,200	742,330
Temporarily restricted:		
Scholarships and fellowships	215,651	172,702
Campus programs	492,568	455,469
Research, general operations and other	363,344	321,595
Total temporarily restricted net assets	1,071,563	949,766
Permanently restricted:		
Scholarships and fellowships	387,831	361,540
Campus programs	384,678	364,324
Research, general operations and other	88,233	89,219
Total permanently restricted net assets	860,742	815,083
Total net assets	**2,748,505**	**2,507,179**
Total liabilities and net assets	**$ 3,426,732**	**3,186,627**

See accompanying notes to the financial statements.

State University of New York Component Units
Statement of Activities

For the Year Ended June 30, 2017 (with summarized financial information for the year ended June 30, 2016)
In thousands

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	Restated 2016 Total
Revenues:					
Contributions, gifts and grants	$ 45,127	117,237	46,277	208,641	208,601
Food service	305,843	—	—	305,843	289,766
Other auxiliary services	80,296	—	—	80,296	77,793
Rental income	69,209	479	—	69,688	65,947
Sales and services	13,753	2,364	—	16,117	30,297
Program income and special events	42,031	1,633	1	43,665	46,485
Investment income, net	9,835	21,892	137	31,864	31,019
Net realized and unrealized gains (losses)	59,351	135,672	678	195,701	(21,870)
Change in value of split interest agreements	3,048	(214)	1,981	4,815	(745)
Other sources	11,776	2,372	14	14,162	20,139
Endowment earnings transferred	—	365	(365)	—	—
Net assets released from restrictions	158,820	(158,820)	—	—	—
Total revenues	**799,089**	**122,980**	**48,723**	**970,792**	**747,432**
Expenses:					
Food service	259,107	—	—	259,107	246,138
Other auxiliary services	66,869	—	—	66,869	66,980
Program expenses	121,863	—	—	121,863	117,667
Health care services	6,956	—	—	6,956	20,790
Payments to the State University:					
Scholarships and fellowships	60,463	—	—	60,463	57,076
Other	68,904	—	—	68,904	50,300
Real estate expenses	45,906	—	—	45,906	46,272
Management and general	55,585	—	—	55,585	54,837
Fundraising	25,651	—	—	25,651	25,122
Other expenses	18,162	—	—	18,162	16,455
Total expenses	**729,466**	**—**	**—**	**729,466**	**701,637**
Change in net assets	**69,623**	**122,980**	**48,723**	**241,326**	**45,795**
Net asset reclassification	**4,247**	**(1,183)**	**(3,064)**	**—**	**—**
Total change in net assets	**73,870**	**121,797**	**45,659**	**241,326**	**45,795**
Net assets at the beginning of year, restated	**742,330**	**949,766**	**815,083**	**2,507,179**	**2,461,384**
Net assets at the end of year	**$ 816,200**	**1,071,563**	**860,742**	**2,748,505**	**2,507,179**

See accompanying notes to the financial statements.

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016.

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.

During 2017, the State University adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14.* This Statement establishes an additional blending requirement for the financial statement presentation of component units. A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member as identified in the component unit's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provisions in GASB Statement 14, as amended.

Notes to Financial Statements

June 30, 2017 and 2016

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

This pronouncement required a restatement to the State University's financial statements as of July 1, 2015. A component unit previously included in the discretely presented reporting totals is now included in the primary reporting entity, as it meets the criteria for blended presentation (see note 15).

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 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:

<u>Net investment in capital assets</u>
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.

<u>Restricted – nonexpendable</u>
Net position component subject to externally imposed conditions that the State University is required to retain in perpetuity.

<u>Restricted – expendable</u>
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.

<u>Unrestricted component of net position</u>
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.

Notes to Financial Statements

June 30, 2017 and 2016

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

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 2017 and 2016 were reported net of scholarship discount and allowance amounts of $106.2 million and $105.4 million for residence halls and $42.3 million and $40.8 million for food service and other auxiliary services, respectively.

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

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, 2017 and 2016, the State University had $251 million and $198 million available for authorization for expenditure, including $163 million and $125 million from restricted funds and $88 million and $73 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 managers 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 managers' estimates 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 $20 million and $14 million in the 2017

Notes to Financial Statements

June 30, 2017 and 2016

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

and 2016 fiscal years, respectively. Intangible assets, including internally generated computer software with costs 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.

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

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. During 2017, the State University also became a participating employer in the New York State and Local Police and Fire Retirement System (PFRS) due to new legislation that was passed in 2015-16 allowing State University Police employees to be included in this retirement system. As a result, the State University has recorded a participating proportion of the net pension liability (asset) and related deferrals of the TRS, ERS and PFRS 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.

Notes to Financial Statements

June 30, 2017 and 2016

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

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

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. The most significant estimates relate to the allowance for uncollectible receivables, valuation of certain investments measured at net asset value, and certain actuarial assumptions that affect the medical malpractice claims and postemployment benefit and pension obligations. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents and restricted cash represent State University funds held in the State treasury, in the short-term investment pool (STIP), in State bank accounts, unexpended escrow funds for equipment financing, 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; commercial paper; 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 custodial credit risk is the risk that, in event of the failure of a depository financial institution, the State University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

For campus State bank accounts the State requires that its depository banks pledge collateral or provide a surety bond based on actual and average daily available bank balances. All securities pledged as collateral are held by the State's fiscal agent in its name on behalf of the State University and are valued on a monthly basis.

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; (b) collateralized with securities held by a pledging financial institution; or (c) collateralized with securities held by a pledging financial institution's trust department or agency, but not in the State University or affiliates' name at June 30, 2017 and 2016, are as follows (in thousands):

		Category (a)	Category (b)	Category (c)
2017	$	59,442	90,209	2,490
2016	$	37,403	91,019	2,159

Notes to Financial Statements

June 30, 2017 and 2016

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 that 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 $149 million and $127 million at June 30, 2017 and 2016, respectively. The market value of investments held and maturity period are displayed in the following table (in thousands):

Fiscal Year 2017

Type of Investments	Fair Value	Level 1	Level 2	Less than 1 year	1-5 years
U.S. Treasuries	$ 333,484	402	333,082	333,390	94
Federal Agencies*	77,034	—	77,034	77,034	—
Total	$ 410,518	402	410,116	410,424	94

Fiscal Year 2016

Type of Investments	Fair Value	Level 1	Level 2	Less than 1 year	1-5 years
U.S. Treasuries	$ 417,482	—	417,482	416,637	845
Federal Agencies*	168,527	—	168,527	127,509	41,018
Total	$ 586,009	—	586,009	544,146	41,863

**Rating on investments are AA / Aaa / 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.

4. Investments (continued)

	2017		2016	
	Unit Value	Fair Value	Unit Value	Fair Value
Cornell Statutory Colleges:				
Endowments:				
Long-term investment pool	$ 55.51	849,338	52.32	771,006
Charitable gift annuities master trust units	1.68	9,849	1.47	11,544
Charitable trusts:				
Endowment strategy	55.00	24,814	51.97	23,571
Common trust fund - growth	38.00	6,306	32.81	5,918
Common trust fund - income	12.76	2,326	13.22	2,247
Common trust fund - premier	8.52	593	8.37	574
Pooled life income funds:				
PLIF A	1.36	652	1.32	665
PLIF B	2.54	742	2.43	987
Alfred Ceramics:				
Endowment long-term investment pool	6.74	21,549	6.21	19,731
Total external investment pools		$ 916,169		836,243

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 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.

Notes to Financial Statements

June 30, 2017 and 2016

4. Investments (continued)

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.

The composition of investments at June 30, 2017 and 2016 is as follows (in thousands):

Investments at June 30, 2017	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Cash and money market funds	$ 56,206	55,689	517	—
U.S. Treasury bills	30,035	30,035	—	—
U.S. Treasury notes and bonds	138	138	—	—
Municipal bonds	110	—	110	—
U.S. fixed income	720	680	40	—
Mutual funds - non-equities	25,587	24,386	1,201	—
U.S. equities	10,742	10,742	—	—
Foreign equities	8,571	8,571	—	—
Global equities	942	942	—	—
Real estate	6,435	6,435	—	—
Multi-strategy funds	1,959	1,959	—	—
Other	1,490	10	13	1,467
Total investments by fair value level	142,935	139,587	1,881	1,467
Investments measured at NAV:				
External investment pools	916,169			
Global equities	36,109			
Private equity	15,160			
Hedged equities	31,615			
Multi-strategy funds	18,932			
Credit securities	11,418			
Other	7,638			
Total investments measured at NAV	1,037,041			
Total investments	$ 1,179,976			

4. Investments (continued)

2017 redemption disclosures for investments measured at NAV (in thousands):

	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
External investment pools	$ 916,169	Monthly	Two months
Global equities	36,109	Monthly, quarterly, annually	15 to 90
Private equity	15,160	N/A - see below	N/A
Hedged equities	31,615	Quarterly	90
Multi-strategy funds	18,932	Monthly, Quarterly	45 to 95
Credit securities	11,418	Monthly, Quarterly	30 to 45
Other	7,638	N/A	N/A
Total investments measured at NAV	$ 1,037,041		

Investments at June 30, 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level:				
Cash and money market funds	$ 33,755	32,741	1,014	—
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	113,051	2,707	2,169
Investments measured at 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 NAV	945,655			
Total investments	$ 1,063,582			

Notes to Financial Statements

June 30, 2017 and 2016

4. Investments (continued)

2016 redemption disclosures for investments measured at 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	N/A -see below	N/A
Hedged equities	29,921	Monthly, Quarterly	90
Multi-strategy funds	29,281	Monthly, Quarterly	45 to 95
Credit securities	6,613	Quarterly	30 to 45
Other	5,735	N/A	N/A
Total investments measured at NAV	$ 945,655		

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, 2017 and 2016 of approximately $7.5 million and $10.9 million, respectively.

Investment income is reported net of investment fees of approximately $6 million for both the June 30, 2017 and 2016 fiscal years. The State University did not have any exposure to foreign currency risk for investments held at June 30, 2017 and 2016.

At June 30, 2017 and 2016, the State University had non-equity investments and maturities as summarized in Table A.

Table A *(in thousands)*

	Fiscal Year 2017					Fiscal Year 2016				
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**
U.S. Treasury bills	$ 30,035	30,035	—	—	—	30,288	30,288	—	—	—
U.S. Treasury notes/bonds	138	138	—	—	—	121	121	—	—	—
Municipal bonds	110	—	110	—	—	158	45	—	113	—
Fixed income & mutual funds - non-equities	26,307	—	1,747	23,431	1,129	23,170	—	1,981	20,957	232
Total investments	$ 56,590	30,173	1,857	23,431	1,129	53,737	30,454	1,981	21,070	232

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, 2017 and 2016, are summarized in Table B.

Table B *(in thousands)*

Credit Rating	AAA	AA	A	BBB	BB	B	Not Rated
Investment Type - 2017							
Municipal bonds	$ —	—	—	—	—	—	110
Fixed income and mutual funds - non-equities*	24,458	—	905	224	—	—	720
Total	$ 24,458	—	905	224	—	—	830
Investment Type - 2016							
Municipal bonds	$ —	45	—	—	—	—	113
Fixed income and mutual funds - non-equities*	21,754	—	1,184	232	—	—	—
Total	$ 21,754	45	1,184	232	—	—	113

**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 2017 and 2016, as follows (in thousands):

	2017	2016
Tuition and fees	$ 48,425	47,074
Allowance for uncollectible	(11,117)	(10,872)
Net tuition and fees	37,308	36,202
Room rent	13,066	12,249
Allowance for uncollectible	(3,199)	(2,936)
Net room rent	9,867	9,313
Patient fees, net of contractual allowances	843,562	871,621
Allowance for uncollectible	(359,701)	(383,464)
Net patient fees	483,861	488,157
Other, net	90,556	85,164
Total accounts and notes receivable	621,592	618,836
Student loans	165,416	162,744
Allowance for uncollectible	(25,217)	(24,118)
Total student loans receivable	140,199	138,626
Total, net	$ 761,791	757,462

Notes to Financial Statements

June 30, 2017 and 2016

6. Capital Assets

Capital assets, net of accumulated depreciation, totaled $12.46 billion and $12.10 billion at fiscal year ends 2017 and 2016, respectively. Capital asset activity for fiscal years 2017 and 2016 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)*

	Restated July 1, 2015	Additions	Closed Projects & Retirements	June 30, 2016	Additions	Closed Projects & Retirements	June 30, 2017
Capital assets:							
Land	$ 650,815	18,322	1,721	667,416	22,595	424	689,587
Infrastructure and land improvements	1,099,472	97,712	12,298	1,184,886	72,152	11,354	1,245,684
Buildings	11,320,810	1,043,853	141,425	12,223,238	808,766	62,309	12,969,695
Equipment, library books and other	3,129,535	219,403	141,787	3,207,151	190,947	276,459	3,121,639
Construction in progress	2,046,745	1,035,300	898,906	2,183,139	929,992	949,367	2,163,764
Total capital assets	18,247,377	2,414,590	1,196,137	19,465,830	2,024,452	1,299,913	20,190,369
Less: accumulated depreciation:							
Infrastructure and land improvements	498,331	50,424	10,007	538,748	53,369	9,123	582,994
Buildings	4,024,619	395,211	87,609	4,332,221	366,923	56,134	4,643,010
Equipment, library books and other	2,446,910	180,018	135,326	2,491,602	187,912	173,282	2,506,232
Total accumulated depreciation	6,969,860	625,653	232,942	7,362,571	608,204	238,539	7,732,236
Capital assets, net	$11,277,517	1,788,937	963,195	12,103,259	1,416,248	1,061,374	12,458,133

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.

7. Long-term Liabilities (continued)

Total obligations as of June 30, 2017 and 2016, other than facilities obligations, which are included as of March 31, 2017 and 2016, are summarized in Table D.

Table D *(in thousands)*

For the 2017 Fiscal Year	July 1, 2016	Additions	Reductions	June 30, 2017	Current Portion
Long-term debt:					
Educational facilities	$ 8,359,832	—	226,792	8,133,040	358,372
Unamortized bond premium - educational facilities	688,578	—	35,265	653,313	35,265
Residence hall facilities	682,175	—	32,395	649,780	29,835
Unamortized bond premium - residence hall facilities	60,432	—	2,399	58,033	2,399
Capital lease arrangements	418,388	57,890	56,442	419,836	56,719
Other long-term debt	89,053	6	10,712	78,347	6,300
Total long-term debt	10,298,458	57,896	364,005	9,992,349	488,890
Other long-term liabilities:					
Postemployment and post-retirement	5,527,503	1,254,300	561,881	6,219,922	—
Collateralized borrowing	1,095,300	—	34,043	1,061,257	41,858
Litigation	697,996	2,207	9,350	690,853	34,017
Pension	1,080,636	337,026	683,298	734,364	24,924
Other long-term liabilities	472,511	163,291	157,863	477,939	192,208
Total other long-term liabilities	8,873,946	1,756,824	1,446,435	9,184,335	293,007
Total long-term liabilities	$19,172,404	1,814,720	1,810,440	19,176,684	781,897

For the 2016 Fiscal Year	Restated 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	106,232	13	17,192	89,053	10,708
Total long-term debt	10,120,977	1,603,109	1,425,628	10,298,458	356,457
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	$16,928,710	4,470,597	2,226,903	19,172,404	642,407

Notes to Financial Statements

June 30, 2017 and 2016

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. There was no new debt issued during 2017 for the educational facilities program.

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, and these bonds have a maximum 30-year life and 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, 2017, $93.5 million of outstanding educational facilities obligations and $206.8 million of residence hall obligations were considered defeased.

Requirements of the long-term debt obligations as of June 30, 2017 are as follows (in thousands):

Fiscal Year(s)	Educational Facilities		Residential Facilities		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 358,372	402,955	29,835	31,268	100,683	26,578	488,890	460,801
2019	285,901	387,118	25,810	29,924	98,028	24,632	409,739	441,674
2020	229,649	375,188	21,935	28,827	88,231	22,576	339,815	426,591
2021	242,300	365,402	19,095	27,882	81,533	20,443	342,928	413,727
2022	352,520	353,987	20,010	26,925	76,153	18,298	448,683	399,210
2023-27	2,009,352	1,474,057	112,155	118,642	324,967	58,697	2,446,474	1,651,396
2028-32	1,627,766	1,012,612	97,995	93,032	211,787	9,092	1,937,548	1,114,736
2033-37	1,547,525	614,207	147,430	63,490	119,021	3,459	1,813,976	681,156
2038-42	1,217,205	235,285	162,815	22,014	91,053	1,286	1,471,073	258,585
2043-47	262,450	21,873	12,700	318	18,073	—	293,223	22,191
Total	$ 8,133,040	5,242,684	649,780	442,322	1,209,529	185,061	9,992,349	5,870,067
	Interest rates range from 1.39% to 5.88%		Interest rates range from 3.0% to 5.0%		Interest rates range from 1.0% to 8.28%			

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.

7. Long-term Liabilities (continued)

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, 2017 and 2016 amounted to $554.3 million and $536.8 million, respectively. There were principal payments of $29.6 million and $6.8 million and interest payments of $47.7 million and $29.6 million during fiscal years 2017 and 2016, respectively. Total principal and interest outstanding on the bonds at June 30, 2017 were $955.8 million and $487.0 million, respectively, payable through July 1, 2045.

During April 2017, bonds with a par amount of $344.7 million at a premium of $64.0 million were issued for purpose of financing capital construction as well as to refinance $211.7 million of the State University's existing residential facility obligations. The result will produce an estimated savings of $19.7 million in future cash flow, with an estimated present value gain of $19.4 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 three major defined benefit retirement plans State University employees participate in are ERS, PFRS and TRS. ERS and PFRS are cost-sharing, multiple-employer, defined benefit public plans 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 liability (asset) for employees of the State University that participate in ERS, PFRS 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, PFRS 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. Each plan provides 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 and PFRS this rate is determined annually by the State Comptroller. The average contribution rate for fiscal year ended March 31, 2017 for ERS and PFRS was approximately 15.5 percent and 24.3 percent of payroll, respectively. For TRS, this rate is determined by the TRS Board on annual basis and was 13.3 percent of payroll for the year ended June 30, 2016.

ERS, PFRS 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 (ERS and TRS) and January 9, 2010 (PFRS) benefits generally vest after 10 years of credited service. The NYSRSSL provides that all participating employers in ERS, PFRS 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 (January 9, 2010 PFRS), and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after January 1, 2010 (January 9, 2010 PFRS) 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, PFRS 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

Notes to Financial Statements

June 30, 2017 and 2016

8. Retirement Plans (continued)

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, PFRS, 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 2017 and 2016, ERS and PFRS used a discount rate of 7.0 percent for both years. TRS used a discount rate of 7.5 percent and 8.0 percent for fiscal years 2017 and 2016, respectively. The Upstate Plan used a discount rate of 6.5 percent for both years. The total contributions made to the ERS, TRS and Upstate Plan during 2017 and 2016 were $197.9 million and $214.8 million, $16.7 million and $19.6 million, and $2.8 million and $2.0 million, respectively. Total contributions made to PFRS during 2017 were $2.5 million. At June 30, 2017 and 2016, the total net pension liability, included in long-term liabilities, for these plans was $551.4 million and $873.7 million, respectively. Additionally, at June 30, 2017 and 2016, there is deferred outflows of resources of $413.3 million and $780.0 million, and deferred inflows of resources of $127.8 million and $157.4 million, respectively. There was also a pension asset, included in other noncurrent assets, of $77.2 million at June 30, 2016. For the fiscal years ended June 30, 2017 and 2016, the State University recognized pension expense of $312.1 million and $300.7 million, respectively.

ERS and PFRS– The State University recognized a net pension liability of $510.4 million and $859.3 million for its proportionate share of the ERS net pension liability at June 30, 2017 and 2016, respectively. The State University also recognized a net pension liability of $21.8 million for its proportionate share of the PFRS net pension liability at June 30, 2017. 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 and PFRS projected long-term contribution effort from all employers. The net pension liability at June 30, 2017 was measured as of March 31, 2017, and was determined by an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. 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 proportionate share of the net pension liability for ERS was 5.43 percent measured at March 31, 2017 compared to 5.35 percent measured at March 31, 2016. The proportionate share of the net pension liability for PFRS was 1.05 percent measured as of March 31, 2017.

For the fiscal years ended June 30, 2017 and 2016, the State University recognized pension expense related to ERS of $282.6 million and $300.0 million, respectively. At June 30, 2017 and 2016, the State University reported deferred outflows and deferred inflows of resources related to ERS from the following sources (in thousands):

8. Retirement Plans (continued)

	2017		2016	
	Deferred Outflows of Resources:	Deferred Inflows of Resources:	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 12,791	77,510	4,342	101,862
Changes of assumptions	174,377	—	229,162	—
Net difference between projected and actual earnings on pension plan investments	101,951	—	509,813	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,359	34,659	3,350	27,893
Total	$ 295,478	112,169	746,667	129,755

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

Year Ended June 30:	
2018	$ 86,785
2019	86,785
2020	80,973
2021	(71,234)

For the fiscal year ended June 30, 2017, the State University recognized pension expense related to PFRS of $12.5 million. At June 30, 2017, the State University reported deferred outflows and deferred inflows of resources related to PFRS from the following sources (in thousands):

	2017	
	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 2,859	3,765
Changes of assumptions	10,736	—
Net difference between projected and actual earnings on pension plan investments	3,255	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	508	1,789
Total	$ 17,358	5,554

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

Year Ended June 30:	
2018	$ 4,022
2019	4,022
2020	3,779
2021	(398)
2022	379

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June 30, 2017 and 2016

8. Retirement Plans (continued)

The actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017, and the actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016, included the following actuarial assumptions.

Assumptions	2017	2016
Actuarial cost method	Entry age normal	Entry age normal
Inflation	2.5 percent	2.5 percent
Salary scale	3.8 percent (ERS), 4.5 percent (PFRS)	3.8 percent (ERS)
Investment rate of return, including inflation	7 percent compounded annually, net of investment expenses	7 percent compounded annually, net of investment expenses
Cost of living adjustments	1.3 percent annually	1.3 percent annually
Decrements	Developed from each Plan's 2015 experience study for period Apri1 1, 2010 through March 31, 2015	Developed from each Plan's 2015 experience study for period Apri1 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale MP-2014
Discount rate	7.0 percent	7.0 percent

Best estimates of arithmetic real rates of return for each major asset class included in the ERS and PFRS target asset allocation as of March 31, 2017 and 2016 are as follows:

	2017		2016	
Asset Class	Target Allocation	Long-term expected real rate of return *	Target Allocation	Long-term expected real rate of return *
Domestic equities	36%	4.55%	38%	7.30%
International equities	14	6.35	13	8.55
Private equities	10	7.75	10	11.00
Real estate	10	5.80	8	8.25
Absolute return strategies	2	4.00	3	6.75
Opportunistic portfolio	3	5.89	3	8.60
Real assets	3	5.54	3	8.65
Bonds and mortgages	17	1.31	18	4.00
Cash	1	(0.25)	2	2.25
Inflation-indexed bonds	4	1.50	2	4.00
Total	100%		100%	

*Real rates of return are net of a long-term inflation assumption of 2.5%.

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):

8. Retirement Plans (continued)

		1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
ERS Net Pension Liability (Asset)	$	1,630,169	510,416	(436,332)
PFRS Net Pension Liability (Asset)	$	61,781	21,793	(11,748)

The ERS and PFRS retirement systems issue 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, 2017 and 2016 is $182.9 million and $206.9 million, respectively.

TRS – The State University recognized a net pension liability of $8.7 million at June 30, 2017 and a net pension asset of $(77.2) million at June 30, 2016 for its proportionate share of the TRS net pension liability (asset). The State University's proportionate share of the net pension liability (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 liability (asset) reported at June 30, 2017 was measured as of June 30, 2016, and was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability (asset) to June 30, 2016. The net pension liability (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 (asset) to June 30, 2015. The proportionate share of the net pension liability (asset) was 0.817% measured at June 30, 2016 compared to 0.743% at June 30, 2015.

For fiscal years ended June 30, 2017 and 2016, the State University recognized pension expense (benefit) related to TRS of $13.6 million and $(5.2), respectively. At June 30, 2017 and 2016, the State University reported deferred outflows and deferred inflows of resources related to TRS from the following sources (in thousands):

	2017		2016	
	Deferred Outflows of Resources:	Deferred Inflows of Resources:	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ —	2,841	—	2,139
Changes in assumptions	49,818	—		
Net difference between projected and actual earnings on pension plan investments	19,664	—	—	24,399
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	5,215	—	1,032
Employer contributions subsequent to measurement date	24,697	—	23,746	—
Total	$ 94,179	8,056	23,746	27,570

At June 30, 2017 and 2016, $24.7 million and $23.7 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, 2018 and 2017, respectively. 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):

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June 30, 2017 and 2016

8. Retirement Plans (continued)

Year Ended June 30:		
2018	$	5,263
2019		5,263
2020		20,534
2021		15,783
2022		6,795
Thereafter		7,788

The actuarial valuations as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016, and the actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension asset to June 30, 2015, included the following actuarial assumptions.

Assumptions	2017	2016
Inflation	2.5 percent	3.0 percent
Projected salary increase	Rates differ based on service. They have been calculated based upon recent TRS member experience and range from 1.9 percent to 4.72 percent	Rates differ based on age and gender. They have been calculated based upon recent TRS member experience and range from 4.01 percent to 10.91 percent
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses, including inflation	8.0 percent compounded annually, net of expenses, including inflation
Cost of living adjustments	1.5 percent compounded annually	1.625 percent compounded annually
Actuarial assumptions	Based on results of an actuarial experience study for the period July 1, 2009 and June 30, 2014	Based on results of an actuarial experience study for the period July 1, 2005 and June 30, 2010
Mortality improvement	Society of Actuaries' Scale MP-2014	Society of Actuaries' Scale AA
Discount rate	7.5 percent	8.0 percent

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, 2016 and June 30, 2015 for reporting at June 30, 2017 and 2016 were as follows:

	2017		2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equities	37%	6.1%	37%	6.5%
International equities	18	7.3	18	7.7
Real estate	10	5.4	10	4.6
Private equities	7	9.2	7	9.9
Domestic fixed income securities	17	1.0	17	2.1
Global fixed income securities	2	0.8	2	1.9
Mortgages	8	3.1	8	3.4
Short-term	1	0.1	1	1.2
Total	100%		100%	

*Real rates of return are net of a long-term inflation assumption of 2.1% for 2015 and 2.3% for 2014.

8. Retirement Plans (continued)

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 7.5% 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 (6.5%) and 1-percentage point higher (8.5%) than the current year rate (in thousands):

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Net Pension Liability (Asset)	$ 114,100	8,745	(79,621)

The TRS 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: https://www.nystrs.org/Library/Publications/Annual-Report.

Upstate Plan – At June 30, 2017 and 2016, the State University recognized a net pension liability of $10.5 million and $14.4 million, respectively, based on the net pension liability as reported by the plan as follows (in thousands):

	2017	2016
Total pension liability	$ 105,954	104,611
Plan fiduciary net position	95,459	90,223
Net pension liability	$ 10,495	14,388
Ratio of plan fiduciary net position to total pension liability	90.1%	86.3%

The total pension liability was measured as of January 1, 2017 and was determined by using an actuarial valuation as of January 1, 2017. For the years ended June 30, 2017 and 2016, the State University recognized pension expense of $3.4 million and $5.9 million related to the Upstate Plan.

At June 30, 2017, the State University reported deferred outflows and deferred inflows of resources related to the Upstate Plan from the following sources (in thousands):

	2017		2016	
	Deferred Outflows of Resources:	Deferred Inflows of Resources:	Deferred Outflows of Resources:	Deferred Inflows of Resources:
Differences between expected and actual experience	$ 200	—	604	—
Net difference between projected and actual earnings on pension plan investments	4,098	1,331	5,463	43
Changes in assumptions	—	695	754	—
Employer contributions subsequent to measurement date	2,000	—	2,800	—
Total	$ 6,298	2,026	9,621	43

At June 30, 2017 and 2016, $2.0 million and $2.8 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, 2018 and 2017, respectively. Other 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):

8. Retirement Plans (continued)

Year Ended June 30:	
2018	$ 531
2019	1,026
2020	1,040
2021	(325)

Membership of the Upstate Plan at January 1, 2017 totaled 1,564 members, comprised of 421 active members, 408 inactive vested members, and 735 retirees and beneficiaries currently receiving benefits. Membership of the Upstate Plan at January 1, 2016 totaled 1,607 members, comprised of 465 active members, 439 inactive vested members, and 703 retirees and beneficiaries currently receiving benefits. The actuarial assumptions included in the January 1, 2017 and 2016 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-2016 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, 2016 and 2015 for reporting at June 30, 2017 and 2016 were as follows:

	2017		2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	50%	4.60	50%	5.10
Non-U.S. Equities	15	4.50	15	5.00
Fixed Income	30	0.75	30	0.75
Alternatives (Real Assets)	5	3.5	5	3.75
	100%		100%	

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	$ 22,574	10,495	302

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

8. Retirement Plans (continued)

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 $232.7 million and $237.9 million and employee contributions of $27.5 and $26.7 million were made during fiscal years 2017 and 2016, 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, 2017 and 2016 was $368.3 million and $371.2 million, respectively. The Research Foundation pension contributions were $31.4 million and $31.3 million for 2017 and 2016, 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.

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. The State University's OPEB obligation and funded status of the plan for the years ended June 30, 2017, 2016, and 2015 were as follows (in thousands):

	2017	2016	2015
Annual OPEB cost	$ 1,187,413	922,570	926,232
Benefits paid	(309,251)	(283,650)	(263,780)
Increase in OPEB obligation	878,162	638,920	662,452
Net obligation at beginning of year	5,319,305	4,680,385	4,017,933
Net obligation at end of year	$ 6,197,467	5,319,305	4,680,385
Funded Status:			
Actuarial accrued liability (AAL)	17,698,742	14,427,276	14,427,276
Actuarial value of OPEB plan assets	—	—	—
Unfunded AAL (UAAL)	$ 17,698,742	14,427,276	14,427,276
Actuarial valuation date	April 1, 2016	April 1, 2014	April 1, 2014
Funded ratio	—	—	—
Covered payroll	$ 3,785,002	3,600,635	3,336,622
UAAL as a % of covered payroll	468%	401%	432%

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June 30, 2017 and 2016

8. Retirement Plans (continued)

The components of the State University's OPEB obligation at June 30, 2017 and 2016 include the total annual required contribution (ARC) of $1.22 billion and $939.4 million, ARC reduction of $172.8 million and $164.5 million, and interest costs of $140.2 million and $147.7 million, respectively.

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 2.637 percent discount rate, payroll growth rate of 3.0 percent, and an annual healthcare cost trend rate for medical coverage of 6.75 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 2016 calendar year.

The Research Foundation's OPEB obligation and funded status of the plan for the years ended June 30, 2017, 2016 and 2015, respectively, were as follows (in thousands):

	2017	2016	2015
Annual OPEB cost (benefit)	$ (155,364)	39,760	59,177
Benefits paid	(11,461)	(11,659)	(10,859)
Contribution to plan	(18,918)	(10,709)	(10,362)
Change in OPEB obligation	(185,743)	17,392	37,956
Net obligation at beginning of year	208,198	190,806	152,850
Net obligation at end of year	$ 22,455	208,198	190,806
Funded status:			
Actuarial accrued liability (AAL)	229,243	400,221	359,877
Actuarial value of OPEB plan assets	217,425	176,347	169,827
Unfunded AAL (UAAL)	$ 11,818	223,874	190,050
Actuarial valuation date	June 30, 2017	June 30, 2016	June 30, 2015
Funded ratio	95%	44%	47%
Covered payroll	$ 237,950	239,443	235,284
UAAL as a % of covered payroll	5%	93%	81%

8. Retirement Plans (continued)

The components of the Research Foundation OPEB obligation at June 30, 2017 and 2016 include the total ARC of $52.8 million and $230.6 million, ARC reduction of $222.3 million and $204.2 million, and interest costs of $14.1 million and $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 6.75 percent discount rate, and an initial healthcare cost trend rate range of 7.5 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, 2017 and 2016, these outstanding contract commitments totaled approximately $800 million and $900 million, 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, 2017 and 2016 under such operating leases were $55.4 million and $50.9 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:		
2018	$	50,465
2019		49,501
2020		45,255
2021		36,520
2022		29,269
2023-27		78,299
2028-32		37,641
2033-98		23,806
Total	$	350,756

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 2.6 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 $691 million and $698 million at June 30, 2017 and 2016, 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

Notes to Financial Statements

June 30, 2017 and 2016

10. Contingencies (continued)

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.

In 2011 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. to provide non-physician staffing to the State University. As of August 1, 2017, StaffCo became the employer of the former staff of Southampton Hospital in support of Stony Brook's expansion of its hospital operations to Southampton Hospital. The State University is responsible for reimbursing Staffco for its direct and indirect costs relating to the non-physician staffing. 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 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 this case, the State University may be required to pay Staffco the amount of the withdrawal liability. Due to the recent restructure of StaffCo operations, the exposure to withdrawal liability is no longer an imminent or immediate possibility.

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 $3.29 billion and $3.27 billion and represented approximately 30 percent and 31 percent of total revenues for the 2017 and 2016 fiscal years, respectively. 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

	2017	2016
Assets:		
Current assets	$ 447,149	434,383
Capital assets	395,256	522,082
Other assets	6,808	8,648
Total assets	$ 849,213	965,113
Liabilities:		
Total current liabilities	370,976	343,273
Total noncurrent liabilities	392,635	681,024
Total liabilities	763,611	1,024,297
Net Position:		
Invested in capital assets, net	(3,654)	69,715
Unrestricted	89,256	(128,899)
Total net position	85,602	(59,184)
Total liabilities and net position	$ 849,213	965,113

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

	2017	2016
Operating revenues:		
Federal grants and contracts	$ 522,585	491,236
State grants and contracts	112,510	111,352
Private grants and contracts	215,323	202,472
Other operating revenues	63,778	58,360
Total operating revenues	914,196	863,420
Operating expenses:		
Instruction	90,373	96,353
Research	484,861	504,799
Public service	108,220	106,173
Institutional support	126,001	137,609
Other operating expenses	40,327	37,901
Depreciation and amortization expense	68,696	65,651
Total operating expenses	918,478	948,486
Operating loss	(4,282)	(85,066)
Net nonoperating revenues (expenses)	149,068	(41,928)
Change in net position	144,786	(126,994)
Net position at the beginning of the year	(59,184)	67,810
Net position at the end of the year	$ 85,602	(59,184)

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

Condensed Statements of Cash Flows

	2017	2016
Cash flows from operating activities	$ 97,213	111,717
Cash flows from noncapital financing activities	11,321	(5,924)
Cash flows from capital and related financing activities	(93,062)	(97,243)
Cash flows from investing activities	(16,062)	(7,994)
Net change in cash	(590)	556
Cash - beginning of year	741	185
Cash - end of year	$ 151	741

14. Subsequent Events

In July 2017, Sales Tax Revenue Bonds were issued with a par amount totaling $584 million for the purpose of financing capital construction and major rehabilitation for educational facilities. Personal Income Tax Revenue Bonds (PIT) were also issued with a par amount of $413 million in order to refund $450 million of the State University's existing educational facilities obligation. In October 2017, PIT Bonds were issued with a par amount of $39 million for the purpose of financing capital construction and major rehabilitation for hospital facilities.

The State University Board of Trustees approved Stony Brook University Hospital to enter into an agreement with Southampton Hospital Association (SHA) to affiliate with Southampton Hospital. The agreement has the State University leasing the Southampton Hospital building and equipment from SHA. This affiliation agreement was approved by New York State on August 1, 2017.

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, 2017 were available to be issued on November 8, 2017 and subsequent events have been evaluated through that date.

15. Restatement

The provisions of GASB Statements No. 80 have been applied to the beginning of the 2016 fiscal year net position. The following is a reconciliation of the total net position as previously reported at July 1, 2015 to the total restated net position (in thousands):

Total net position as previously reported at July 1, 2015	$ (1,885,778)
Change due to adoption of GASB Statement No. 80	1,002
Total net position at July 1, 2015 (restated)	$ (1,884,776)

As the result of adopting GASB Statement No. 80, one component unit which was reported in the totals of the discretely presented component units is now blended in the consolidated financial reporting entity of the State University.

16. 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,

16. Component Units (continued)

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 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 $2.32 billion and $2.05 billion as of June 30, 2017 and 2016, respectively.

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

	2017	2016
Equities - domestic	$ 678,027	601,787
Equities - international	416,988	313,964
Non-equities	528,648	503,897
Multi-strategy funds	204,892	189,718
Equity partnerships	195,619	158,816
Hedge funds	157,918	153,475
Real assets/real estate	119,837	107,384
Other investments	19,344	16,864
Total investments	$ 2,321,273	2,045,905

16. Component Units (continued)

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 $552.4 million and $548.4 million at fiscal year end 2017 and 2016, respectively. Capital asset classifications are summarized as follows (in thousands):

	2017	2016
Land and land improvements	$ 36,035	34,124
Buildings	675,141	656,368
Equipment	126,738	120,899
Artwork and library books	29,686	29,201
Construction in progress	26,676	23,147
Total capital assets	894,276	863,739
Less accumulated depreciation	341,829	315,374
Capital assets, net	$ 552,447	548,365

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:	
2018	$ 13,786
2019	13,615
2020	13,825
2021	13,869
2022	14,081
Thereafter	289,855
	359,031
Less: unamortized debt issuance costs	12,187
	$ 346,844

Restatement of the beginning of the year net assets

The adoption of GASB Statement No. 80 required a restatement of the discretely presented component unit financial statements as of July 1, 2015, as a component unit previously included in the discrete presentation meets the criteria for blending in the State University reporting entity. In addition, a campus-related foundation restated net assets to correct for an error in its classification of net asset accounts and to properly segregate amounts that are more properly classified as an agency account liability. The following is a reconciliation of the total net assets as previously reported at July 1, 2015 to the total restated net assets (in thousands):

Total net assets as previously reported at July 1, 2015	$ 2,468,717
Change due to adoption of GASB Statement No. 80	(1,625)
Change due to correction of an error	(5,708)
Total net position at July 1, 2015 (restated)	$ 2,461,384

16. 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

	2017			2016		
	Foundations	ASC	Total	Foundations	ASC	Total
Assets:						
Investments	$ 2,244,724	76,549	2,321,273	1,982,218	63,687	2,045,905
Capital assets, net	435,676	116,771	552,447	445,680	102,685	548,365
Other assets	373,166	179,846	553,012	407,072	185,285	592,357
Total assets	$ 3,053,566	373,166	3,426,732	2,834,970	351,657	3,186,627
Liabilities:						
Other liabilities	227,134	104,249	331,383	210,263	108,984	319,247
Long-term debt, net	322,953	23,891	346,844	337,718	22,483	360,201
Total liabilities	550,087	128,140	678,227	547,981	131,467	679,448
Net Assets:						
Unrestricted	571,520	244,680	816,200	522,640	219,690	742,330
Temporarily restricted	1,071,349	214	1,071,563	949,509	257	949,766
Permanently restricted	860,610	132	860,742	814,840	243	815,083
Total net assets	2,503,479	245,026	2,748,505	2,286,989	220,190	2,507,179
Total liabilities and net assets	$ 3,053,566	373,166	3,426,732	2,834,970	351,657	3,186,627

Combined Statements of Activities

	2017			2016		
	Foundations	ASC	Total	Foundations	ASC	Total
Revenues:						
Contributions, gifts and grants	$ 208,641	—	208,641	208,501	100	208,601
Food and auxiliary services	—	386,139	386,139	—	367,559	367,559
Other revenue	363,837	12,175	376,012	164,753	6,519	171,272
Total revenues	572,478	398,314	970,792	373,254	374,178	747,432
Expenses:						
Food and auxiliary services	—	325,976	325,976	—	313,118	313,118
Program expenses	121,863	—	121,863	117,667	—	117,667
Other expenses	225,783	55,844	281,627	222,538	48,314	270,852
Total expenses	347,646	381,820	729,466	340,205	361,432	701,637
Total change in net assets	224,832	16,494	241,326	33,049	12,746	45,795
Net asset reclassification	(8,342)	8,342	—	—	—	—
Total change in net assets	216,490	24,836	241,326	33,049	12,746	45,795
Net assets at the beginning of year, restated	2,286,989	220,190	2,507,179	2,253,940	207,444	2,461,384
Net assets at the end of year	$ 2,503,479	245,026	2,748,505	2,286,989	220,190	2,507,179

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, 2016	$ —	$ 17,699	$ 17,699	—%	$ 3,785	468%
April 1, 2014	—	14,427	14,427	—%	3,337	432%
April 1, 2012	—	13,933	13,933	—%	3,201	435%
Research Foundation Plan:						
June 30, 2017	$ 217	$ 229	$ 12	95%	$ 238	5%
June 30, 2016	176	400	224	44%	239	93%
June 30, 2015	170	360	190	47%	235	81%

Required Supplementary Information

(Unaudited)

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

(Amounts in millions)

	2017			2016	2015
		ERS	PFRS	ERS	ERS
Proportion of the net pension liability		5.43%	1.05%	5.35%	5.32%
Proportionate share of the net pension liability	$	510.4	21.8	859.3	179.8
Covered-employee payroll plan year	$	1,413.7	35.6	1,405.6	1,262.1
Proportionate share of the net pension liability as a % of its covered payroll		36.1%	61.2%	61.1%	14.2%
Pension plan's fiduciary net position as a % of the total pension liability		94.7%	93.5%	90.7%	97.9%

Changes in benefit terms. There were no significant legislative changes in benefits from the April 1, 2016 and 2015 actuarial valuations.

Changes of assumptions. There were no significant changes in actuarial assumptions for the April 1, 2016 actuarial valuation. For the April 1, 2015 actuarial valuation the discount rate was reduced to 7.0% from 7.5%.

Methods and assumptions used in calculations of actuarially determined contributions. The April 1, 2014 and 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2016 and 2017, respectively.

Schedule of Employer Contributions for the ERS Plan

(Amounts in millions)

		2017	2016	2015
Actuarially determined contribution	$	197.9	214.8	242.2
Contributions in relation to the actuarial determined contribution	$	197.9	214.8	242.2
Contribution deficiency		—	—	—
Covered-employee payroll for fiscal year ended June 30th	$	1,432.7	1,418.8	1,384.2
Contribution as a percentage of covered-employee payroll		13.8%	15.1%	17.5%

Schedule of Employer Contributions for the PFRS Plan

(Amounts in millions)

		2017	2016	2015
Actuarially determined contribution	$	2.5	—	—
Contributions in relation to the actuarial determined contribution	$	2.5	—	—
Contribution deficiency		—	—	—
Covered-employee payroll for fiscal year ended June 30th	$	36.4	—	—
Contribution as a percentage of covered-employee payroll		6.9%	—%	—%

Schedules are 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)

	2017	2016	2015
Proportion of the net pension liability (asset)	0.82%	0.74 %	0.71 %
Proportionate share of the net pension liability (asset)	$ 8.7	(77.2)	(79.6)
Covered-employee payroll	$ 141.9	145.2	140.7
Proportionate share of the net pension liability (asset) as a % of its covered payroll	6.1%	(53.2)%	(56.6)%
Pension plan's fiduciary net position as a % of the total pension liability	99.01%	110.46 %	111.48 %

Change in benefit terms. There were no significant legislative changes in benefits for the June 30, 2015 and 2014 actuarial valuations.

Changes of assumptions. Significant changes in assumptions include a change for the pensioner mortality improvement actuarial valuation from the Society of Actuaries' Scale AA to Scale MP-2014 and a change in the discount rate from 8.0% to 7.5%. For other changes in assumptions see page 41.

Schedule of Employer Contributions for the TRS Plan

(Amounts in millions)

	2017	2016	2015
Actuarially determined contribution	$ 16.7	19.6	17.2
Contributions in relation to the actuarial determined contribution	$ 16.7	19.6	17.2
Contribution deficiency	—	—	—
Covered-employee payroll for fiscal year ended June 30th	$ 144.6	141.9	145.2
Contribution as a percentage of covered-employee payroll	11.55%	13.81%	11.81%

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)

	2017	2016	2015
Total pension liability:			
Service cost	$ 0.7	0.8	0.9
Interest	6.6	6.5	6.0
Changes of assumptions	—	—	5.8
Difference between expected and actual experience	0.3	1.0	0.4
Changes in assumptions	(1.4)	—	
Benefit payments	(4.9)	(7.0)	(3.8)
Net change in total pension liability	1.3	1.3	9.3
Total pension liability, beginning	104.6	103.3	94.0
Total pension liability, ending (a)	105.9	104.6	103.3
Plan fiduciary net position:			
Employer contributions	2.8	2.0	3.5
Net investment income (loss)	7.4	(0.7)	5.9
Benefit payments	(4.9)	(7.0)	(3.8)
Administrative expenses	(0.1)	(0.2)	(0.1)
Net change in fiduciary net position	5.2	(5.9)	5.5
Fiduciary net position, beginning	90.2	96.1	90.6
Fiduciary net position, ending (b)	95.4	90.2	96.1
Net pension liability, ending (a) - (b)	$ 10.5	14.4	7.2
Ratio of fiduciary net position to total pension liability	90.1%	86.3%	93.0%
Covered-employee payroll	$ 27.3	29.9	33.6
Net pension liability as a percentage of covered-employee payroll	38.4%	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)

	2016	2015	2014	2013	2012	2011*
Actuarially determined contribution (1)	$ 2.6	1.9	1.5	2.6	3.0	1.2
Contributions in relation to the actuarial determined contribution (2)	$ 2.8	2.0	3.5	2.6	3.0	1.2
Contribution excess	$ 0.2	0.1	2.0	—	—	—
Covered-employee payroll (3)	$ 27.3	29.9	33.6	36.0	16.0	21.9
Contribution as a percentage of covered-employee payroll	10.24%	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, 2017 actuarial valuation.

Changes in assumptions. The actuarial assumptions for the mortality basis used for the January 1, 2017 actuarial valuation where changed from the RP-2014 Mortality Tables with fully generational improvements using Scale MP-2015 to the RP-2014 Mortality Tables, by gender, with fully generational improvements using Scale MP-2016.

Methods and assumptions used in calculations of actuarially determined contributions. The January 1, 2017 actuarial valuation determines the employer rates for contributions payable in 2017. The following actuarial methods and assumptions were used:

Investment rate of return - 6.5%

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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 8, 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 or 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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

KPMG

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

November 8, 2017

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2017 ANNUAL FINANCIAL REPORT

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