



2000 FINANCIAL REPORT

Among the principles ASU continues to dedicate itself to are superior instruction, excellent student performance, original research and scholarly achievement. The pictures on the cover highlight the instruction and research endeavors of the University. As a leading public university, ASU's goal is to become one of the very best public universities in the nation. To fulfill this goal, ASU places special emphasis on the core disciplines and offers a full range of degree programs. ASU is also recognized as a premier research institute. The research images on the cover and described below provide a sample of some of the many research projects undertaken by ASU faculty and students as they continue to observe, visualize and strive to understand the world around us.

Clockwise from top left:

ASU students have won many prestigious national scholarships and awards. Since 1990, ASU has become one of the leading public institutions in the U.S. in the number of national scholarship awards based on public service as well as academic excellence. To remain competitive with the very best public universities, ASU recognizes that it must continue to dedicate itself to superior instruction.

Astronomers from the Vatican Observatory, Britain and ASU obtained this view of a spiral galaxy located in the constellation Pegasus. They used the Vatican Advanced Technology Telescope (VATT) located on Arizona's Mount Hopkins. VATT made three images through filters allowing each to record violet, blue or red light. The final picture is a computer processed composite.*

This image taken by ASU astronomers has been described as one of the most dramatic taken by NASA's Hubble Space Telescope. Entitled "*Star Birth in Eagle Nebula*," the image has been reprinted in publications around the world. Scientist believe newly formed stars are about to emerge from the thin tendrils of gas at the top of the towers. The Eagle Nebula is about 7,000 light years from Earth, located in the constellation Serpens.*

ASU scientists capture dynamic, detailed images using a scanning laser confocal microscope. The different colors in the fungal cell result from use of three different lasers. The lasers excite molecules that researchers attach to specific structures within the target cell.*

*Special thanks to *ASU Research Magazine* for the use of these images.

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2000 FINANCIAL REPORT

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FINANCIAL HIGHLIGHTS

Funding Sources and Uses

	Fiscal Year		Percentage Change
	2000	1999	
(Dollars in Millions)			
Funding Sources (Resources acquired during the year)			
State Appropriations	\$ 317.9	\$ 323.8	(2) %
Tuition and Fees	193.8	183.4	6
Gifts, Grants, and Contracts	166.6	167.4	—
Auxiliary Enterprises Operations	80.9	76.8	5
Other Sources	37.7	38.5	(2)
Total Funding Sources	<u>\$ 796.9</u>	<u>\$ 789.9</u>	<u>1 %</u>
Funding Uses (Resources consumed during the year)			
Instruction and Academic Support	\$ 336.0	\$ 318.1	6 %
Research and Public Service	101.6	100.8	1
Student Services and Institutional Support	87.3	83.3	5
Operation and Maintenance of Plant	40.1	39.0	3
Auxiliary Enterprises Operations	71.8	66.9	7
Scholarships and Fellowships	72.4	68.6	6
Facility Additions, Debt Service, and Other Uses	87.2	84.7	3
Total Funding Uses	<u>\$ 796.4</u>	<u>\$ 761.4</u>	<u>5 %</u>

The above table is an overview of total University financial operations; current operating and non-operating funds are included.

Total funding sources increased 1%, due to increases in the tuition and fees and auxiliary enterprises operations categories, offset by slight decreases in the state appropriations and other sources categories. There was no percentage change between years for the gifts, grants, and contracts category.

Tuition and fees increased 6% due to increases in the rates charged to in-state and out-of-state students as well as a slight increase in enrollment growth for in-state students. The increase in tuition was used to address institutional needs not covered by the state general operating funds appropriation and to increase funding for university scholarships and grants. Based on the Arizona Board of Regents' 1999-2000 Tuition and Mandatory Fees Survey, ASU full-time in-state and out-of-state tuition and fees ranked 48th and 29th, respectively, on a ranked list of 51 state universities.

The auxiliary enterprises operations category revenue increased 5% with the most significant increases occurring in Public Events, Bookstore, and Intercollegiate Athletics (ICA) revenues. Included in Public Events' operation are the Gammage Auditorium in Tempe and the Sundome Center for the Performing Arts in Sun City West. Gammage Auditorium is noted for its acoustical excellence and the Sundome Center is the largest single level theatre in the nation. Both venues had successful years with *Phantom of the Opera* and *A Prairie Home Companion* being particularly successful for Gammage Auditorium and Sundome Center, respectively.

Both the state appropriations and other sources categories decreased 2%. The state appropriations category decrease was due to a \$9.7 million increase in the general operating fund appropriation offset by a \$15.6 million decrease in the capital outlay appropriation, primarily as a result of a decrease for fiscal 2000 in building renewal funding. Most of the general operating fund appropriation increase was to annualize fiscal 1999 salary adjustments and for legislated fiscal 2000 salary merit adjustments. The decrease in the other sources category was primarily due to a decrease on the rate of return for the endowment funds as a result of lower stock market returns for fiscal 2000.

The gifts, grants, and contracts category decreased by slightly less than \$1.0 million due to a \$4.1 million decrease in private gifts, offset by a \$3.3 million increase in grants and contracts. The decrease in private gifts, grants, and contracts was due to a \$8.8 million decrease in property gifts

made directly to ASU, partially offset by a \$4.7 increase in private cash gifts, grants, and contracts. Property gifts in fiscal 1999 were the highest ever for any one year and totaled \$11.3 million, versus \$2.5 million for fiscal 2000. Cash gifts from the ASU Foundation increased by 9% to \$12.3 million in fiscal 2000.

Total funding uses increased 5% between years with increases in all categories. Auxiliary enterprises operations had the largest percentage increase, 7%, with increases in ICA, Public Events, Bookstore and Residential Life.

Instruction and academic support expenditures increased 6%, or \$17.9 million, with \$12.4 million of the increase relating to instruction expenditures primarily funded by increased state general operating fund appropriations and tuition and fees. Instruction programs within agribusiness, business, engineering, and extended education had significant increases between years. Academic support increased \$5.5 million with increased expenditures occurring within academic information technology, computer support, and technology collaboration and licensing.

The scholarships and fellowships category and the student services and institutional support category increased 6% and 5%, respectively. Scholarships and fellowships increased \$3.8 million. There was a \$1.2 million increase in expenditures for the university funded program which awards scholarships to Arizona high school graduates attending ASU who graduated in the top 15% of their high school class. Increases in institutional support occurred in institutional advancement, property management and public safety. Student services' offices with significant increases included admissions, registrar, student life, student development and student financial assistance.

Facility additions, debt service and other uses increased 3% due to increased expenditures for plant facilities.

The University's objective is for sources to slightly exceed uses over a three to five year period on the basis that (1) current operating funding sources should over the long run be equal to or slightly exceed uses and (2) endowment funding sources should exceed uses in accordance with the University's objective of increasing, over a period of time, externally provided endowments. For any given year, total University funding sources will either exceed or be less than uses. For the five years ended June 30, 2000, total University funding sources exceeded uses by slightly more than 2%, with a significant portion of the increase occurring in the restricted endowment funds.

Financial Position

	Fiscal Year		Percentage
	2000	1999	Change
	(Dollars in Millions)		
Assets			
(Resources available to provide future services or to pay obligations)			
Property, Buildings, and Equipment	\$ 1,367.0	\$ 1,268.8	8 %
Other Assets (cash, investments, receivables, and deferred expenses)	310.4	291.6	6
Total Assets	\$ 1,677.4	\$ 1,560.4	7 %
Liabilities			
(Obligations requiring cash or other resources in the future)			
Bonds Payable and Other Long-term Obligations	\$ 282.5	\$ 262.5	8 %
Other Liabilities (accounts payable, deferred revenue, and deposits)	60.3	58.9	2
Total Liabilities	\$ 342.8	\$ 321.4	7 %
Fund Balances			
(Resources available after obligations for providing of future services)			
Available for Current Operations:			
Restricted (must be spent as specified by external parties)	\$ 6.8	\$ 4.5	51 %
Designated (may be spent as determined by University Administration)	97.3	87.2	12
Restricted or Specified for Non-operating Purposes (bond reserves, student loans, endowments, and construction projects)	116.3	128.1	(9)
Total Fund Balances before Net Investment in Plant	\$ 220.4	\$ 219.8	— %
Invested in Property, Buildings, and Equipment (property costs net of bonds payable and other long-term obligations)	1,114.2	1,019.2	9
Total Fund Balances	\$ 1,334.6	\$ 1,239.0	8 %

The 7% increase in total University assets resulted from a \$98.2 million increase in property, buildings, and equipment, in conjunction with a \$18.8 million increase in other assets. Included in the property, buildings, and equipment increase was \$27.6 million in property and buildings conveyed to the University in December 1999 by the Federal Government. This was the second conveyance to the University of property and buildings at the former Williams Air Force Base which now comprises the ASU East campus. The first conveyance occurred in October 1996. A final conveyance of the remaining \$5.7 million in property and buildings is anticipated to occur in a subsequent fiscal year.

Also contributing to the property, buildings and equipment increase was a \$65.3 million increase in buildings due to several acquisition, expansion and renovation projects either completed or underway in fiscal 2000 including the purchase of the ASU Downtown Center located in downtown Phoenix and home to ASU's College of Extended Education, the construction of the new ASU Softball and Soccer Facilities, and the purchase of the megavision scoreboards for ASU's football and basketball venues. Included in the \$65.3 million increase in buildings was \$19.0 million related to the ASU East conveyance. Also included in buildings is the ASU Braeside Observatory, a computerized astronomical research facility which was donated to ASU during the year. There was a \$13.0 million increase in equipment during fiscal 2000 as well as a \$5.9 million increase in the library books, media and works of art category. Land and improvements increased \$14.0 million primarily due to the ASU East

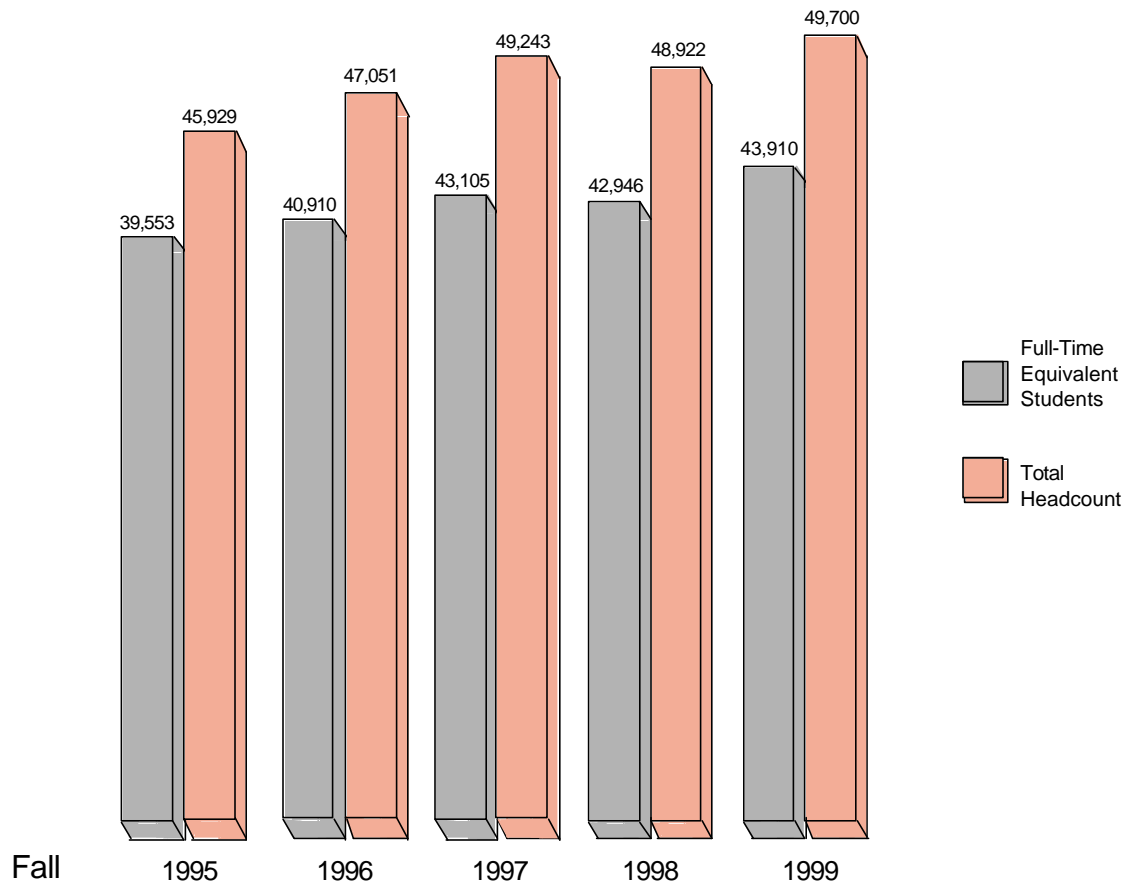
conveyance, the ASU Downtown Center acquisition and the Braeside Observatory donation.

The \$18.8 million increase in other assets was primarily due to a \$14.5 million increase in cash and investments, with the largest increases in the designated and endowment funds. The increases for these funds were \$8.8 million and \$4.3 million, respectively.

The 7% increase in total liabilities was primarily due to a \$20.0 million increase in bonds payable and other long-term obligations. During fiscal 2000 ASU issued \$15.0 million in system revenue bonds for the construction of two new residential life facilities, \$10.8 million in certificates of participation for the purchase of the ASU Downtown Center and financed \$8.1 million to purchase new megavision scoreboards for ASU's Sun Devil Stadium and Wells Fargo Arena. Partially offsetting these new financings was principal retirements in fiscal 2000 for previously issued debt.

Total fund balances increased 8%, primarily due to the University's additional \$95.0 million net investment in property, buildings, and equipment during fiscal 2000. This increase primarily consisted of \$36.8 million of equipment and library acquisitions funded by current operating funds and \$27.6 million in property and buildings conveyed to ASU East. All fund groups except auxiliary enterprises, student loan, and unexpended plant had fund balance increases during fiscal 2000. Current operating funds increased \$12.3 million, primarily due to a \$10.7 million increase in the designated fund.

ENROLLMENT



Degrees Conferred for Academic Year 1999-2000

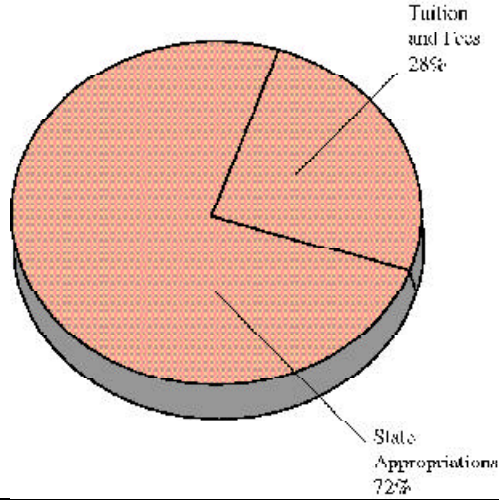
Bachelor's	7,931
Master's	2,474
Doctor's	445
	<u>10,850</u>

Fall, 1999 Enrollment

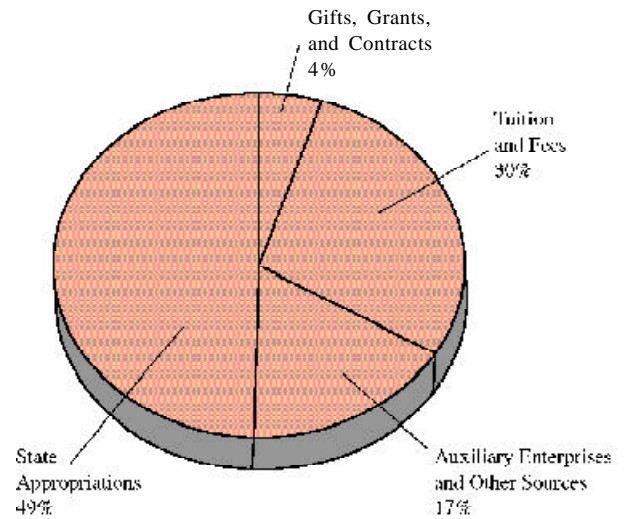
Undergraduate	37,988
Graduate	11,712
	<hr/>
In-State	37,316
Out-of-State	12,384

PERCENTAGE COMPOSITIONS

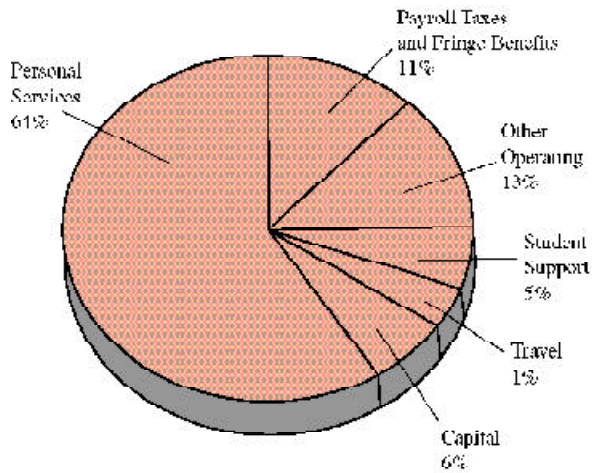
**General Operating Fund
Revenue Sources**



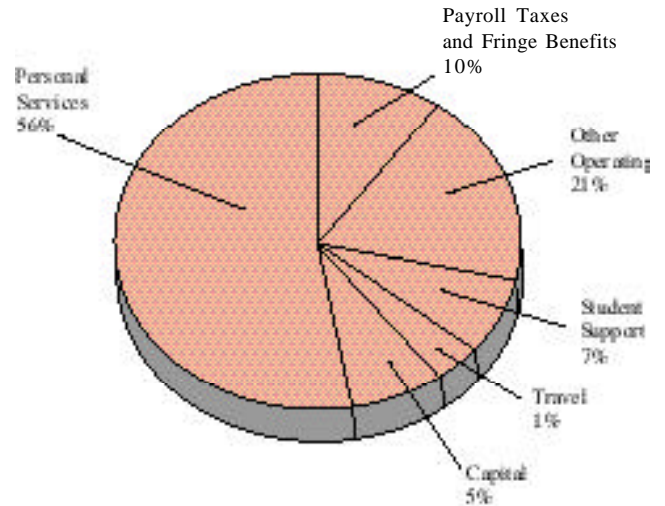
**Unrestricted Current Operating Funds
Revenue Sources**



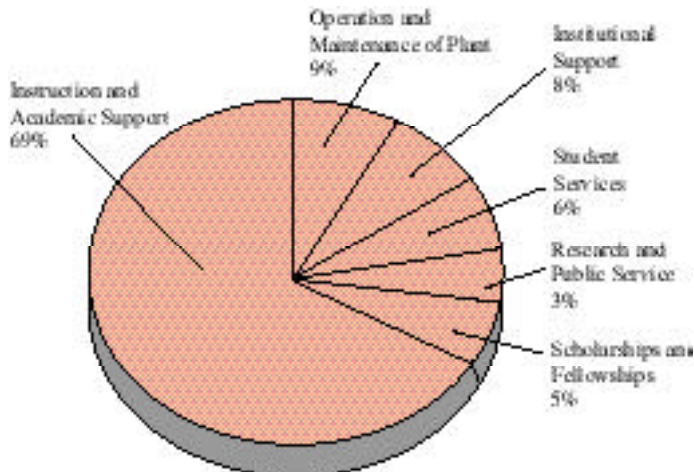
Uses - By Expenditure Category



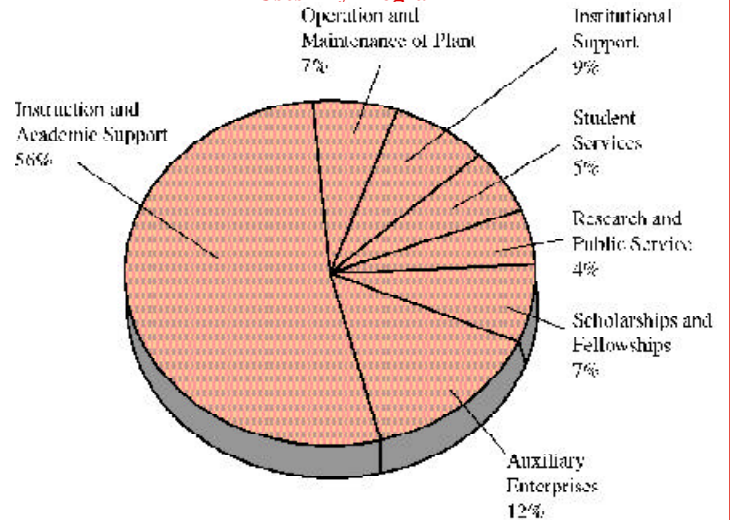
Uses - By Expenditure Category



Uses - By Program



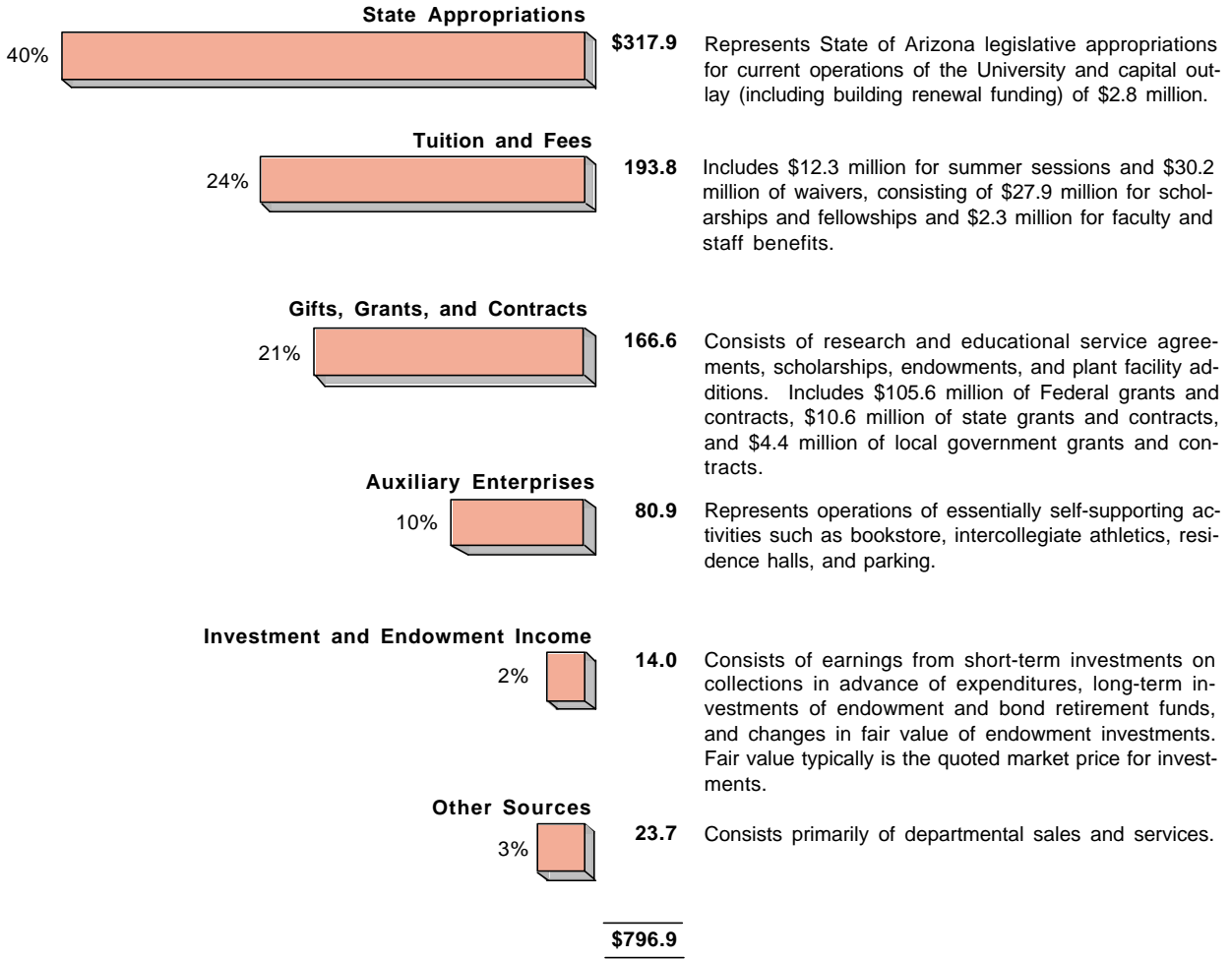
Uses - By Program



COMBINED SOURCES AND USES OF FUNDS

Sources

For the year ended June 30, 2000
(Dollars in Millions)



Note:

The Combined Sources and Uses of Funds statement highlights major financial data. The explanations provided are not intended to be all-inclusive.

This statement provides an overview of total University financial operations including the ASU Main, ASU West, and ASU East Campuses. Restricted and unrestricted current operating and non-operating funds are included. Restricted funds have specific purposes stipulated by outside donors and agencies.

Non-operating funds consist of the student loan, endowment, unexpended plant, and debt service funds. The investment in plant fund is not included, except for property gifts, since plant acquisitions are typically shown as a use of funds in either the current operating funds or unexpended plant fund at the time of acquisition. The non-operating funds generally are not available for use at the discretion of the University. Sources and uses are allocated and controlled by budgets.

Uses

	Instruction and Academic Support	42%		\$336.0	Consists of (1) instruction expenditures totaling \$248.9 million, which include credit and non-credit courses for academic, occupational, and vocational instruction for regular academic year and summer sessions, and continuing education, and (2) academic support expenditures totaling \$87.1 million, which include libraries, academic information technology support, and academic administration.
	Research and Public Service	13%		101.6	Represents (1) activities specifically organized to produce research outcomes, whether funded by external agencies or separately budgeted by organizational units within the University, and (2) public service expenditures of \$29.7 million for non-instructional services beneficial to individuals and groups external to the University, such as public broadcasting and public events.
	Student Services and Institutional Support	11%		87.3	Consists of (1) student services expenditures totaling \$31.7 million, which include admissions, registrar, student activities, counseling, career guidance, student financial aid administration, and student health services, and (2) institutional support expenditures totaling \$55.6 million, which include executive management, financial operations, human resources, public safety, community relations, administrative information technology support, and alumni relations.
	Operation and Maintenance of Plant	5%		40.1	Represents expenditures for the operation and maintenance of plant, exclusive of amounts charged to auxiliary enterprises, including services related to facilities and grounds, and utility costs.
	Auxiliary Enterprises	9%		71.8	Consists of departments managed as essentially self-supporting activities that furnish services to students and staff for a fee directly related to, but not necessarily equal to, the cost of the service.
	Scholarships and Fellowships	9%		72.4	Includes grants paid from the restricted fund, and tuition and fee waivers awarded to students enrolled in formal course work, with the students not being required to perform personal services or repay the awards.
	Facility Additions and Debt Servicing	8%		64.1	Represents (1) additions to physical facilities of \$33.9 million funded from the unexpended plant fund and \$2.5 million of property gifts (excludes \$36.8 million of property additions charged to current funds, since such uses have already been reflected in the above programs and \$27.6 million of property conveyed from the Federal Government for ASU East), and (2) debt servicing payments, totaling \$27.7 million, consisting of \$14.6 million of interest payments and \$13.1 million of principal retired.
	Other Uses	3%		23.1	Consists primarily of indirect costs recovered of \$16.4 million.
				\$796.4	
	Net Increase in Fund Balances			<u>.5</u>	
				<u>\$796.9</u>	

BALANCE SHEET

(Dollars in Thousands)
June 30, 2000
(with comparative totals for 1999)

	CURRENT OPERATING FUNDS				Total Current Operating Funds
	Unrestricted Funds			Restricted Fund	
	General Operating Fund	Designated Fund	Auxiliary Enterprises Fund		
Assets					
Cash and investments - Note A	\$ 15,312	\$ 79,304	\$ 9,026	\$ 1,704	\$ 105,346
Accounts receivable, less allowance of \$1,470 in 2000 and \$1,493 in 1999	199	4,037	6,957	12,979	24,172
Loans receivable, less allowance of \$1,396 in 2000 and \$1,965 in 1999 - Note B					
Inventories			5,418		5,418
Deferred expenses and deposits	19	4,012	303	42	4,376
Due from other funds		909			909
Donated land					
Property, buildings, and equipment - Note C					
	<u>\$ 15,530</u>	<u>\$ 88,262</u>	<u>\$ 21,704</u>	<u>\$ 14,725</u>	<u>\$ 140,221</u>
Liabilities and Fund Balances					
Liabilities -					
Accounts payable and accrued expenses	\$ 2,641	\$ 1,017	\$ 1,226	\$ 755	\$ 5,639
Deferred revenue	4,313	12,194	6,569	6,275	29,351
Employee retirement and insurance deposits					
Other deposits		36	213		249
Due to other funds				909	909
Bonds payable - Note D					
Lease-purchases and other long-term obligations - Note E					
	<u>\$ 6,954</u>	<u>\$ 13,247</u>	<u>\$ 8,008</u>	<u>\$ 7,939</u>	<u>\$ 36,148</u>
Fund Balances	<u>8,576</u>	<u>75,015</u>	<u>13,696</u>	<u>6,786</u>	<u>104,073</u>
	<u>\$ 15,530</u>	<u>\$ 88,262</u>	<u>\$ 21,704</u>	<u>\$ 14,725</u>	<u>\$ 140,221</u>
Fund Balances Consist of -					
Restricted -					
U.S. Government grants refundable					
Endowments					
General				\$ 6,786	\$ 6,786
Designated -					
Outstanding purchase orders and other commitments	\$ 8,327				8,327
Summer sessions		\$ 4,074			4,074
Quasi-endowments					
General	249	70,941	\$ 13,696		84,886
Net investment in plant					
	<u>\$ 8,576</u>	<u>\$ 75,015</u>	<u>\$ 13,696</u>	<u>\$ 6,786</u>	<u>\$ 104,073</u>

See Summary of Significant Accounting Policies and Notes to Financial Statements.

NON-OPERATING FUNDS				TOTAL ALL FUNDS	
Student Loan Fund	Endowment Fund	Combined Plant Funds	Agency Fund	Memorandum Only	
				2000	1999
\$ 683	\$ 63,878	\$ 78,354	\$ 12,268	\$ 260,529	\$ 246,026
134	139	227	1,783	26,455	21,599
11,880				11,880	12,232
				5,418	5,089
			30	4,406	3,800
				909	1,801
	817			817	1,119
		1,366,950		1,366,950	1,268,773
<u>\$ 12,697</u>	<u>\$ 64,834</u>	<u>\$ 1,445,531</u>	<u>\$ 14,081</u>	<u>\$ 1,677,364</u>	<u>\$ 1,560,439</u>
\$ 6	\$ 50	\$ 9,974	\$ 1,392	\$ 17,061	\$ 17,259
				29,351	25,703
			7,039	7,039	6,349
			5,650	5,899	7,755
				909	1,801
		218,288		218,288	213,413
		64,245		64,245	49,115
<u>\$ 6</u>	<u>\$ 50</u>	<u>\$ 292,507</u>	<u>\$ 14,081</u>	<u>\$ 342,792</u>	<u>\$ 321,395</u>
12,691	64,784	1,153,024		1,334,572	1,239,044
<u>\$ 12,697</u>	<u>\$ 64,834</u>	<u>\$ 1,445,531</u>	<u>\$ 14,081</u>	<u>\$ 1,677,364</u>	<u>\$ 1,560,439</u>
\$ 9,848	\$ 59,175	\$ 13,793		\$ 9,848	\$ 10,281
2,843				59,175	55,826
				23,422	28,445
				8,327	6,742
				4,074	3,130
	5,609			5,609	5,045
		25,022		109,908	110,355
		1,114,209		1,114,209	1,019,220
<u>\$ 12,691</u>	<u>\$ 64,784</u>	<u>\$ 1,153,024</u>		<u>\$ 1,334,572</u>	<u>\$ 1,239,044</u>

STATEMENT OF CHANGES IN FUND BALANCES

(Dollars in Thousands) For the year ended June 30, 2000 (with comparative totals for 1999)	CURRENT OPERATING FUNDS				Total Current Operating Funds
	Unrestricted Funds				
	General Operating Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	
Revenues and Other Additions					
Unrestricted current revenues	\$ 437,904	\$ 119,735	\$ 88,993		\$ 646,632
Restricted -					
Governmental grants and contracts				\$ 103,894	103,894
Private gifts, grants, and contracts				28,461	28,461
State appropriations					
Financial aid trust fund				1,018	1,018
Conveyance of property - Note C					
Investment and endowment income				1,838	1,838
Interest on student loans					
Expended for plant facilities including \$36,811 charged to current funds expenditures in 2000 and \$32,864 in 1999					
Retirement of indebtedness including \$231 charged to current funds expenditures in 2000 and \$209 in 1999					
Other additions					
Total revenues and other additions	\$ 437,904	\$ 119,735	\$ 88,993	\$ 135,211	\$ 781,843
Expenditures and Other Deductions					
Educational and general expenditures	\$ 430,958	\$ 86,289		\$ 120,134	\$ 637,381
Auxiliary enterprises expenditures			\$ 71,758		71,758
Indirect costs recovered				16,419	16,419
Cancellation of loans and provision for bad debts					
Administrative and collection costs					
Expended for plant facilities					
Interest on indebtedness					
Retirement of plant facilities					
Retirement of indebtedness					
Other deductions				85	85
Total expenditures and other deductions	\$ 430,958	\$ 86,289	\$ 71,758	\$ 136,638	\$ 725,643
Transfers Among Funds - Additions (Deductions)					
Mandatory -					
Bond indenture requirements		\$ (14,519)	\$ (6,721)		\$ (21,240)
Other mandatory transfers	\$ (5,156)	(3,207)	(193)	\$ 2,709	(5,847)
Voluntary, net		(5,005)	(12,814)	987	(16,832)
Total transfers	\$ (5,156)	\$ (22,731)	\$ (19,728)	\$ 3,696	\$ (43,919)
Net Increase (Decrease) for the Year	\$ 1,790	\$ 10,715	\$ (2,493)	\$ 2,269	\$ 12,281
Fund Balances, Beginning of Year	6,786	64,300	16,189	4,517	91,792
Fund Balances, End of Year	\$ 8,576	\$ 75,015	\$ 13,696	\$ 6,786	\$ 104,073

See Summary of Significant Accounting Policies and Notes to Financial Statements.

NON-OPERATING FUNDS						TOTAL ALL FUNDS	
Student Loan Fund	Endowment Fund	Unexpended Plant Fund	Plant Funds			Memorandum Only	
			Debt Service Fund	Investment in Plant Fund	Combined Plant Funds	2000	1999
						\$ 646,632	\$ 616,823
\$ 49		\$ 1,488			\$ 1,488	105,431	103,448
3	\$ 1,333	2,681		\$ 2,543	5,224	35,021	40,597
		2,846			2,846	2,846	18,501
	1,018					2,036	1,920
				27,616	27,616	27,616	
148	1,557	80	\$ 811		891	4,434	7,475
283						283	282
				87,204	87,204	87,204	58,275
				13,332	13,332	13,332	13,867
178		17	54		71	249	919
<u>\$ 661</u>	<u>\$ 3,908</u>	<u>\$ 7,112</u>	<u>\$ 865</u>	<u>\$ 130,695</u>	<u>\$ 138,672</u>	<u>\$ 925,084</u>	<u>\$ 862,107</u>
						\$ 637,381	\$ 609,840
						71,758	66,896
						16,419	14,471
\$ 962						962	533
58						58	80
		\$ 50,393			\$ 50,393	50,393	25,411
			\$ 14,639		14,639	14,639	14,866
				\$ 19,186	19,186	19,186	16,808
			13,101		13,101	13,101	13,658
1		5,004	569		5,573	5,659	4,419
<u>\$ 1,021</u>		<u>\$ 55,397</u>	<u>\$ 28,309</u>	<u>\$ 19,186</u>	<u>\$ 102,892</u>	<u>\$ 829,556</u>	<u>\$ 766,982</u>
\$ 16		\$ 86	\$ 21,240		\$ 21,240		
			5,745		5,831		
	\$ 5	32,785	562	\$ (16,520)	16,827		
<u>\$ 16</u>	<u>\$ 5</u>	<u>\$ 32,871</u>	<u>\$ 27,547</u>	<u>\$ (16,520)</u>	<u>\$ 43,898</u>		
\$ (344)	\$ 3,913	\$ (15,414)	\$ 103	\$ 94,989	\$ 79,678	\$ 95,528	\$ 95,125
13,035	60,871	39,320	14,806	1,019,220	1,073,346	1,239,044	1,143,919
<u>\$ 12,691</u>	<u>\$ 64,784</u>	<u>\$ 23,906</u>	<u>\$ 14,909</u>	<u>\$ 1,114,209</u>	<u>\$ 1,153,024</u>	<u>\$ 1,334,572</u>	<u>\$ 1,239,044</u>

STATEMENT OF CURRENT OPERATING FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

(Dollars in Thousands)

For the year ended June 30, 2000

(with comparative totals for 1999)

	Unrestricted Funds				Total Current Operating Funds	
	General Operating Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Memorandum Only	
					2000	1999
Revenues						
State appropriations	\$ 315,050				\$ 315,050	\$ 305,349
Tuition and fees -						
Collected	99,896	\$ 61,631	\$ 2,031		163,558	154,027
Value of waivers	21,726	8,487			30,213	29,335
Governmental grants and contracts		15,249		\$ 87,084	102,333	102,592
Private gifts, grants, and contracts		6,447	4,424	30,393	41,264	34,526
Financial aid trust fund				1,004	1,004	1,143
Investment and endowment income		9,543	20	1,653	11,216	9,108
Sales and services of auxiliary enterprises			80,948		80,948	76,762
Internal services, less related expenditures of \$32,163 in 2000 and \$33,211 in 1999			1,570		1,570	2,824
Other sources	1,232	18,378			19,610	17,348
Total revenues	<u>\$ 437,904</u>	<u>\$ 119,735</u>	<u>\$ 88,993</u>	<u>\$ 120,134</u>	<u>\$ 766,766</u>	<u>\$ 733,014</u>
Expenditures and Mandatory Transfers						
Educational and general -						
Instruction	\$ 229,187	\$ 15,804		\$ 3,876	\$ 248,867	\$ 236,521
Research	12,061	8,006		51,825	71,892	71,961
Public service	2,666	1,877		25,185	29,728	28,850
Academic support	68,252	18,069		767	87,088	81,583
Student services	23,548	4,915		3,252	31,715	30,405
Institutional support	35,543	19,640		429	55,612	52,892
Operation and maintenance of plant	39,440	621		73	40,134	39,015
Scholarships and fellowships	20,261	17,357		34,727	72,345	68,613
Educational and general expenditures	<u>\$ 430,958</u>	<u>\$ 86,289</u>		<u>\$ 120,134</u>	<u>\$ 637,381</u>	<u>\$ 609,840</u>
Mandatory transfers	5,156	17,726		(2,709)	20,173	21,120
Total educational and general	<u>\$ 436,114</u>	<u>\$ 104,015</u>		<u>\$ 117,425</u>	<u>\$ 657,554</u>	<u>\$ 630,960</u>
Auxiliary enterprises -						
Expenditures			\$ 71,758		\$ 71,758	\$ 66,896
Mandatory transfers			6,914		6,914	6,986
Total auxiliary enterprises			<u>\$ 78,672</u>		<u>\$ 78,672</u>	<u>\$ 73,882</u>
Total expenditures and mandatory transfers	<u>\$ 436,114</u>	<u>\$ 104,015</u>	<u>\$ 78,672</u>	<u>\$ 117,425</u>	<u>\$ 736,226</u>	<u>\$ 704,842</u>
Other Transfers and Deductions						
Restricted receipts under transfers to revenues				\$ (1,342)	\$ (1,342)	\$ (1,409)
Voluntary transfers, net		\$ (5,005)	\$ (12,814)	987	(16,832)	(12,047)
Other				(85)	(85)	(179)
Net Increase (Decrease) in Fund Balances	<u>\$ 1,790</u>	<u>\$ 10,715</u>	<u>\$ (2,493)</u>	<u>\$ 2,269</u>	<u>\$ 12,281</u>	<u>\$ 14,537</u>

See Summary of Significant Accounting Policies and Notes to Financial Statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

June 30, 2000

Basis of Accounting

For financial reporting purposes, the University includes those funds that are directly controlled by the University. Control by the University is determined on the basis of financial accountability. Fiscal responsibility for the University remains with the State of Arizona; therefore the University is considered a part of the reporting entity for the State's financial reporting purposes. The financial statements do not include the financially interrelated organizations described in Note F.

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles applicable to governmental colleges and universities as set forth in the AICPA College Guide model as defined in Governmental Accounting Standards Board Statement No. 15. The Statement of Current Operating Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of operating funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of revenues and expenses.

Investments in securities are stated at fair value at June 30, 2000. Fair value typically is the quoted market price for investments.

Various methods are used by Auxiliary Enterprises units to value their inventory. The ASU Bookstore inventory comprises approximately 75% of the total inventory reported on the balance sheet and is valued using the retail method.

Property, buildings, and equipment are stated at cost at the date of acquisition or fair market value if donated. The University does not depreciate buildings and equipment.

To the extent that current operating funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal acquisition and/or replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) voluntary transfers in all other cases.

Summer sessions revenues and expenditures are reported within the fiscal year in which the total summer sessions program is predominantly conducted. Accordingly, only the revenues and expenditures of the 1999 summer sessions are included in the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes. Revenues and expenditures as of June 30, 2000 for the 2000 summer sessions are reported as deferred revenues and expenses on the Balance Sheet.

Tuition and fees revenues (net of refunds) include \$27.9 million of waivers charged to Scholarships and Fellowships and \$2.3 million of waivers for faculty and staff benefits.

The financial information shown for fiscal 1999 in the accompanying financial statements is included as a basis for providing comparison with fiscal 2000 and presents summarized totals only.

Fund Accounting

The accounts are maintained in accordance with the principles of "fund accounting". These principles require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for the resources. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Description of Funds

Current operating funds are used primarily to account for transactions which are expended in performing the primary and support missions of the University: instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, and auxiliary enterprises.

Current Operating Funds consist of the following:

1. *The General Operating Fund* which is used to account for transactions related to the University's State-appropriated budgets as approved by the Arizona State Legislature and Arizona Board of Regents.
2. *The Designated Fund* which is used primarily to account for transactions related to academic year tuition and fees retained by the University, the summer sessions program, the recovery of indirect costs of sponsored research programs, the recovery of administrative costs of student aid, departmental sales and services, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the University.
3. *The Auxiliary Enterprises Fund* which is used to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff. Auxiliary enterprises include, but are not limited to, residence halls, food services, bookstore, and intercollegiate athletics.
4. *The Restricted Fund* which is used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Revenues of the Restricted Fund are reported in the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes only to the extent expended for current operating purposes. Amounts received in excess of expenditures are included as additions to fund balances during the year.

Non-Operating Funds consist of the following:

1. *The Student Loan Fund*, financed primarily by the Federal government, which is used to account for loans to students. Interest is recorded on the accrual basis. Provisions of the Federal loan program stipulate that:
 - The University match one-third of Federal contributions; and
 - A portion of the loan principal and interest (ranging from 15% to 30% per year) can be cancelled and absorbed by the Federal government, if the recipient completes certain employment requirements.
2. *The Endowment Fund* which is used to account for permanent endowments, term endowments, and quasi-endowments. Permanent endowment funds are subject to the restrictions of donor gift instruments requiring that the principal be invested in perpetuity and that only the income be used. Term endowment funds provide that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Quasi-endowment funds have been established by the University for the same purposes as endowment funds; any portion of such funds may be expended. Restricted quasi-endowment funds must be expended according to donor specified purposes; unrestricted quasi-endowment funds, however, may be expended as determined by the University.
3. *The Plant Funds* which are used to account for the transactions relating to investment in University properties. They include the (1) Unexpended Plant Fund, (2) Debt Service Fund, and (3) Investment in Plant Fund. The Unexpended Plant Fund represents amounts which have been appropriated or designated for purchases of land, improvements, buildings, and equipment. The Debt Service Fund represents funds set aside to provide for payments of indebtedness primarily pursuant to terms of bond and trust indentures. The Investment in Plant Fund represents the total of property, buildings, equipment, and related liabilities.
4. *The Agency Fund* which is used to account for assets held by the University as custodian or fiscal agent for others; therefore, the transactions of this fund do not affect the Statement of Changes in Fund Balances.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note A - Cash and Investments

Under Arizona State law and Board of Regents' policies, the University may invest its operating funds only in the State of Arizona Local Government Investment Pool, collateralized time certificates of deposit or repurchase agreements, U.S. Treasury securities, or other Federal agency securities. Gift and endowment funds may be invested under the direction of an investment committee in such a manner as to obtain the most favorable rate of return and income stability commensurate with safety of principal. Bond trustee funds are invested by the bond trustee in accordance with the financing indenture. A summary of the components of cash and investments at June 30, 2000 by management area follows (Dollars in Thousands):

	Fair Value
Bond trustee funds:	
Money market portfolios and cash.....	\$ 39,900
Guaranteed Investment Contracts.....	5,893
U.S. Treasury and other Federal agency securities.....	1,745
Endowment funds:	
The Vanguard Group.....	33,434
Metropolitan Life Insurance Corporation.....	8,915
The Common Fund.....	8,285
Arizona Universities' financial aid trust fund endowment.....	11,597
Sun Angel Foundation.....	839
Pooled cash and short-term investments:	
State of Arizona Local Government Investment Pool, net of bank balance.....	132,057
U.S. Treasury and other Federal agency securities.....	17,864
	\$ 260,529

Bond trustee funds. The bond trustee funds are managed by Bank of New York, Bank One, and US Bank, and generally consist of U.S. Government securities (Treasury securities or other Federal agency securities), cash, certificates of deposit, and Federal money market accounts. Each bank's trust department purchases U.S. Government securities for the University. U.S. Government securities are held by either the Federal Reserve Bank or the Depository Trust Company (DTC) in custodial accounts for Bank of New York, Bank One, and US Bank, in computerized book-entry systems in which changes of financial institutions' interests are recorded. In turn, changes in the University's ownership interests are recorded in Bank of New York's, Bank One's, and US Bank's records.

Generally, funds not directly invested in U.S. Government securities are invested in pooled Federal money market accounts in which securities are purchased and held by the trustee. Occasionally, small cash balances are maintained, or certificates of deposit are purchased by the bank's trust department. For cash and certificates of deposit, book-entry pledges of Federal government securities are obtained as collateral and held by the trust department on a pooled basis. In conjunction with the ASU West lease-purchase financing, there is a \$5,447,000 reserve fund maintained in a guaranteed investment contract (GIC). This GIC is from a major insurance firm and if the bond rating of this firm should fall to A- or below, the firm must provide U.S. Treasury securities as collateral for the GIC to the University's bond trustee.

Endowment funds. The Vanguard Group investments are in three index equity funds: Institutional (Standard and Poor's 500) Index Fund, Extended Market Index Fund, and Total International Stock Index Fund. The Vanguard Group is a mutual fund company offering a broad range of investment funds. The Metropolitan Life investments are in the MetLife South Station Fund which invests in publicly traded fixed income securities. The Common Fund endowment investments are in that organization's Multi-Strategy Bond Fund. The Common Fund is a unique, nonprofit membership organization which provides investment management services exclusively for educational and other non-profit institutions. The financial aid trust fund is funded from student fees and by the Arizona State Legislature. The fund is managed in a pool by the University of Arizona along with the financial aid trust funds for the other two state universities. The Sun Angel Foundation manages a portion of ASU's endowment funds in equity and bond securities pursuant to a trust agreement.

Pooled cash and short-term investments. Pooled cash and short-term investments at June 30, 2000 were principally with the State of Arizona Local Government Investment Pool. The University's investment in the pool represents shares in that pool's portfolio. The shares are not identified with specific investments and are not subject to custodial credit risk. The University sometimes also has investments in collateralized repurchase agreements, U.S. Treasury securities, and Federal agency securities. Repurchase agreements are with various major financial institutions under master agreements with the University. For repurchase agreements with a duration of over two weeks, the University has underlying securities transferred to Bank of America's Treasury Management Department. U.S. Treasury and Federal agency securities are held in the bank's custodial account with the Federal Reserve Bank or DTC and in the University's name in the bank's records. These securities are either purchased from a broker/dealer or a financial institution.

The University's bank and collected (portion of bank balance available for investment) balances at the bank at June 30, 2000 were \$1,751,000 and \$483,000 respectively, and the carrying value of deposits on the University's accounting system was a deficit \$6,616,000. The carrying value of deposits balance has been netted against the State of Arizona Local Government Investment Pool in the above table. The cash deficit balance on the accounting system occurs because cash is not transferred from investments to the bank account until outstanding checks are expected to be presented to the bank for payment. The University's deposits are fully collateralized with governmental securities (U.S. or investment grade municipals) held by either the bank's agent or the bank's agent's custodial account with either the Federal Reserve or the DTC in the University's name.

Note B - Loans Receivable

Loans receivable from students bear interest primarily at 3% to 5% and are generally repayable in installments to the University over a five-to-ten year period commencing six to nine months from date of separation from the University. The University provides an allowance for estimated uncollectible amounts and related collection costs.

Note C - Property, Buildings, and Equipment

Property, buildings, and equipment at June 30, 2000 consisted of the following (Dollars in Thousands):

Land and improvements.....	\$	137,447
Buildings.....		813,738
Equipment.....		268,471
Library books, media, and works of art.....		147,294
	\$	<u>1,366,950</u>

The Unexpended Plant Fund balance is committed for projects planned and under construction and for future building repairs and equipment replacements. Future commitments approximate \$23.9 million at June 30, 2000.

In October 1996, the Federal Government conveyed to the University a portion of the former Williams Air Force Base which is used by the University as the ASU East Campus. A second property conveyance was made to the University in December 1999. The property transfers are conditional upon the use of the property for educational purposes in accordance with the terms of the deed. The appraised fair value of all the property conveyed is \$84.0 million and consists of 70 multi-purpose use buildings and 567 single family residences valued at \$64.3 million, site improvements valued at \$3.5 million and approximately 565 acres of land valued at \$16.2 million.

The University recorded this conveyed property on its records at the time of title transfer at its appraised value. The University expects a final conveyance of the remaining property to occur. The appraised fair value of the property yet to be conveyed is \$5.7 million, and includes 1 multi-purpose use building, 86 single family residences and approximately 20 acres of land. The University will record these remaining assets at the time they are conveyed by the Federal Government. As of September 1, 2000, only the two conveyances totaling \$84.0 million had occurred.

Note D - Bonds Payable

Bonds payable at June 30, 2000 consisted of the following (Dollars in Thousands):

	Average Interest Rates	Final Maturities (Calendar Year)	Outstanding Principal
Housing revenue bonds	3.00% to 3.50%	2001-2006	\$ 1,878
1989 System revenue bonds	7.09%	2004	11,265
1991 System revenue bonds	7.13%	2005	7,800
1992 System revenue refunding bonds	6.25%	2015	27,530
1992A System revenue refunding bonds	5.88%	2019	132,005
1993 System revenue refunding bonds	4.93%	2008	22,810
2000 System revenue bonds	5.86%	2025	15,000
			<u>\$ 218,288</u>

In June 2000, the University sold \$15.0 million of system revenue bonds for the financing of two new residential life facilities.

In prior years, certain system revenue bonds of the University were defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased bonds are not included in the University's financial statements. The principal amount of all such bonds outstanding at June 30, 2000 was \$75.6 million.

The housing revenue bonds are payable from housing revenues as defined in the bond indentures. The 1992, 1992A, and 1993 System revenue refunding bonds, and the outstanding 1989, 1991, and 2000 System revenue bonds are payable from ASU Main Campus tuition and fees, certain auxiliary enterprises revenues, and certain other revenues as defined in the bond indentures.

Securities and cash restricted for bond retirement funds and maintenance and replacement reserves held by trustees at June 30, 2000 totaled \$16.4 million. A schedule of future debt service funding commitments, including interest, for bonds outstanding follows (Dollars in Thousands):

Fiscal	Housing Revenue Bonds	System Revenue Bonds	Total
2001	\$ 490	\$ 21,924	\$ 22,414
2002	492	21,859	22,351
2003	383	21,950	22,333
2004	285	22,022	22,307
2005	236	22,135	22,371
Thereafter	149	209,987	210,136
	<u>\$ 2,035</u>	<u>\$ 319,877</u>	<u>\$ 321,912</u>

Note E - Lease-Purchases and Other Long-Term Obligations

Lease-purchases and other long-term obligations at June 30, 2000 consisted of the following (Dollars in Thousands):

	Average Interest Rates	Final Maturities (Calendar Year)	Outstanding Principal
Lease-Purchase Certificates of Participation:			
1991 Towers Project (through ASU Foundation)	6.89%	2010	\$ 3,320
1993 ASU West Refunding	5.18%	2009	40,305
1999A Downtown Center	5.75%	2024	5,620
1999B Downtown Center	8.00%	2024	5,165
Other Lease-Purchases and Installment Purchases	4.90% to 10.00%	2003	9,835
			<u>\$ 64,245</u>

NOTES TO FINANCIAL STATEMENTS

Securities and cash restricted for non-bond retirement funds and maintenance and replacement reserves held by trustees at June 30, 2000 totaled \$13,781,000. A schedule of funding commitments, including interest, for lease-purchases and other long-term obligations follows (Dollars in Thousands):

Fiscal	Certificates of Participation					Total
	Towers Project	ASU West Refunding	1999A DT Center	1999B DT Center	Other	
2001	\$ 443	\$ 5,244	\$ 431	\$ 484	\$ 1,676	\$ 8,278
2002	442	5,243	431	489	1,656	8,261
2003	446	5,242	430	488	1,597	8,203
2004	443	5,239	434	486	1,223	7,825
2005	443	5,239	432	489	1,214	7,817
Thereafter	2,216	20,972	8,202	9,254	6,675	47,319
	<u>\$ 4,433</u>	<u>\$ 47,179</u>	<u>\$ 10,360</u>	<u>\$ 11,690</u>	<u>\$ 14,041</u>	<u>\$ 87,703</u>

Note F - Financially Interrelated Organizations

Not included in the financial statements of the University are six financially interrelated organizations that are nonprofit corporations controlled by separate Boards of Directors whose goals are to support Arizona State University. Financial statements of these organizations are audited by independent auditors.

Four of these financially interrelated organizations — the Arizona State University Alumni Association, Arizona State University Foundation, Sun Angel Foundation, and Sun Angel Endowment — receive funds primarily through donations and dues, and contribute funds to the University for support of various programs.

A fifth financially interrelated organization, Price-Elliott Research Park, Inc. (Park), is developing a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.

As of June 30, 2000, the Park had \$18,170,000 of revenue bonds outstanding at an average interest rate of 5.26%. The debt service on the bonds is secured by a subordinated lien on ASU Main Campus revenues. Park revenues are not pledged in order to provide development flexibility to the Park.

Annual debt service on the Park bonds will be \$983,000 in fiscal year 2001 and varies from a low of \$898,000 in fiscal 2004 to a high of \$1,698,000 in fiscal 2006. The University is obligated to pay the annual debt service, if not paid by the Park, under a debt service assurance agreement.

Beginning in fiscal 1990, the University provided operating cash advances to the Park repayable with interest to the University (1) upon the Park's total gross receipts for a fiscal year exceeding its total disbursements for that fiscal year and (2) before any Park surpluses are transferred to the Arizona State University Foundation, for the benefit of Arizona State University. The last year for cash transfers to the Park was fiscal 1998. Since the Park's repayment to the University was dependent upon successful future operations and the entering into of additional land leases, the transfers to the Park were recorded by the University as current year expenditures when made and not as an asset on the University's balance sheet. Total cash advances repayable to the University at June 30, 2000, including accrued interest, totaled \$8,075,000. During fiscal year 2000, the Park repaid \$685,000 to the University, with this amount being recorded as other source revenues with the timetable for future repayments dependent upon the Park entering into additional land leases.

A sixth financially interrelated organization, the Collegiate Golf Foundation, operates a University owned golf course.

Assets, net assets, and revenues for these organizations for the most recent fiscal years for which audits have been completed aggregated \$257.2 million, \$194.5 million, and \$79.2 million, respectively, with substantially all of the net assets being donor restricted or endowment funds.

Note G - General Operating Fund

Beginning in fiscal 1995, the University has received a separate appropriation from the Arizona State Legislature for the ASU East Campus. This appropriation along with the separate appropriation for the ASU West Campus (since 1985) are combined with the ASU Main Campus appropriation to constitute the General Operating Fund. Separation of the General Operating Fund between campuses for fiscal 2000 is as follows (Dollars in Thousands):

	Main	West	East	Total
State appropriations.....	\$ 265,229	\$ 38,524	\$ 11,297	\$ 315,050
Tuition, fees and other revenues.....	112,541	7,370	2,943	122,854
Total Revenues.....	\$ 377,770	\$ 45,894	\$ 14,240	\$ 437,904
Expenditures.....	375,010	41,782	14,166	430,958
Mandatory transfers.....	261	4,895	—	5,156
Net Increase/(Decrease) for the Year.....	\$ 2,499	\$ (783)	\$ 74	\$ 1,790
Fund Balances, Beginning of Year.....	4,881	1,811	94	6,786
Fund Balances, End of Year.....	<u>\$ 7,380</u>	<u>\$ 1,028</u>	<u>\$ 168</u>	<u>\$ 8,576</u>

Fund Balances consist of:

Outstanding purchase orders and other commitments.....	\$ 7,193	\$ 1,027	\$ 107	\$ 8,327
General.....	187	1	61	249
	<u>\$ 7,380</u>	<u>\$ 1,028</u>	<u>\$ 168</u>	<u>\$ 8,576</u>

Note H - Retirement Plans

The University participates in one cost-sharing multiple-employer defined benefit pension plan and four defined contribution pension plans. The following disclosures are required by GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

Defined Benefit Plan

Plan Description. The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers eligible employees of the University. Benefits are established by state statute and provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes (A.R.S.) Title 38, Chapter 5, Article 2. The ASRS issues a publicly available annual financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy. For the year ended June 30, 2000, active ASRS members and the University were each required by statute to contribute at the actuarially determined rate of 2.66% (2.17% retirement and 0.49% long-term disability) of the employees' annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. Both the University and the covered employees made the required contributions for the years ended June 30, 2000, 1999, and 1998 as follows (Dollars in Thousands):

	<u>Contributions Rates (Each)</u>	<u>University Contributions</u>	<u>Employee Contributions</u>	<u>Total Contributions</u>
2000	2.66%	\$ 4,062	\$ 4,062	\$ 8,124
1999	3.34%	4,851	4,851	9,702
1998	3.54%	4,773	4,773	9,546

Defined Contribution Plans

Plan Description. In accordance with A.R.S. 15-1628, University faculty, academic professionals, service professionals and administrative staff have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. For the year ended June 30, 2000, plans offered by the Teachers Insurance Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), and Aetna Life Insurance and Annuity Company (Aetna) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. Contributions made by employees vest immediately and University contributions vest no later than after five years of full-time employment. Employee and University contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity company. University contributions and associated investment earnings must be distributed to the employee in the form of an annuity paid over the employee's life.

Funding Policy. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2000, plan members and the University were each required by statute to contribute an amount equal to 7.00% of an employee's compensation. Contributions to these plans for year ended June 30, 2000, were as follows (Dollars in Thousands):

	<u>Contributions Rates (Each)</u>	<u>University Contributions</u>	<u>Employee Contributions</u>	<u>Total Contributions</u>
TIAA/CREF	7%	\$ 8,354	\$ 8,354	\$ 16,708
VALIC	7%	1,637	1,637	3,274
Fidelity	7%	908	908	1,816
Aetna	7%	314	314	628

Note I - Accrued Vacation Pay

The University has not made accruals for vacation time earned, but not taken, as of fiscal year end. If the accruals for vacation pay were made, including the related employer's FICA taxes, the General Operating, Designated, Auxiliary Enterprises, and Restricted Funds' liabilities would be increased by approximately \$8,489,000, \$1,280,000, \$1,237,000 and \$1,047,000, respectively. University management believes that this omission does not have a significant effect on the accompanying financial statements taken as a whole. The General Operating Fund liability would be funded by the subsequent year's appropriations from the State Legislature.

Note J - Other Matters

Pursuant to A.R.S. 41-621, the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations as theft, damage and destruction of property, buildings, and equipment; errors and omissions; injuries to employees; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. 41-621. Loss risks not covered by the Risk Management Section and where the University has no insurance coverage are losses arising from contractual breaches and losses that arise out of and are directly attributable to an act or omission determined by a court to be a felony. In accordance with the disclosure requirements of Governmental Accounting Standards Board Statement No. 10, we note that judgments and claims not covered by the Risk Management Section during the three years ended June 30, 2000 have not been material to the University's financial statements taken as a whole.

Federal grants provided to the University and accounted for in the Restricted Fund and in the Student Loan Fund are subject to review and audit by Federal agencies. In the opinion of the University, any adjustments or repayments which may be required would not be material to the overall financial condition of the University.

INDEPENDENT AUDITORS' REPORT



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA OFFICE OF THE AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Arizona Board of Regents

We have audited the accompanying balance sheet of Arizona State University as of June 30, 2000, and the related statements of changes in fund balances and current operating funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona State University as of June 30, 2000, and the changes in its fund balances and its current operating funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

Debbie Davenport
Auditor General

September 1, 2000