Comprehensive Annual Financial Report

Year Ended | June 30, 2016

Included as an Enterprise Fund of the State of Arizona

NORTHERN ARIZONA UNIVERSITY™

2016 Comprehensive Annual Financial Report

For the year ended June 30, 2016

Flagstaff, Arizona
Prepared by the Comptroller's Office

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Introductory Section

A Message from the President

I am pleased to share NAU's growth and progress this past year.

We welcomed a record 30,000 new and returning students to NAU's programs offered online and at sites throughout the state including Flagstaff, Phoenix, Tucson, Yuma, and Yavapai County. Our strong reputation and the unique NAU experience sustains our growth. There are 22,000 students on the Flagstaff campus which includes 5,500 new freshmen!

We continue to make investments in our faculty. Their contributions in the classroom and in mentoring our students are critical to maintaining our commitment to a personalized educational experience for all students.

We are strengthening our research portfolio as we move toward our goal of becoming a top 200 research university in the United States. We have seen an increase in new awards to $58 million in 2016, up from $46 million in 2015. Our research expenditures have grown from $21.7 million to $29.8 million in the past decade. Public service expenditures were an estimated $27.9 million for fiscal year 2016.

Student success remains the shared and paramount goal of our university. We recognize the value of a coordinated academic, student support, and advising program, and we continue to work to streamline efforts and strengthen our focus.

Within our overall efforts for student success, we have placed an emphasis on ensuring the success of our Native American students. The newly formed Office of Native American Initiatives (ONAI) is designed to strengthen partnerships with tribal communities and tribal colleges around the state, and to better recruit and retain Native American students.

We continue to improve the campus infrastructure necessary to boost our advances in research and student success. We are making great progress on our newest student housing project, renovating classrooms, laboratories, student recreation facilities, and dining areas.

With so much progress, we are more excited than ever to share our message. NAU is thriving, and we want the world to know! We broadcast our success to remain competitive, educate a changing workforce, and satisfy the needs of a growing student population. NAU's messages are unfolding around the state.

The university has also made a number of staffing adjustments and identified additional resources to help reinforce our commitment to the community. We partnered with the City of Flagstaff to create a jointly-funded position that takes a significant step toward building stronger relationships between our university and those who live near our campus. As of August 1, 2016 we now have a Chief Diversity Officer who is working to ensure we provide better services to our diverse NAU community.

The conclusion of the "Only at NAU" comprehensive campaign exceeded our ambitious goals. Our supporters donated more than $103 million to NAU's future!

I am certain this next year will also be exciting and successful because of your commitment. Thank you for your continued interest and support of NAU.

Rita Cheng
President

Letter of Transmittal

November 22, 2016

To President Cheng, Members of the Arizona Board of Regents, and friends of Northern Arizona University:

We are respectfully submitting the Comprehensive Annual Financial Report (CAFR) of Northern Arizona University for the fiscal year ended June 30, 2016. This report includes the financial statements for the year as well as other useful information that helps ensure the University's accountability to the public. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the audit committee and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The CAFR includes Management's Discussion and Analysis (MD&A), along with other required supplementary information and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2016. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

Profile of the University

The University is a fully-accredited, four-year degree-granting institution of higher learning (Carnegie Classification: Doctoral, Public, High Research), supported by the State and governed by ABOR. The University's fiscal year 2016 fall semester total headcount was 29,031. Headcount was comprised of 25,120 undergraduate and 3,911 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. ABOR governs Northern Arizona University as well as the other two public universities in the State. ABOR is comprised of twelve members that include appointed, ex-officio, and student regents. The Governor appoints and the Arizona Senate confirms the eight appointed regents to staggered eight-year terms as voting members of ABOR. The Governor and Superintendent of Public Instruction serve as ex-officio voting members while they hold office. Two student regents each serve two-year terms, the first year as a nonvoting board member and the second as a voting member.

The accompanying financial statements present all funds belonging to the University and its component units. For the fiscal year ended June 30, 2016, the University implemented GASB Statement No. 72, *Fair Value Measurement and Application,* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. GASB Statement No. 76 identifies the hierarchy of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

The University is classified as a state instrumentality per Internal Revenue Code Section 115. Fiscal responsibility for the University remains with the State of Arizona. The University is considered a part of the reporting entity for the State's financial reporting purposes and is included in the State's CAFR. The financial reporting entity for NAU's financial statements is comprised of the University and two component units. The University's financial statements are prepared in accordance with GASB reporting requirements. The component units include the NAU Foundation and Northern Arizona Capital Facilities Finance Corporation. The component units are non-profit, tax-exempt organizations. The NAU Foundation is a discretely presented component unit and the Northern Arizona Capital Facilities Finance Corporation is a blended component unit, based on the nature and significance of their relationship to the University.

The University is responsible for controlling its budget and using its resources to fulfill its educational, research, and public service mission. It is also responsible for planning, developing, and controlling budgets and expenses within authorized allocations in accordance with University, ABOR, state, and federal policies and procedures. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget. Project-length financial plans are adopted for capital projects.

History

Northern Arizona University opened its doors in 1899 with 23 students, one professor, and two copies of Webster's International Dictionary bound in sheepskin. The first president scoured the countryside in horse and buggy seeking students to fill the classrooms of the single school building (now known as Old Main). Since those humble beginnings, the university has continued to grow, undergoing several name changes in accordance with expansions, added degree programs, and achieving university status.

The university was not immune to the effects of the Great Depression. The only bank in town closed its doors in June 1932. However, the President at the time, Grady Gammage, recognized that higher education was a "depression industry," one that fared well in hard times – and he was right. Enrollment at the university rose during the Depression from 321 students during the 1929 – 1930 academic year to 535 by 1940.

Many significant historical events also occurred during these hard times. In 1937, graduate work at the university became possible with the addition of the Master of Arts in education degree, and in 1939, Ida Mae Fredericks became the first Hopi to receive a college degree.

The entry of the United States into World War II precipitated a large drop in enrollment as college-age men entered the armed services. By the 1944 - 1945 academic year, just 161 students attended class on the Flagstaff campus, yet the university survived by making valuable contributions toward the war effort. The university served as a site for the Navy's V-12 training program, one of 150 schools selected from among 1,600 contenders. The Campus Civilian Defense Program maintained an aircraft spotting post, one of only 84 such posts in the United States. The university even banned all gas-powered vehicles and those with rubber tires from the Homecoming Parade in 1942, to demonstrate its dedication to rationing programs.

In the 1950s, the university entered a period of exceptional growth. Students could now earn an education specialist degree as well as master's degrees in the arts and sciences. Much of the expansion can be attributed to Dr. J. Lawrence Walkup, who has the distinction of serving the longest term as President (December 21, 1957 to June 30, 1979).

Building on this growth, the road to becoming a university began with the creation of the forestry program in 1958 and increased research activities. Pleased with the array of quality academic programs and ever-growing student body, the Arizona Board of Regents recommended that the then Arizona State College become Northern Arizona University, effective May 1, 1966.

More than 40 years later, NAU has a lot to be proud of, including its nationally ranked programs, its high-research status, and its emergence as a leader in sustainability, science, business, green building, and cultural arts.

Noted Flagstaff historian Dr. Platt Cline has characterized NAU as an institution that has thrived throughout the years due to our strong leadership, the devotion of former students and faculty, and community support for the school's success.

Empowered by the Arizona Board of Regents to provide educational opportunities statewide, the university now serves students at the Flagstaff campus, multiple statewide locations, and online – offering nearly 150 combined undergraduate and graduate degree programs, all distinguished by an ongoing commitment to close student-faculty relationships.

Economic Condition

Arizona continued to experience growth in total population, overall economy, and employment during the fiscal year ended June 30, 2016. On March 24, 2016 the Bureau of Economic Analysis reported the population of Arizona in 2015 was 6,829,397, which ranks 14th in the nation. Arizona's current-dollar gross domestic product was $281.6 billion and ranked 22nd among the states.

As reported by the Arizona Department of Administration Employment and Population Statistics, Arizona nonfarm employment grew by 3.2% (81,400 jobs) over the year in June. The private sector accounted for all of the June gains, adding 83,000 jobs (3.8%). Eight of the eleven sectors reported job gains, and three sectors reported losses. The sectors with the largest gains included Education and Health Services (21,300 jobs); Professional and Business Services (15,900 jobs); and Trade, Transportation and Utilities (12,400 jobs). Additional employment gains were reported in Financial Activities (11,800 jobs); Leisure and Hospitality (7,700 jobs); Information (3,300 jobs); and Manufacturing (2,300 jobs). Job losses were reported in Other Services, Natural Resources and Mining, and Government.

As reported by the Economic and Business Research Center of the University of Arizona's Eller College of Management in June 2016, Arizona real GDP rose 2.3% in the 4th quarter 2015 at a seasonally adjusted annual rate. This ranked Arizona 15th in the nation for the quarter. However, there were substantial downward revisions for the previous three quarters and Arizona ended up with a 0.94% increase in real GDP for 2015, well below the national rate of 2.4%.

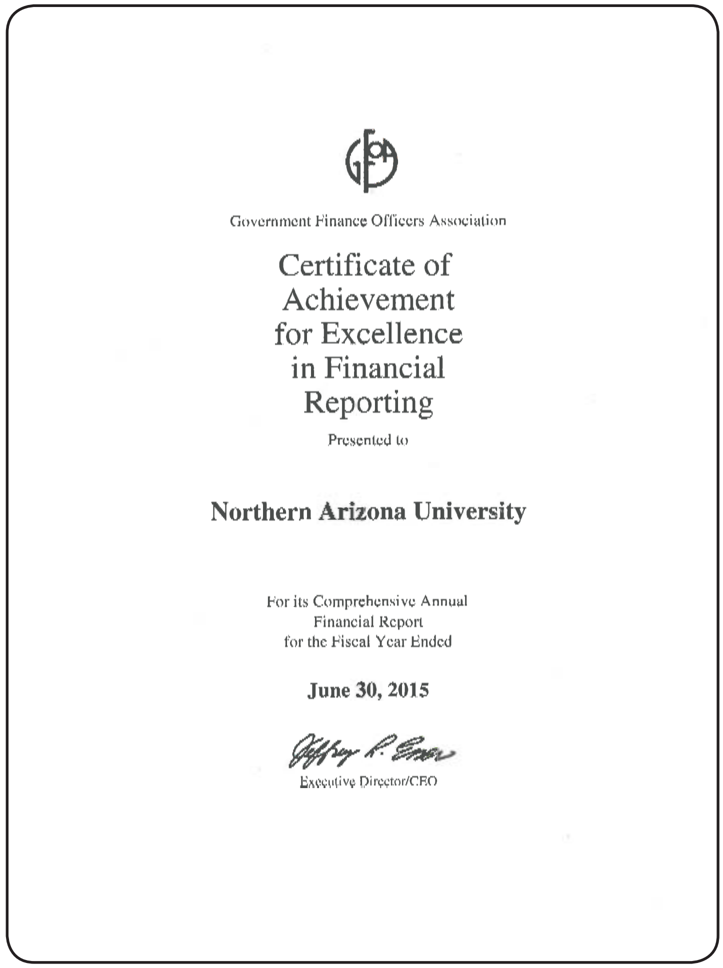
Planning and Major Initiatives

Northern Arizona University's mission focus is to provide an outstanding undergraduate residential education strengthened by research, graduate and professional programs, and sophisticated methods of distance delivery and innovative new campuses and programs throughout the state. The University's strategic goals are aligned with ABOR directions to promote student learning and success, advance educational attainment in Arizona, expand research, and impact Arizona.

The University continues to emphasize the enrollment of first-generation, low-income, and other underrepresented students, upholding an institutional promise to ensure that higher education is accessible to the state's residents. The class of 2020 is comprised of over 4,600 first-year students selected from over 29,000 applicants. Almost 45 percent were the first generation in their families to attend college. More than 24 percent of first-year students graduated in the top 10 percent of their class. This year's first-year students hail from 14 Arizona counties, 42 states, and 15 countries. Many traveled thousands of miles to come to NAU, as with 108 international first-year students.

Research highlights and recent grants consist of $3.4 million from NASA to the Center for Science Teaching and Learning (CSTL) to fund PLANETS (Planetary Learning that Advances the Nexus of Engineering, Technology and Science). $3.5 million from NASA, National Science Foundation (NSF), and Department of Education (DOE) to Ecosystem Science and Society Center (Ecoss) to research changes in the Arctic and their impact on ecosystems, $1.4

million from DOE to Ecoss to study the functional genomics of microbial carbon cycling in soils. $1.3 million from NSF to CSTL to fund the Power of Data Projects, and $1 million from National Institute of Health for the NAU-UA Partnership for Native American Cancer Prevention.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northern Arizona University

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northern Arizona University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the third consecutive year that NAU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, NAU had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report in a timely manner would not have been possible without the skill, effort, and dedication of the entire staff of the Comptroller's Office, the Financial Accounting Services Office, and other University administrators, faculty and staff. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. In addition, the State of Arizona Office of the Auditor General provided invaluable assistance.

Respectfully Submitted,

Bjorn Flugstad
Chief Financial Officer
Vice President Finance, Institutional Planning and Analysis

Arizona Board of Regents

June 30, 2016

EX-OFFICIO MEMBERS

Honorable Doug Ducey
Governor of Arizona

Honorable Diane Douglas
Superintendent of Public Instruction

APPOINTED MEMBERS

Jay Heiler, *Chair*

Greg Patterson, *Vice Chair*

Ram Krishna, *Secretary*

Rick Myers, *Treasurer*

LuAnn Leonard

Bill Ridenour

Ron Shoopman

Larry Penley

Jared Gorshe, *Student Regent*

Mark Naufel, *Student Regent*

Executive Administration

June 30, 2016

Rita Cheng
President

Joanne Keene
Executive Vice President and Chief of Staff

Jennus Burton
Vice President for Finance and Administration

Lisa Campos
Vice President for Intercollegiate Athletics

James Coleman
Provost and Vice President for Academic Affairs

Christy Farley
Vice President for Government Affairs and Business Partnerships

Bjorn Flugstad
Vice President for Planning and Institutional Research

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Jane Kuhn
Vice President for Enrollment Management and Student Affairs

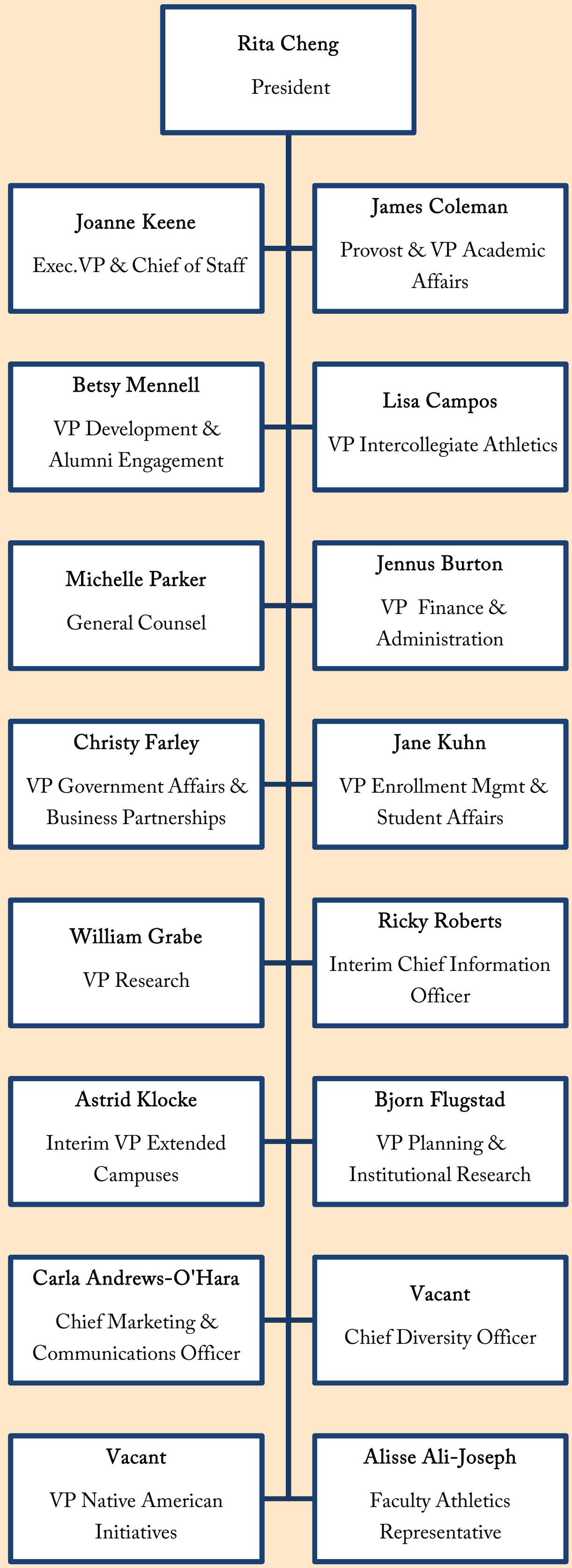
Betsey Mennell
Vice President for Development and Alumni Engagement

Michelle Parker
General Counsel

Wendy Swartz
Associate Vice President for Financial Services/Comptroller

Organization Chart

as of June 30, 2016



Financial Section

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Northern Arizona University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Northern Arizona University as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, for the year ended June 30, 2016, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application.* Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of University's proportionate share of the net pension liability, schedule of University's pension contributions, and postemployment health care benefits schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Other reporting required by *Government Auditing Standards*

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

Debbie Davenport
Auditor General

November 22, 2016

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Northern Arizona University (the University) for the fiscal year ended June 30, 2016. Management has prepared the discussion and analysis to be read in conjunction with the transmittal letter, the financial statements and accompanying notes to the financial statements.

The University is an enterprise fund of the State of Arizona, and an integral part of the State's Comprehensive Annual Financial Report. The financial reporting entity for the financial statements is comprised of the University and two component units. One component unit is reported as if it was part of the University, and one is reported as a discretely presented component unit based on the nature and significance of their relationship to the University.

The financial statements encompass the University and its discretely presented component unit; however, the MD&A focuses solely on the University. Information relating to the component unit can be found in this report in the component unit Statement of Financial Position and Statement of Activities as well as Note 10, and in its separately issued financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements. The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for the 2015 fiscal year are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases compared with fiscal year 2016 data.

CONDENSED STATEMENT OF NET POSITION (dollars in thousands)

		2016		2015
Assets:				
Current assets	$	238,145	$	230,820
Non-current assets:				
Endowment, restricted, student loans receivable, and other investments		64,994		101,243
Capital assets, net		843,065		823,088
Other non-current assets		2,130		2,527
Total Assets	$	1,148,334	$	1,157,678
Deferred Outflows of Resources	$	41,720	$	38,553
Liabilities:				
Other liabilities	$	72,752	$	84,698
Long-term liabilities		819,899		792,715
Total Liabilities	$	892,651	$	877,413
Deferred Inflow of Resources	$	14,965		27,724
Net Position:				
Net investment in capital assets	$	265,882	$	268,007
Restricted		55,777		55,138
Unrestricted		(39,221)		(32,051)
Total Net Position	$	282,438	$	291,094

Overview of Financial Statements

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, including all assets and deferred outflows, all liabilities and deferred inflows, and segregates the assets and liabilities into current and non-current components. The table on page 16 summarizes the University's assets and deferred outflows, liabilities and deferred inflows, and net position on June 30, 2016 and June 30, 2015.

Total Assets

When compared to fiscal year 2015, total assets for the University decreased by $9.3 million. The decrease is attributable to a decrease in restricted cash for capital projects of $36.6 million, a decrease in accounts receivable of $33.4 million, and a decrease in investments of $17.6 million. These decreases were offset by increases in capital assets of $20.0 million, and cash of $58.0 million.

The net increase in capital assets is due mainly to the completion of several new buildings: Science and Health, Student and Academic Services, International Pavilion, and a new Aquatic and Tennis Complex (see the Capital and Debt Analysis section of the MD&A for more information). The increase in cash is due to receiving the deferred state appropriation early, and calling an agency note at June 29. The decrease in restricted cash for capital projects is due to the spending of bond proceeds for the buildings listed above.The decrease in accounts receivable is primarily due to receiving the state appropriation receivable in June 2016. The decrease in investments is a result of a late call of an agency note in June, and the University adopting a defensive cash position to take advantage of potential future increases in interest rates and to assess the market effects of the Brexit vote.

Deferred Outflows of Resources

Deferred outflows of resources are consumptions of the University's net position that are applicable to a future reporting period. Deferred outflows of resources increased $3.2 million. This is attributed to an increase of $1.9 million for deferred amounts related to debt refunding and $1.3 million reported for deferred outflows related to pensions.

Total Liabilities

Total liabilities increased $15.2 million compared to fiscal year 2015 due to the following: an increase in the current portion of long term debt of $5.3 million, net pension liability of $19.3 million, net other postemployment benefit (OPEB) obligation of $5.6 million and unearned revenues of $3.5 million. These increases were offset by a decrease in accounts payable of $19.0 million. The decrease in accounts payable is attributable to accruing less expense related to new and on-going construction on campus due to the completion of several large construction projects. The increase in the current portion of long term debt is due to principal coming due on the 2010 SPEED bonds, and the shifting from non-current debt due to refunding. The increase in net OPEB obligation is due to an increased participation rate and costs incurred for Medicare eligible retirees. The increase in unearned revenues is due to an increase in tuition deferrals for summer and fall.

Deferred Inflow of Resources

Deferred inflows of resources are an acquisition of net position by the University that is applicable to a future reporting period. Deferred inflows decreased $12.8 million due to deferred inflows related to pensions. See Note 9 for more detailed information on deferred inflows and outflows related to pensions.

Total Net Position

Net position represents the value of the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position was $282.4 million at June 30, 2016, a decrease of $8.7 million over the prior year, due primarily to noncash expenses for pension and other postemployment benefit obligations. See Note 9 for more detailed information on pensions and other postemployment benefit. Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included. Non-expendable restricted net position includes endowment and similar assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position includes resources in which the University is legally obligated to spend the resources in accordance with restrictions provided by external parties. Unrestricted net position is not subject to externally imposed stipulations; however, most of these resources have been designated for particular academic, research, or other programs, as well as capital projects.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations.

Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for depreciation on capital assets. Certain revenue sources that the University relies on for operations, including state appropriations, non-capital grants and gifts, and net investment income are required by GASB Statement No. 35 to be classified as nonoperating revenues. Nonoperating expenses consist of capital financing costs.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (dollars in thousands)

A comparison of the University's operations (in thousands of dollars) for the year ended June 30, 2016 and for the year ended June 30, 2015 is as follows:

	2016	2015	% Change
Operating revenues:			
Student tuition and fees, net	$ 217,047	$ 205,550	5.6%
Grants and contracts	26,210	25,081	4.5%
Auxiliary enterprises, net	56,886	55,045	3.3%
Other	21,577	23,215	(7.1%)
Total operating revenues	$ 321,720	$ 308,891	4.2%
Operating expenses:			
Educational and general	$ 435,752	$ 418,055	4.2%
Auxiliary enterprises	38,071	37,706	1.0%
Depreciation	37,964	35,123	8.1%
Total operating expenses	$ 511,787	$ 490,884	4.3%
Operating loss	$ (190,067)	$ (181,993)	4.4%
Nonoperating revenues (expenses):			
State appropriations	$ 94,633	$ 112,026	(15.5%)
Share of state sales tax revenues	13,827	13,267	4.2%
Grants and gifts	79,235	72,690	9.0%
Net investment income	959	1,771	(45.8%)
Interest expense on debt	(27,187)	(22,723)	19.6%
Other nonoperating revenues	10,578	8,271	27.9%
Net nonoperating revenues	$ 172,045	$ 185,302	(7.2%)
Income (loss) before capital and endowment additions	$ (18,022)	$ 3,309	(644.6%)
Capital appropriations	5,493	5,827	(5.7%)
Other capital and endowment additions	3,873	918	321.9%
(Decrease)/Increase in net position	$ (8,656)	$ 10,054	(186.1%)
Net position, beginning of year	291,094	281,040	3.6%
Net position, end of year	$ 282,438	$ 291,094	(3.0%)

Operating Revenues

The operating revenues represent resources generated from exchange transactions by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees are reported net of the scholarship allowance, which was $101.8 million for fiscal year 2016 and $88.4 million for the prior year. Net revenues from student tuition and fees increased 5.6 percent over the prior year due to approved tuition and fee increases and student enrollment increases in comparison to the prior year.

Revenues from operating grants and contracts increased 4.5 percent over the prior year, primarily due to increased grant activity. The funding comes from contracts and grants awarded by federal and state agencies, foundations, non-profit organizations, corporations and associations. Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of large projects and unearned revenues.

Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary revenue increased 3.3 percent over the prior year, primarily due to increased student enrollment.

Operating Expenses

The University's operating expenses were $511.8 million for the fiscal year ended June 30, 2016. Operating expense categories changed at varying rates, although the overall rate of increase was 4.3 percent. Research, academic support, and operation and maintenance of plant recorded the highest increases of 18.4, 12.0 and 15.6 percent respectively, primarily due to increased student enrollment and increased grant activity.

Operating expenses are reported by programmatic (functional) classification in the financial statements and by natural classification in Note 8. The following tables illustrate the University's operating expenses by natural classification and by functional classification.

EXPENSES - BY NATURAL CLASSIFICATION (in thousands)

	2016	2015
Operating:		
Personal services and benefits	$ 323,156	$ 313,645
Operations	119,182	113,048
Scholarships and fellowships	31,485	29,068
Depreciation	37,964	35,123
Total operating expenses	$ 511,787	$ 490,884

EXPENSES - BY FUNCTIONAL CLASSIFICATION (in thousands)

	2016	2015
Operating:		
Instruction	$ 169,385	$ 167,080
Research	30,142	25,461
Public service	28,163	27,009
Academic support	40,506	36,182
Student services	53,834	50,335
Institutional support	52,447	57,141
Operation and maintenance of plant	29,790	25,779
Scholarships and fellowships	31,485	29,068
Auxiliary enterprises	38,071	37,706
Depreciation	37,964	35,123
Total operating expenses	$ 511,787	$ 490,884

Nonoperating Revenues and Expenses

State appropriations, non-capital gifts and grants, and net investment income are considered non-operating because they were not exchange transactions generated by the University's principal, ongoing operations. For example, state appropriations were not generated by the University but were provided to help fund operating expenses.

State appropriations totaled $94.6 million for fiscal year 2016, a net decrease of $17.4 million or 15.5 percent. Nonoperating grants and gifts increased $6.5 million or 9.0 percent. This includes expendable gifts and federal and other awards that are not considered to be operating revenues. Interest expense on debt increased $4.5 million or 19.6 percent, primarily due to a reduced amount of capitalized interest, while other nonoperating revenues increased $2.3 million or 27.9 percent, primarily due to an increase in the accrual of state lottery revenue for payment of the SPEED bonds.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major

COMBINED SOURCES AND USES (Dollars in millions)

		FY 2016			FY 2015		Percentage Change
Sources							
Tuition and fees, net	$	217.1	40.8%	$	205.6	39.3%	5.6%
State appropriations		94.6	17.8%		112.0	21.4%	(15.5%)
Grants and contracts		88.9	16.7%		81.9	15.7%	8.5%
Auxiliary enterprises		56.9	10.7%		55.0	10.5%	3.5%
Other sources		42.9	8.1%		38.2	7.3%	12.3%
Private gifts, grants and contracts		16.5	3.1%		15.8	3.0%	4.4%
Share of state sales tax (TRIF)		13.8	2.6%		13.3	2.5%	3.8%
Net investment income		1.0	0.2%		1.8	0.3%	(44.4%)
Total sources	$	531.7	100.0%	$	523.6	100.0%	1.5%
Uses							
Instruction and academic support	$	209.9	38.8%	$	203.2	39.7%	3.3%
Student services & institutional support		106.3	19.7%		107.5	20.9%	(1.1%)
Research and public service		58.3	10.8%		52.5	10.2%	11.0%
Auxiliary enterprises		38.1	7.1%		37.7	7.3%	1.1%
Depreciation		37.9	7.0%		35.1	6.8%	8.0%
Scholarships and fellowships		31.5	5.8%		29.1	5.7%	8.2%
Other uses		28.5	5.3%		22.7	4.4%	25.6%
Operation & maintenance of plant		29.8	5.5%		25.8	5.0%	15.5%
Total uses	$	540.3	100.0%	$	513.6	100.0%	5.2%

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

Capital and Debt Analysis

The University is required by Arizona Revised Statutes §41-793 and ABOR policy 7-106 to prepare an annual Capital Improvement Plan (CIP). The CIP details the University's strategic plan on space and capital acquisition to meet short and long-term requirements. The projects included in the CIP concentrate on capital improvements that provide students, faculty, and staff with high quality, safe environments dedicated to academic and research endeavors. It outlines the current capital funding allocation for the University, specifically for building renewal, deferred maintenance, facility leases, and other critical construction projects. The CIP covers a three year period and focuses on addressing space deficiencies in academic, research, student housing and support service facilities. The CIP also outlines any plans to issue debt to finance capital acquisitions or construction to address space deficiencies. The CIP provides a summary of debt information including the debt ratio projection to comply with ABOR policy and state statutes. If a project requires debt financing, the University must submit a financing plan to ABOR for approval and submit the project and financing plan to the State Joint Committee on Capital Review (JCCR) for review.

During fiscal year 2016, the University completed work on the $73.2 million Science and Health building (bond proceeds), the $47.0 million Aquatic and Tennis Complex (bond proceeds), the $19.7 million Residence Life fire/life safety project (bond proceeds and unrestricted net position), the $35.1 million Student and Academic Services building (bond proceeds), and the $6.0 million International Pavilion (unrestricted net position). In addition to these projects, the University issued $12.2 million in new system revenue bonds for an expansion of the south dining facilities, $21.6 million in system revenue refunding bonds, and $11.1 million in lease revenue refunding bonds.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs) and Certificates of Participation (COPs). The amount of debt the University is able to issue is limited by a debt ratio of 8.0% as defined by State law Arizona Revised Statutes §15-1683, and ABOR policy 7-102(D)(3). The debt ratio is determined by annual debt service on bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2016, the University's debt ratio was 4.9%. The University's credit ratings on its outstanding system revenue bonds are A1 by Moody's and A+ by Standard and Poor's.

In accordance with Arizona Revised Statutes §15-1670, NAU received $5.5 million in state appropriations for lease-purchase capital financing of research infrastructure projects.

For more detailed information on capital asset activity and long-term debt activity please review the relevant disclosures in the notes to the financial statements (Note 4 and Note 5).

Economic Outlook

The State of Arizona revenue is forecast to grow by 4.0% to $10.0 billion for fiscal year 2017 compared to 3.3% for fiscal year 2016. Base revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing and new tax law changes. The state set-aside for urban revenue sharing formula distributions would increase from $606 million to $664 million. Fiscal year 2017 spending is projected to be $9.37 billion. This amount reflects $130 million, or 1.4% growth in expenditures, which is limited to current funding formulas and previously-enacted adjustments. K-12 growth of $84 million, due to growth in student enrollment, and Medicaid growth of $79 million, reflecting a 2.5% caseload growth and a 1.5% capitation rate increase offset by a higher federal matching rate, is offset by declines in one-time information technology, capital, Department of Child Safety (DCS) spending, and technical adjustments for administrative adjustments.

The University's state appropriations budget for fiscal year 2016-2017 is $105.2 million, a net increase of $4.3 million from the prior year budget of $100.9 million, increasing after a significant reduction last year. The University has reduced operating costs and increased efficiencies in order to absorb the reductions in state appropriations over the past several years.

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Current assets:		
Cash and cash equivalents	$	148,147,174
Investments		44,916,872
Receivables, (net of allowance for uncollectible):		
Accounts receivable		25,546,487
Accrued interest		833,944
Endowment		10,549
Government grants and contracts		15,877,933
Student loans, current portion		1,226,181
Other assets		1,129,246
Inventories		456,525
Total Current Assets	$	238,144,911
Noncurrent assets:		
Restricted cash and cash equivalents held by trustee for capital projects	$	31,427,445
Investments		583,154
Student loans receivable, net of allowance		5,275,786
Endowment investments		27,707,344
Other noncurrent assets		2,130,666
Capital assets, not being depreciated		15,490,556
Depreciable capital assets, net of depreciation		827,574,751
Total Noncurrent Assets	$	910,189,702
Total Assets	$	1,148,334,613

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on debt refunding	$	11,336,833
Deferred outflows related to pensions		30,383,149
Total Deferred Outflows of Resources	$	41,719,982

LIABILITIES

Current liabilities:		
Accounts payable	$	10,723,780
Accrued payroll and employee benefits		10,652,414
Interest payable		5,734,171
Unearned revenues		19,821,682
Accrued compensated absences, current portion		1,746,122

STATEMENT OF NET POSITION (continued)

Net pension liability, current portion		785,823
Deposits held in custody for others		3,886,198
Long-term debt funded by:		
University operating revenues		14,781,341
State appropriations, share of state sales tax, and lottery revenue		4,621,000
Total Current Liabilities	$	72,752,531
Noncurrent liabilities:		
Deposits held in custody for others	$	28,076
Accrued compensated absences		4,721,568
Long-term debt funded by:		
University operating revenues		463,114,558
State appropriations, share of state sales tax, and lottery revenue		162,344,000
Net pension liability		184,063,480
Net OPEB Obligation		5,627,245
Total Noncurrent Liabilities	$	819,898,927
Total Liabilities	$	892,651,458
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	$	14,964,937
NET POSITION		
Net investment in capital assets	$	265,881,872
Restricted:		
Nonexpendable:		
Scholarships and fellowships		16,177,670
Student loans		7,415,268
Expendable:		
Scholarships and fellowships		11,285,408
Academic department uses		20,898,926
Unrestricted		(39,220,944)
Total Net Position	$	282,438,200

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2016

OPERATING REVENUES		
Operating Revenues		
Tuition and fees (net of scholarship allowances of $101,819,520)	$	217,047,097
Government grants and contracts		22,772,106
Private grants and contracts		3,437,698
Auxiliary enterprises		
Residence life (net of scholarship allowances of $6,774,245)		32,140,630
Other auxiliaries		24,745,061
Other		21,577,230
Total operating revenues	$	321,719,822
OPERATING EXPENSES		
Operating Expenses		
Educational and general:		
Instruction	$	169,385,422
Research		30,142,356
Public service		28,163,526
Academic support		40,505,929
Student services		53,834,205
Institutional support		52,446,684
Operation and maintenance of plant		29,789,759
Scholarships and fellowships		31,484,582
Auxiliary enterprises		38,070,671
Depreciation		37,964,192
Total operating expenses	$	511,787,326
Operating loss	$	(190,067,504)
NONOPERATING REVENUES AND (EXPENSES)		
State appropriations	$	94,632,875
Share of state sales tax - technology and research initiative funding		13,827,102
Government grants		66,142,150
Private grants and gifts		13,092,747
Net investment income		958,887
Interest expense on capital asset related debt		(27,187,180)
Net loss on disposal of capital assets		(1,357,041)
Other nonoperating revenues, net		11,935,299
Total nonoperating revenues and expenses	$	172,044,839
Loss before other revenues, expenses, gains or losses	$	(18,022,665)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)

Capital appropriations	$	5,493,200
Capital grants and gifts		3,009,881
Additions to permanent endowments		863,415
Total other revenues	$	9,366,496
Decrease in net position	$	(8,656,169)

NET POSITION

Total net position, Beginning of year	$	291,094,369
Total net position, End of year	$	282,438,200

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Cash Flows from Operating Activities:		
Tuition and fees	$	217,561,960
Grants and contracts		30,034,716
Payments to vendors and suppliers		(138,267,086)
Payments for employee wages and benefits		(304,645,349)
Payments for scholarships and fellowships		(31,484,582)
Loans issued to students		(1,254,353)
Collection on loans to students		948,737
Auxiliary enterprise receipts		57,365,125
Other receipts		18,968,255
Net cash used for operating activities	**$**	(150,772,577)
Cash Flows from Noncapital Financing Activities:		
State appropriations	$	125,153,045
Share of state sales tax receipts		13,827,102
Gifts and grants for other than capital purposes		79,234,897
Federal direct lending received		162,812,108
Federal direct lending disbursed		(162,887,268)
Deposits held in custody for others received		27,459,031
Deposits held in custody for others disbursed		(26,897,895)
Financial aid trust funds		863,415
Net cash provided by noncapital financing activities	**$**	219,564,435
Cash Flows from Capital Financing Activities:		
Capital appropriations	$	5,493,200
Proceeds from issuance of capital debt		14,431,966
Build America Bonds - federal subsidy		11,076,995
Proceeds from sale of capital assets		60,018
Capital grants and gifts received		3,004,798
Purchases of capital assets		(59,353,481)
Principal paid on capital debt and leases		(10,303,719)
Interest paid on capital debt and leases		(30,323,263)
Net cash used for capital financing activities	**$**	(65,913,486)

STATEMENT OF CASH FLOWS (continued)

Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	$	99,209,352
Interest on investments		936,690
Purchase of investments		(81,645,875)
Net cash provided by investing activities	$	18,500,167
Net increase in cash and cash equivalents	$	21,378,539
Cash and Cash Equivalents		
Cash and cash equivalents - July 1, 2015		158,196,080
Cash and cash equivalents - June 30, 2016	$	179,574,619
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	$	(190,067,504)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		37,964,192
Miscellaneous nonoperating expenses		1,254,948
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables:		
Accounts receivable		(1,514,760)
Government grants and contracts receivable		5,047,504
Student loans receivable and accrued interest from student loans		(254,110)
Inventories		(51,980)
Other assets		(293,011)
Accounts payable		(19,075,019)
Accrued payroll and employee benefits		1,475,679
Net OPEB Obligation		5,627,245
Net pension liability		19,708,783
Deferred outflows of resources related to pensions		(1,246,569)
Deferred inflows of resources related to pensions		(12,759,443)
Unearned revenues		3,451,555
Accrued compensated absences		(40,087)
Net cash used for operating activities	**$**	(150,772,577)
Significant Noncash Transactions:		
Refinancing of long-term debt	$	33,680,000
Loss on disposal of asset		(1,357,041)

See Notes to Financial Statements

STATEMENT OF FINANCIAL POSITION - COMPONENT UNIT

Northern Arizona University Foundation

June 30, 2016

ASSETS		
Cash and cash equivalents	$	1,211,026
Promises to give, net		7,642,638
Bequests receivable		533,271
Other receivables		104,181
Net investment in direct financing leases		5,598,070
Investments		140,181,206
Cash surrender value of life insurance		5,166,886
EBS licenses, net		288,081
Donated assets held for sale		41,942
Assets held under split-interest agreements		4,772,345
Beneficial interest in perpetual trusts		3,116,144
Other assets		45,000
Total assets	$	168,700,790
LIABILITIES		
Accounts payable and accrued liabilities	$	108,516
Assets held in custody for others		28,836,527
Deferred revenue		5,502,970
Liabilities under split-interest agreements		2,394,994
Total liabilities	$	36,843,007
NET ASSETS		
Unrestricted	$	10,055,421
Temporarily restricted		49,178,493
Permanently restricted		72,623,869
Total net assets	$	131,857,783
TOTAL LIABILITIES AND NET ASSETS	$	168,700,790

See Notes to Financial Statements

STATEMENT OF ACTIVITIES - COMPONENT UNIT

Northern Arizona University Foundation

For the Year Ended June 30, 2016

REVENUE, SUPPORT & GAINS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public contributions	$ 76,675	$ 9,535,464	$ 5,903,654	$ 15,515,793
EBS revenue	1,395,284			1,395,284
Net investment return	(7,807)	(3,049,417)	110,070	(2,947,154)
Interest income on direct financing leases	320,715			320,715
Change in beneficial interest in perpetual trusts			(208,994)	(208,994)
Change in value of split-interest agreements	581,109			581,109
Change in cash surrender value of life insurance		222,989		222,989
Other income and support	7,636	593,717	29,316	630,669
Reclassification of donor intent	(8,331)	(32,693)	41,024	
Net assets released from restrictions	10,033,540	(10,033,540)		
Total revenue, support, and gains	$ 12,398,821	$ (2,763,480)	$ 5,875,070	$ 15,510,411
EXPENSES & LOSSES				
Program expenses:				
Disbursements for educational purposes	$ 3,477,800			$ 3,477,800
Scholarships	2,755,626			2,755,626
Facilities	566,001			566,001
Other University programs	1,520,471			1,520,471
Total program expenses	$ 8,319,898			$ 8,319,898
Supporting services expense:				
Fundraising and development	$ 4,102,676			$ 4,102,676
Management and general	551,452			551,452
Amortization of EBS licenses	211,681			211,681
Total supporting services expense	4,865,809			4,865,809
Total expenses and losses	$ 13,185,707			$ 13,185,707
Change in net assets	$ (786,886)	$ (2,763,480)	$ 5,875,070	$ 2,324,704
Net assets, Beginning of year	10,842,307	51,941,973	66,748,799	129,533,079
Net assets, End of year	$ 10,055,421	$ 49,178,493	$ 72,623,869	$ 131,857,783

See Notes to Financial Statements

Note 1 — Basis of Presentation & Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component unit as described in Note 2 and in Note 10. Fiscal responsibility for the University remains with the State of Arizona; therefore, the University is an integral part of the State of Arizona's Tri-University system, which is an enterprise fund in the State of Arizona's *Comprehensive Annual Financial Report.*

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

The University implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application,* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments, establishes a three-tier hierarchy of inputs to valuation techniques used to measure fair value, and enhances disclosures related to all fair value measurements. The University has disclosed the level of fair value hierarchy and valuation techniques in Note 3. GASB Statement No. 76 identifies the hierarchy of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of GASB Statement No. 76 had no impact on the University's fiscal year 2016 financial statements

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

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

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

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

Significant Accounting Policies

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. All significant transactions resulting from internal activity have been eliminated.

Cash and Cash Equivalents

For the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's Local Government Investment Pool, cash and investments held by trustee and only those highly liquid investments with a maturity of three months or less when purchased. The University reports all investments at fair value. Exceptions to reporting investments at fair value include: nonparticipating interest-earning investment contracts, which should be stated at cost and money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at the time of purchase should be stated at amortized cost. See GASB Statement No. 72, paragraph 69 for additional exceptions.

Receivables

Receivables consist of tuition and fees charged to students, accrued interest, amounts due from the federal, state, and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and notes receivables from loans to students. Student loans, student receivables, and notes receivables are recorded net of an allowance for doubtful accounts. The other receivables are shown at book value with no provision for doubtful accounts considered necessary.

Inventories

Inventories are stated at the lower of cost or market. The cost of inventories is determined generally using the first-in, first-out or weighted average cost methods. Inventories consist of expendable supplies, postage, fuel held for consumption, textbooks and other merchandise for resale.

Capital Assets and Special Collections

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

The University maintains special collections for educational purposes and public exhibition. These special collections are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes.

Interest incurred during the construction phase of projects is capitalized, net of interest earned, on the invested proceeds over the same period.

Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight line method. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

Asset Category	Capitalization Threshold	Estimated Useful Life (yrs)
Building improvements	$5 thousand	20
Buildings	All	40
Infrastructure	All	20-40
Land	All	N/A
Equipment		
Machinery, vehicles, and other equipment	$5 thousand	5-15
Intangible assets:		
Computer software > $10 million	$10 million	10
Computer software < $10 million	$1 million	5
All other *	$100 thousand	*
Library books and media	All	10

* Includes websites, non-software licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, natural resource extraction rights and other intangible assets. In general, the estimated useful life is the shorter of the legal or the estimated useful life.

Deferred Outflows and Inflows of Resources

The Statement of Net Position includes separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that is applicable to future periods and will be recognized as revenue in future periods.

Pensions

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

Scholarship Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. A scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on behalf of the student.

Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the University are considered to be scholarship allowances. These allowances are netted against tuition and fees and certain auxiliary enterprise revenues in the Statement of Revenues, Expenses, and Changes in Net Position.

Compensated Absences

Compensated absences consist of vacation leave and compensatory time earned by employees based on services already rendered. Employees may accumulate up to 264 hours of vacation depending on years of service and full-time equivalent employment status, but any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Upon termination of employment, all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status, and compensatory time are paid to employees. Accordingly, vacation benefits and compensatory time are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 500 hours of sick leave are paid a formulated benefit amount. The University makes contributions each pay period to the State's Retiree Accumulated Sick Leave Fund and the State makes benefit payments directly to the retired employees from the fund. Consequently, the University does not have liability for these sick leave benefits.

Restricted and Unrestricted Resources

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

Note 2 — Component Units

Component units are defined as legally separate entities for which the University is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause its financial statements to be misleading or incomplete. GASB statement No. 14 – *The Financial Reporting Entity* and GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* have set forth criteria to be considered in determining financial accountability. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion under GASB Statement No. 14, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making that determination. GASB Statement No. 39 – *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14,* provides additional criteria for determining whether certain organizations are component units.

The financial statements of the University include the operations of the Northern Arizona University Foundation (Foundation), a discretely presented component unit. The Foundation was incorporated as a legally separate not-for-profit corporation in the State of Arizona in January 1959, and operates exclusively for the benefit of Northern Arizona University. The Foundation receives gifts and bequests, administers and invests in securities and property, and disburses payments to and on behalf of the University for advancement of its mission. The University does not control the timing or amount of receipts from the Foundation. The restricted resources of the Foundation can only be used by, or for the benefit of, the University or its constituents. Consequently, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. In accordance with generally accepted accounting principles for public colleges and universities, only the statement of financial position and the statement of activities of the discretely presented component unit are included in the University's financial statements.

Although legally separate, the Northern Arizona Capital Facilities Finance Corporation (NACFFC) component unit of the University is reported as if it was part of the University. NACFFC was incorporated in October 2001 as a legally separate not-for-profit corporation under the laws of the State of Arizona for the purpose of acquiring, developing, constructing and operating student housing and other capital facilities and equipment for the use and benefit of the University's students. Because NACFFC's outstanding debt is expected to be repaid entirely or almost entirely with resources from the University, NACFFC's financial statements have been blended with those of the University in accordance with GASB Statement No. 61.

For financial reporting purposes, both the Foundation and NACFFC follow the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the University's financial report. Accordingly, those financial statements have been reported on separate pages following the University's financial statements. For financial reporting purposes, only the Foundation's statements of financial position and statement of activities are included in the University's financial statements as required by generally accepted accounting principles for public colleges and universities. Since NACFFC's financial results are blended with the University's financial results, adjustments were made to present NACFFC's financial results in accordance with the GASB reporting model. In addition, the University eliminated all duplicate financial transactions for reporting purposes.

The Foundation and NACFFC have a June 30 year end. Complete financial statements as originally presented for the Foundation and NACFFC can be obtained from the Northern Arizona University Comptroller's Office, P.O. Box 4069, Flagstaff, AZ 86011.

During the year ended June 30, 2016, the Foundation distributed $8.3 million to the University.

Note 3 — Deposits and Investments

Arizona Revised Statutes (A.R.S.) §15-1668 requires that deposits of the University not covered by federal deposit insurance be secured by government bonds or by a safekeeping receipt of the institution accepting the deposit. A.R.S. §35-1207 requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. Further, policy regarding deposits is provided by the Arizona Board of Regents (ABOR). Deposits can be made only at depository banks approved by ABOR. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the University's investments.

There is no statutory requirement that governs University investment activities. A.R.S. §15-1625 gives the ABOR jurisdiction and control over the Universities, and A.R.S. §15-1626 allows ABOR to authorize the Universities to adopt regulation, policies, rules, or measures as deemed necessary. ABOR investment policies require that the University invest its operating funds only in the State Treasurer's Local Government Investment Pool, collateralized time certificates of deposit and repurchase agreements, U.S. Treasury securities, federal agency securities, and investment grade corporate bonds. In addition, ABOR has authorized the University to establish an investment committee. The investment committee establishes investment policies and makes investment decisions. ABOR policies guide the investment committee decisions. The University's deposit and investment policies mirror that of the ABOR policies.

University policy states that restricted (gift) and endowment funds will be invested according to the conditions stipulated by the donor, but if no conditions are imposed, such funds may be invested under the direction of the investment committee in such a manner as to obtain the most favorable rate of return and income stability.

The bond indentures constitute the investment policy for University monies held with bond trustees. The bond indentures authorize the bond trustees to invest in obligations of, or guaranteed by, the federal government or any agency or instrumentality thereof, municipal obligations, collateralized certificates of deposit with federally insured banks, trust companies, savings and loan associations within the State of Arizona, or repurchase agreements.

Deposits

At June 30, 2016, the carrying amount of the University's deposits was $61,396,644 and the bank balance was $64,254,293. Beyond the requirements established by A.R.S. and ABOR, the University does not have a policy that specifically addresses custodial credit risk.

Investments

U.S. agency securities include Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

The State Board of Investment provides oversight for the State Treasurer's investment pools. The fair value of a participant's position in the pools approximates the value of that participant's pool shares.

Trust agreements between the University and the Northern Arizona University Foundation (Foundation), authorize the Foundation to invest certain University restricted (gift) and endowment monies. The Foundation Investment Pool invests in a variety of asset classes, including common stocks, fixed income, and international equity funds. The Foundation's Board of Directors appointed Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies and procedures. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool and is not identified with specific investments. The University's ownership interest is recorded in the Foundation's records. As of June 30, 2016 the Foundation held $28,535,130 in custody for the University, including funds for the University's Arizona Financial Aid Trust Fund described below.

The Arizona Financial Aid Trust Fund (AFAT) was established in accordance with A.R.S. §15-1642 for the purpose of providing aid to students with verifiable financial need. The Foundation holds and manages the University's share of AFAT within its pool. The University's ownership interest is recorded in the Foundation's records. The fair value of the AFAT at June 30, 2016 was $20,855,718.

The University's investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follow:

	Amount	Fair value measurement using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
U.S. agency securities	$ 44,916,872		$ 44,916,872	
Bond Trustee fund	31,427,445	$ 17,627,596	13,799,849	
Total investments by fair value level	$ 76,344,317	$ 17,627,596	$ 58,716,721	
External investment pools measured at fair value				
State Treasurer's Investment Pool	$ 86,489,113			
NAU Foundation Investment Pool	28,535,130			
Total external investment pools measured at fair value	$ 115,024,243			
Total investments measured at fair value	191,368,560			
Total investments	$ 191,368,560			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using market prices for similar investments in active or inactive markets or other observable inputs. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the University held.

Credit Risk

For its operating funds, University policy requires negotiable certificates of deposit; corporate bonds, debentures, and notes; banker acceptances; and State of Arizona bonds to carry a minimum rating of BBB or better from Standard and Poor's Rating Service. There is no formal policy with regards to gift and endowment funds. Gift and endowment funds are held in the Foundation Investment Pool, which is not rated. At June 30, 2016, credit risk for the University's investments in debt securities was as follows:

Investment Type	Rating	Rating Agency		Amount
State Treasurer's Investment Pool 4	AA+	Standard and Poor's	$	86,489,113
U.S. agency securities	AA+	Standard and Poor's		44,916,872
Bond Trustee Funds:				
Government Money Market Mutual Fund	AAAm	Standard and Poor's		31,427,445
			$	162,833,430

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy in regards to custodial credit risk. At June 30, 2016, the University had $44,916,872 of U.S. agency securities that were uninsured, not registered in the University's name, and held by the counterparty.

Concentration of Credit Risk

University policy limits investments in a single issuer to 5 percent or less of the fair value of the total portfolio. However, securities issued or expressly guaranteed by the federal government are exempt from this provision. The following investments represent five percent or more of the University's investments at June 30, 2016: Federal Home Loan Mortgage Corporation, 7.18 percent, Federal Farm Credit Bank, 7.14 percent and Federal National Mortgage Association, 5.23 percent.

Interest Rate Risk

University policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The endowment fund portfolio has no such limitation. The following chart presents the interest rate risk for the University's debt investments at June 30, 2016, utilizing the segmented time distribution method:

Investment Type		Fair Value		Maturity < 1 Year
State Treasurer Investment Pool 4	$	86,489,113	$	86,489,113
U.S. agency securities*		44,916,872		44,916,872
Government Money Market Mutual Fund		31,427,445		31,427,445
Total	$	162,833,430	$	162,833,430

*At June 30, 2016, the University held $44,916,872 or 23.47 percent of investments in U.S. Agency securities, including the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary. Although the University has some investments in U.S. agency securities that have a maturity date greater than one year, they are expected to be called within one year.

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Position is as follows:

Cash, deposits and investments:

Cash on hand	$	16,785
Cash in bank		61,396,644
Total investments		191,368,560
	$	252,781,989

Statement of Net Position

Cash and cash equivalents	$	148,147,174
Current investments		44,916,872
Restricted cash and cash equivalents held by trustee for capital projects		31,427,445
Noncurrent investments		583,154
Endowment investments		27,707,344
	$	252,781,989

Note 4 — Capital Assets

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

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Land	$ 6,921,409	$ 1,461,600			$ 8,383,009
Construction in progress:					
Real property	139,911,928	44,822,078		$ (177,626,459)	7,107,547
Intangible assets	804,163	1,761,123		(2,565,286)	
Total non-depreciable/ non-amortizable capital assets	$ 147,637,500	$ 48,044,801		$ (180,191,745)	$ 15,490,556
Infrastructure	$ 140,691,642	$ 1,600,897		$ 600,253	$ 142,892,792
Buildings and improvements	844,367,606	3,477,630	$ 6,053,602	177,026,207	1,018,817,841
Equipment	69,142,834	5,927,193	1,718,132		73,351,895
Intangible assets	6,935,789			2,565,285	9,501,074
Library materials	44,960,415	308,044	84,158		45,184,301
Total depreciable/amortizable capital assets	$ 1,106,098,286	$ 11,313,764	$ 7,855,892	$ 180,191,745	$ 1,289,747,903
Less accumulated depreciation/ amortization					
Infrastructure	$ 49,953,928	$ 4,345,976			$ 54,299,904
Buildings and improvements	286,637,373	26,413,957	$ 4,738,060		308,313,270
Equipment	47,282,579	5,304,941	1,616,615		50,970,905
Intangible assets	3,660,849	1,438,931			5,099,780
Library materials	43,113,064	460,387	84,158		43,489,293
Total accumulated depreciation/ amortization	$ 430,647,793	$ 37,964,192	$ 6,438,833		$ 462,173,152
Depreciable/amortizable capital assets, net	$ 675,450,493	$ (26,650,428)	$ 1,417,059	$ 180,191,745	$ 827,574,751
Capital assets, net	**$ 823,087,993**	**$ 21,394,373**	**$ 1,417,059**		**$ 843,065,307**

The University completed several major contractual commitments related to various capital projects at June 30, 2016, including construction of the Science and Health building, Aquatic and Tennis Complex, Student and Academic Services building, and the International Pavilion, as well as major infrastructure upgrades and building renovations. In addition to expenditures through June 30, 2016, it is estimated that $46.6 million will be required to complete projects under construction, including a renovation of the south dining facilities and the construction of the north/south pedestrian walkway. Of that amount, $34.2 million is contractually encumbered. These projects are being financed with a combination of systems revenue and lease revenue bond monies, series 2013, 2014, 2015, and 2016, and University reserves.

Note 5 — Long Term Liabilities

A summary of changes in the long-term debt activity for the year ended June 30, 2016 is presented as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Revenue bonds payable	$ 533,630,000	$ 44,885,000	$ 42,095,000	$ 536,420,000	$ 14,670,000
Certificates of participation	58,285,000		3,300,000	54,985,000	1,945,000
Discounts/premiums	33,313,626	6,145,274	1,776,193	37,682,707	1,742,801
Total bonds payable	$ 625,228,626	$ 51,030,274	$ 47,171,193	$ 629,087,707	$ 18,357,801
Capital leases	$ 16,778,500		$ 1,005,308	$ 15,773,192	$ 1,044,540
Net OPEB Obligation		$ 5,627,245		5,627,245	
Net pension liability*	165,140,520	63,804,996	44,096,213	184,849,303	785,823
Total long-term liabilities	$ 807,147,646	$ 120,462,515	$ 92,272,714	$ 835,337,447	$ 20,188,164

* Beginning net pension liability includes net pension liabilities of $373,257 reported as current portion of deposits held in custody for others in fiscal year 2015.

Revenue Bonds Payable and Certificates of Participation

On May 19, 2016, the University sold $11,070,000 of Lease Revenue Refunding Bonds Series 2016 with an interest rate of 2.61 percent. Refunded bonds total $10,580,000 of the 2006 North Campus Facilities Lease Revenue Bonds for maturities from June 1, 2016 to June 1, 2036. The refunding set aside $10,838,030 that purchased Global Proceed Escrow that matured between 6/01/2016 and 6/02/2016. The present value of refunded debt prior to 5/19/2016 was $16,983,234 and the net present value of savings was $2,161,546. The advanced refunding decreases the University's debt service by an average of $102,931 annually through 6/1/2036.

On May 26, 2016 the University sold $33,815,000 of Systems Revenue and Refunding Bonds Series 2016 for the purpose of the acquisition, construction, improvements, renovations and equipping of the South Dining buildings and the first floor of the adjoining DuBois Center totaling approximately 51,000 square feet, located in the south campus area of the University's main campus. The Systems Revenue and Refunding Bonds Series 2016 includes Series 2016A new money tax-exempt portion of $9,115,000 and a refunding tax-exempt portion of $21,595,000 with interest rates ranging from 4 percent to 5 percent, Series 2016B new money taxable portion of $3,105,000 with interest rates ranging from 1.15 percent to 2.875 percent. Refunded bonds total $23,100,000 including $940,000 of the Systems Revenue Bonds Series 2007 with a maturity date of June 1, 2018, $22,160,000 of the Systems Revenue Bonds Series 2008 (New Money) with June 1 maturities in years 2019 to 2021, and 2028 to 2038. The refunding set aside $25,563,836, including proceeds from the issuance premium, into escrow that purchased Treasury note securities maturing between 5/31/2016 and 5/31/2018. The present value of prior refunded debt was $41,920,675 and the net present value of savings was $2,313,091. The advanced refunding decreases the University's debt service by an average of $568,215 annually for fiscal years 6/30/2016 through 6/30/2019 and decreases debt service by an average of $2,730 annually for fiscal years 6/30/2020 through 6/30/2033.

In the current and prior years, the University defeased certain revenue bonds and Certificates of Participation by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2016 the University had Systems Revenue Series 2007 of $30,875,000, Series 2008 of $33,400,000, and $8,720,000 in Certificates of Participation Series 2006 outstanding that are considered defeased.

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the University is eligible to receive direct payments from the U. S. Treasury Department equal to 35 percent of the interest payments on such bonds on each interest payment date. In order to receive such payments, the University must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the University by the Federal government may be reduced or eliminated due to such issues as failure by the University to submit the required information, any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2016, the Federal government reduced federal direct payment claims filed between October 1, 2015 and September 30, 2016 by 6.8 percent due to the federal budget sequestration resulting in a $259,168 reduction in direct payments to the University. For accounting purposes, any direct payments received from the U. S. Treasury Department are recorded as non-operating revenue.

For the 2010 and 2013 revenue bonds, up to 80 percent of the debt service payments are payable from the University's Stimulus Plan for Economic and Educational Development (SPEED) revenue bond account monies, which are derived from certain revenues of the Arizona State Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the University's system revenue bonds.

The University has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2016. The bonds generally provide financing for various capital projects of the University. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include state appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged $252 million for the prior five years. For fiscal year 2016 pledged revenues totaled $287 million of which 9.3 percent ($26.7 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 9.8 percent of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044 is $786.3 million.

The following schedule details debt service requirements to maturity for Systems, Lease, and SPEED Revenue Bonds payable at June 30, 2016.

Year		Principal		Interest
2017	$	14,670,000	$	27,688,013
2018		15,925,000		26,980,204
2019		16,880,000		26,261,149
2020		18,320,000		25,453,576
2021		18,225,000		24,551,189
2022-2026		106,720,000		107,459,642
2027-2031		132,775,000		75,706,434
2032-2036		114,130,000		42,386,512
2037-2041		73,085,000		15,156,043
2042-2044		25,690,000		1,924,165
Total	$	536,420,000	$	373,566,927

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2016.

Year		Principal		Interest
2017	$	1,945,000	$	2,479,608
2018		3,490,000		2,364,650
2019		3,610,000		2,247,750
2020		3,730,000		2,130,175
2021		2,840,000		1,992,167
2022-2026		17,735,000		7,383,542
2027-2031		21,635,000		2,452,292
Total	$	54,985,000	$	21,050,184

Revenue Bonds Payable and Certificates of Participation at June 30, 2016 (dollars in thousands)

	Average Interest Rate	Final Maturity	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016
Revenue Bonds:						
2004 Systems Refunding	4.7%	6/1/2017	$ 3,230		$ (1,970)	$ 1,260
2006 Systems Refunding	4.7%	6/1/2034	41,750		(80)	41,670
2007 Systems Revenue	4.9%	6/1/2017	1,840		(940)	900
2008 Systems Revenue	5.0%	6/1/2018	24,025		(22,160)	1,865
2009A Systems Revenue	6.5%	6/1/2039	108,860			108,860
2009B Systems Revenue	5.0%	6/1/2016	2,600		(2,600)	
2012 Systems Revenue	4.5%	6/1/2041	22,425		(535)	21,890
2014 Systems Revenue Refunding	5.0%	6/1/2044	66,415		(1,315)	65,100
2015 Systems Refunding	5.0%	6/1/2037	45,415			45,415
2016 Systems Revenue Refunding	5.0%	6/1/2038		$ 33,815		33,815
Subtotal - Systems Revenue Bonds			$ 316,560	$ 33,815	$ (29,600)	$ 320,775
2010 SPEED Revenue	6.2%	8/1/2030	$ 64,785			$ 64,785
2013 SPEED Revenue	4.7%	8/1/2043	75,190			75,190
Subtotal - SPEED Revenue Bonds			$ 139,975			$ 139,975
2006 Lease Revenue	4.9%	6/1/2016	$ 10,580		$ (10,580)	
2008 Lease Refunding	4.6%	6/1/2033	32,250		(915)	$ 31,335
2014 Lease Revenue	5.0%	6/1/2044	34,265		(580)	33,685
2016 Lease Refunding	2.6%	6/1/2036		$ 11,070	(420)	10,650
Subtotal - Lease Revenue Bonds			$ 77,095	$ 11,070	$ (12,495)	$ 75,670
Subtotal: Revenue Bonds			$ 533,630	$ 44,885	$ (42,095)	$ 536,420
Certificates of Participation:						
2004 Certificates of Participation	4.9%	9/1/2015	$ 1,240		$ (1,240)	
2005 Certificates of Participation	4.7%	9/1/2015	1,350		(1,350)	
2006 Certificates of Participation	4.4%	9/1/2016	865		(425)	$ 440
2013 Refunding Certificates of Participation	4.8%	9/1/2030	36,005			36,005
2015 Refunding Certificates of Participation	4.9%	9/1/2030	18,825		(285)	18,540
Subtotal: COP's			$ 58,285		$ (3,300)	$ 54,985
Total Par amount of Bonds and COP's			$ 591,915	$ 44,885	$ (45,395)	$ 591,405
Premium on Sale of Bonds and COP's			$ 33,314	$ 6,145	$ (1,776)	$ 37,683
Total Bonds and COP's Payable			$ 625,229	$ 51,030	$ (47,171)	$ 629,088

Capital Leases

During fiscal year 2013, Northern Arizona Real Estate Holdings, LLC (NAREH), a wholly-owned subsidiary of the Northern Arizona University Foundation, constructed a building on land on the Northern Arizona University campus owned by the Arizona Board of Regents at a total initial direct cost of $9,780,185. NAREH then leased the University Services Building to Northern Arizona University under a direct financing lease with a 19 year term. The University treated the arrangement as a capital lease and capitalized the University Services Building at the $9,780,185 cost.

On June 28, 2012, the University entered into an Energy Conservation Equipment Lease-Purchase Agreement with Capital One Public Funding, LLC for the acquisition, construction, and installation of energy efficient equipment at the University facilities over two years. The interest rate is 3.530 percent and the first two years of the University's payments were interest-only payments. For the remaining years of the lease, the University's payments are approximately $1.2 million each year through June 1, 2027.

Capital Lease commitments to lessors at June 30, 2016

	Average Interest Rate	Final Maturity	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Energy Conservation Equipment Lease Purchase	3.5%	6/1/2027	$ 11,652,413		$ 795,221	$ 10,857,192	$ 823,540
Northern Arizona Real Estate Holdings, LLC	5.5%	9/30/2030	5,126,087		210,087	4,916,000	221,000
			$ 16,778,500		$ 1,005,308	$ 15,773,192	$ 1,044,540

The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2016:

Year Ending	
2017	$ 1,690,975
2018	1,687,820
2019	1,690,170
2020	1,686,695
2021	1,690,670
2022-2026	8,444,010
2027-2031	3,652,645
Total minimum lease payments	$ 20,542,985
Less amount representing interest	(4,769,793)
Present value of net minimum lease payments	$ 15,773,192

Capital Lease Financing - Following is a summary of capital assets financed by capital leases at June 30, 2016:

Buildings	$ 9,780,185
*Building Improvements	16,994,563
Total cost of assets	26,774,748
Less: accumulated depreciation	(7,337,269)
Carrying value of assets	$ 19,437,479

* The value of the building improvements includes other funding sources of $4,574,274.

Operating Leases

The University leases numerous classroom facilities for extended campus instruction and a limited number of administrative facilities under long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of operating leases were $2.6 million for the year ended June 30, 2016. The operating leases have remaining terms from one to eight years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2016 are as follows:

Year ending June 30,		
2017	$	2,158,284
2018		1,723,427
2019		1,673,381
2020		1,656,628
2021		1,421,716
2022-2025		4,472,511
Total minimum lease payments	$	13,105,947

Note 6 — Risk Management

Pursuant to A.R.S. §41-621, Northern Arizona University (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 Program and for which the University has no insurance coverage are losses resulting from contractual breaches and losses that arise out of and are directly attributable to an act of omission determined by a court to be a felony. From time to time, various claims and lawsuits associated with the normal conduct of University business are pending or may arise against the University.

In the opinion of University management, any losses from the resolution of any other pending claims or litigation not covered by the Risk Management Program should not have a material effect on the University's financial statements. All estimated losses for unsettled claims and actions covered by the State's Risk Management Program are determined on an actuarial basis and are included in the State of Arizona Comprehensive Annual Financial Report.

Note 7 — Accrued Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 264 accrued vacation hours depending on classification and years of service. Upon termination, compensatory time as well as accrued vacation hours up to 176 will be paid. At fiscal year-end, the University accrued all compensated absence balances accumulated to date as a liability in the financial statements. The University does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona State Department of Administration (ADOA). The University pays a percentage of its payroll for RASL to ADOA and does not have further liability. Accrued compensated vacation for the year ended June 30, 2016 was as follows:

Beginning balance	$	6,507,777
Additions		9,352,040
Reductions		(9,392,127)
Ending balance	$	6,467,690
Current portion	$	1,746,122

Note 8 — Operating Expense by Natural Classification

The University's operating expenses presented in the Statement of Revenues, Expenses, and Changes in Net Position by natural and functional classification are summarized in the table below:

For the Year Ended June 30, 2016

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	$ 150,796,607	$ 18,588,815			$ 169,385,422
Research	20,484,663	9,657,693			30,142,356
Public service	12,444,453	15,719,073			28,163,526
Academic support	32,400,641	8,105,288			40,505,929
Student services	33,475,723	20,358,482			53,834,205
Institutional support	38,295,703	14,150,981			52,446,684
Operation and maintenance of plant	9,946,313	19,843,446			29,789,759
Scholarships and fellowships			$ 31,484,582		31,484,582
Auxiliary enterprises	25,311,770	12,758,901			38,070,671
Depreciation				$ 37,964,192	37,964,192
Total	**$ 323,155,873**	**$ 119,182,679**	**$ 31,484,582**	**$ 37,964,192**	**$ 511,787,326**

Note 9 — Pension and Other Postemployment Benefits

University employees participate in the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), or one of two defined contribution plans which are described below. Although a PSPRS net pension liability has been recorded at June 30, 2016, PSPRS has not been further disclosed due to its relative insignificance to the University's financial statements. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

Beginning balance	$	165,140,520
Increases		63,804,996
Decreases		(44,096,213)
Ending balance	$	184,849,303
Current portion	$	785,823

*Beginning net pension liability includes net pension liabilities of $373,257 reported as current portion of deposits held in custody for others in fiscal year 2015.

Defined Benefit Plan

Plan Description

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (Other Postemployment Benefits) (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. All full benefit eligible classified staff must participate in these plans. University faculty, academic professionals, and administrative officers have the option to participate in these plans or defined contribution plans described later. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona.

Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial membership date:	
	Before July 1, 2011	**On or after July 1, 2011**
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the University in positions that an employee who contributes to the ASRS would typically fill. The University's contributions to the pension plan for the year ended June 30, 2016, were $11,554,333. The University's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

Years Ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	$ 524,499	$ 130,540
2015	604,259	126,303
2014	561,367	221,815

Pension Liability

At June 30, 2016, the University reported a liability of $175,686,559 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The University's proportion of the net pension liability was based on the University's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The University's proportion measured as of June 30, 2015, was 1.13 percent, which was an increase of .07 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, the University recognized pension expense for ASRS of $16,692,287. At June 30, 2016, the University reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	4,794,105	$	9,206,153
Net difference between projected and actual earnings on pension plan investments				5,630,365
Changes in proportion and differences between university contributions and proportionate share of contributions		12,566,595		
University contributions subsequent to the measurement date		11,554,333		
Total	$	28,915,033	$	14,836,518

The $11,554,333 reported as deferred outflows of resources related to ASRS pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30		
2017	$	3,490,008
2018		(1,668,975)
2019		(3,361,269)
2020		4,064,418

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Discount Rate

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	100%	

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

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
University's proportionate share of the net pension liability	$ 230,209,430	$ 175,686,559	$ 138,320,525

Pension Plan Fiduciary Net Position

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

Pension Contributions Payable

The University's accrued payroll and employee benefits included $383,964 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2016.

Defined Contribution Plans

Plan Description

In accordance with A.R.S. §15-1628, defining the authority under which benefit terms are established or may be amended, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. During the fiscal year ended June 30, 2016, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Service Company (Fidelity) were approved by the Board. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately, and University contributions vest after five years of benefit eligible employment. Non-vested contributions held by the University earn interest. Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates. For the year ended June 30, 2016, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability

At June 30, 2016, the University reported a liability of $2,483,944 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

Pension Expense

For the year ended June 30, 2016, the University recognized pension expense for Defined Contribution Plans of $5,861,599. For the year ended June 30, 2016, forfeitures reduced the University's pension expense by $179,234.

Pension Contributions Payable

The University's accrued payroll and employee benefits included $202,911 of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2016.

Postemployment Health Care Benefits

The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the Arizona Department of Administration (ADOA). In prior years the University did not record or disclose other postemployment benefits (OPEB) due to the insignificance of the liability.

Plan Description

The ADOA administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired state employees, including University employees and their dependents. The University subsidizes the premium rates paid by retirees by allowing them to participate in the University's health care plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The University does not cover any explicit subsidies.

Employees may be retained on the University's health insurance provided they make the required contributions and comply with all other provisions of the Plan. To be eligible, an employee must retire from the University with five years of service as a benefit eligible employee and apply for and receive retirement. Dependent coverage is available subject to the limitations outlined in the University's health insurance policy. Dependents cannot continue in the insurance program when the retiree is no longer eligible.

If a covered retiree terminates coverage for any reason, coverage cannot be reinstated. ADOA does not issue a separate, publically available financial report for the Plan.

Funding Policy

Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State legislature. The ADOA has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. The plan is currently funded on a pay-as-you-go basis.

The University's annual postemployment benefit cost, contributions and obligation for the current year are as follows:

Fiscal Year Ended		Annual OPEB Cost		Actual Contributions	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2016	$	8,019,245	$	1,456,000	18%	$	5,627,245

Annual OPEB Cost and Net OPEB Obligation

The University's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the University's OPEB obligation.

		2016
Normal cost	$	4,673,431
Amortization of unfunded actuarial accrued liability		3,327,531
Annual required contribution		8,000,962
Interest on net OPEB obligation		(28,080)
Adjustment to annual required contribution		46,363
Annual OPEB cost (expense)		8,019,245
Contributions made		(1,456,000)
Increase in net OPEB obligation		6,563,245
Net OPEB obligation-beginning of year		(936,000)
Net OPEB obligation-end of year	$	5,627,245

Funded Status and Fund Progress

As of June 30, 2016, the actuarial accrued liability for benefits was $67,177,684 and is unfunded. The covered payroll (annual payroll of active participating employees as of the actuarial valuation date) was $180,924,430 while the ratio of the unfunded actuarial accrued liability to the covered payroll was 37.1%.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment and termination, mortality, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's actuarial methods and significant assumptions for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation are as follows:

Method/Assumption	
Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal - Level Dollar
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not Applicable
Valuation Interest Rate (assumed investment return)	3.00% per annum
Projected Medical Inflation	7.00%, then grading down to an ultimate rate of 4.50% over 8 years
Aggregate Payroll Growth (inflationary effects only)	0%

Note 10 — Discretely presented Component Unit Disclosures

A. Principal Activity and Significant Accounting Policies

Organization

The Northern Arizona University Foundation, Inc. (NAU Foundation) is an Arizona nonprofit organization operating exclusively for the benefit of Northern Arizona University (the University). The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the University for the advancement of its mission.

Northern Arizona Real Estate Holdings, LLC, (NAREH) is a wholly owned subsidiary of NAU Foundation. NAREH was established to construct, develop, equip, operate, maintain, lease, and hold real estate investments on behalf of NAU Foundation.

NAU Ventures, LLC (NAUV) is a wholly owned subsidiary of NAU Foundation. NAUV was established to license or otherwise commercialize the intellectual property owned or controlled by the Arizona Board of Regents, the University, or NAU Foundation, to perform other technology transfer and intellectual property management services for the University, and to perform other services from time to time.

Based on the type of organization of NAREH and NAUV, and as otherwise provided in the operating agreement executed by the member of the respective companies, no member is personally liable for any acts, debts or liabilities beyond the member's capital contributions. The LLCs have no defined finite lives.

Principles of Consolidation

The consolidated financial statements include the accounts of NAU Foundation, NAREH, and NAUV because the NAU Foundation has both control and an economic interest in NAREH and NAUV. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Foundation."

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

Bequests Receivable

Bequests receivable are recognized as contribution revenue in the period the Foundation receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met. Bequests receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for uncollectible bequests receivable based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible bequests receivable and a credit to bequests receivable. At June 30, 2016, bequests receivable are considered by management to be fully collectible and, accordingly, an allowance for uncollectible bequests receivable has not been provided.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2016, the allowance was $325,846.

In October 2011, the Foundation received a conditional promise to give that matches funds raised and deposited for a specific endowment fund at a ratio of 1:3, with a maximum matching annual contribution totaling $133,333 per year for a period of five years. The agreement is based upon fiscal years ending on October 31. The agreement was amended in April 2016 to change the maximum matching annual contribution total to $97,910 per year for a period of three years, extending the original promise to give by two years. For the year ended June 30, 2016, the Foundation did not raise the necessary amount for the match as of October 31, 2015 and as such has not recorded contribution revenue of $133,333. Any remaining matching contribution will be recognized if and when the Foundation raises the necessary amount to meet the conditions of this promise.

Investment in Direct Financing Lease

The Foundation has two leases which are classified as direct financing leases. The components of the net investment in direct financing leases include the minimum lease payments receivable, unguaranteed residual values and unearned income. Interest income is recognized over the life of the lease.

The carrying amount of the net investment in direct financing leases is reduced by a valuation allowance for uncollectible lease payments. The allowance for uncollectible lease payments is established as losses are estimated to have occurred through a provision for lease losses charged to earning. Lease losses are charged against the allowance when management believes the uncollectability of a lease balance is confirmed. Subsequent recoveries, if any are credited to the allowance. As of June 30, 2016, the allowance for uncollectible lease payments was $0.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

For management efficiency, investments of the unrestricted and restricted net assets are pooled, except for certain assets that the Board of Directors or the donors have designated to be segregated and maintained separately.

Revenue and Revenue Recognition

Revenue from exchange transactions, investment activities, management fees, other fees and charges, and non-contribution related revenue is recognized when earned. Revenue received in advance is recorded as deferred revenue in the accompanying consolidated statements of financial position. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Income Taxes

NAU Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). Accordingly, contributions to it qualify for the charitable contribution deduction under section 170(b)(1)(A). NAU Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, NAU Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. NAU Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS, or its Arizona equivalent (Form 99-T) with the Arizona Department of Revenue.

NAUV and NAREH are organized as single-member, limited liability corporations and are disregarded as entities separate from NAU Foundation for income tax purposes.

NAU Foundation believes that it has appropriate support for any income tax positions taken by the combined entity, and as such, does not have any uncertain tax positions that are material to the financial statements. NAU Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

B. Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of common stock, money market funds, and open-end mutual funds with readily determinable fair values based on daily market prices or redemption values. Corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions; life insurance policies are valued at cash surrender value; fair values of beneficial interests in charitable trusts held by others and other investments are valued using market-price data for similar assets. These are classified within Level 2. The Foundation's investment in real estate is based upon the expected liquidation value of the property based on comparable property in a similar market. Because these inputs are unobservable, these investments are classified within Level 3.

The fair values of obligations under split-interest agreements are determined using present value techniques, actuarial tables, the fair values of trust investments as reported by the trustees or held by the Foundation, and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and liabilities. The fair values of beneficial interests in charitable and perpetual trusts are determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets, and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

The Foundation measures the fair value of assets held in custody for others based on a pooling of investments based on a net asset value per share of the pool. Since the fair value of the liability is based primarily upon the observable inputs used during the valuation of the assets but not based upon identical inputs for identical agency liabilities, a Level 2 classification has been assigned for the inputs used to determine the fair value of the assets held in custody for others liability.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2016:

		Fair Value Measurements at Report Date Using		
	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Operating investments				
Mutual Fund				
U.S. Governmental Bond Mutual Fund	$ 12,147,932	$ 12,147,932		
Corporate Bond Mutual Fund	12,200,627	12,200,627		
Exchange Traded Funds	634,484	634,484		
Equity Mutual Funds	51,189,748	51,189,748		
International Bond Mutual Funds	6,135,931	6,135,931		
International Equity Mutual Funds	49,920,355	49,920,355		
Common Stock	2,088,595	2,088,595		
Money Market Funds	2,260,152	2,260,152		
Corporate Bonds	3,603,382		$ 3,603,382	
	$ 140,181,206	$ 136,577,824	$ 3,603,382	
Assets held under split-interest agreements				
Money Market Funds	$ $40,582	$ $40,582		
Mutual Fund				
Equity Mutual Funds	1,873,487	1,873,487		
Corporate Bond Mutual Fund	1,432,520	1,432,520		
International Equity Mutual Funds	748,076	748,076		
Real Estate Investment Trust Funds	90,353	90,353		
Alternative Investment Mutual Funds	351,288	351,288		
Real Estate	236,039			$ 236,039
	$ 4,772,345	$ 4,536,306		$ 236,039
Beneficial interests in Perpetual trusts	$ 3,116,144			$ 3,116,144
Liabilities				
Assets held in custody for others	$ 28,836,527		$ 28,836,527	
Liabilities under split-interest agreements	$ 2,394,994			$ 2,394,994

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2016:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
	Real Estate Investment Under Split-Interest Agreement	Beneficial Interest in Perpetual Trusts	Liabilities Under Split-Interest Agreements
Year Ended June 30, 2016			
Balance at June 30, 2015	$ 226,977	$ 3,338,865	$ 3,291,458
Change in value of assets held by third party		(222,721)	
Purchases/contributions of investments			77,447
Change in actuarial valuation	9,062		(973,911)
Balance at June 30, 2016	$ 236,039	$ 3,116,144	$ 2,394,994
The amount of the total gains for the period or included in changes in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date		$ (222,721)	

Fair Value of Financial Instruments Not Required To Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, bequests receivable, other receivables, net investment in direct financing leases, accounts payable, accrued expenses and other liabilities, and deferred revenue approximate fair value due to the short-term nature of the items. The carrying amount of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value. The carrying amount of liabilities under split-interest agreements is based on the discounted net present value of the expected future cash payments, and approximates fair value.

C. Net Investment Return

Net investment return consists of the following for the year ended June 30, 2016:

Interest and dividends	$ 1,852,564
Net realized and unrealized gain (loss)	(4,728,287)
Less investment management and custodial fees	(71,431)
	$ (2,947,154)

D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2016:

Within one year	$	2,255,350
In one to five years		3,985,501
Over five years		1,899,533
	$	8,140,384
Less discount to present value at rates ranging from 0.1% - 4.96%		(171,900)
Less allowance for uncollectible promises to give		(325,846)
	$	7,642,638

At June 30, 2016, two donors accounted for approximately 61% of gross promises to give. Two donors accounted for approximately 37% of total contribution revenue for the year ended June 30, 2016.

E. EBS Licenses and Leases

Prior to 2002, the Foundation was the recipient of several donated EBS licenses, which were subsequently fully amortized. In fiscal year 2008, the Foundation received approximately $15,000,000 from an outside corporation to purchase additional licenses in exchange for exclusive rights to leasing the purchased licenses. The licenses are granted for ten-year terms, which are due to expire at various dates though 2025. The licenses are renewable indefinitely in ten-year increments and the Foundation intends on renewing all licenses currently held.

The Foundation leases the licenses after purchase. The leases are granted for ten-year terms, in accordance with the license terms, which are due to expire at various dates through June 2025. The FCC has certain educational programming requirements. As part of the lease agreements, the lessees are responsible for ensuring that the educational requirements are met. After the educational requirements are met, there is excess frequency capacity that can be used. The Foundation receives monthly lease payments for the use of the excess capacity. In addition to the monthly payment terms, several leases required the lessee to pay an initial fee.

The terms of the related lease agreements correspond with the terms of the licenses. Most leases have renewal clauses, which provide for a maximum lease term of 30 years. Total revenue received from these agreements was $1,395,284 for the year ended June 30, 2016.

Minimum future lease receipts under the existing EBS licenses are as follows:

Years Ending June 30,		
2017	$	1,412,659
2018		1,352,235
2019		1,268,501
2020		1,281,846
2021		1,295,534
Thereafter		2,195,949
	$	8,806,724

F. Direct Financing Leases

During fiscal 2011, NAREH constructed a restaurant on certain property owned by the Arizona Board of Regents with a total initial direct cost of $3,327,267, which is also the initial net investment in direct financing lease. NAREH then leased the restaurant to Sodexo America, LLC under a direct financing lease. The lease with Sodexo America, LLC originated in fiscal 2011 and has a 6-year term.

During fiscal 2013, NAREH constructed a building on certain property owned by the Arizona Board of Regents with a total initial direct cost of $9,780,185, which is also the initial net investment in direct financing lease. NAREH then leased the building to Northern Arizona University under a direct financing lease. The lease with Northern Arizona University originated in fiscal 2013 and has a 20-year term.

Net investment in direct financing leases consists of the following at June 30, 2016:

Net minimum lease payments	$	7,839,965
Unearned income		(2,241,895)
Net investment in direct financing leases	$	5,598,070

Minimum future lease receipts under these direct financing leases are as follows as of June 30, 2016:

Years Ending June 30,		
2017	$	983,905
2018		488,225
2019		490,575
2020		487,100
2021		491,075
Thereafter		4,899,085
Direct Financing Lease	$	7,839,965

G. Assets Held in Custody for Others

The Foundation maintains certain assets on behalf of others. The balances of assets held in custody for others consist of the following at June 30, 2016:

Cash	$	1,428,084
Investments		26,775,490
Beneficial interest in perpetual trust		632,953
	$	28,836,527

Assets held on behalf of:		
Northern Arizona University	$	28,535,131
NAU Parents' Association		301,396
	$	28,836,527

H. Endowments

The Foundation's endowment (the Endowment) consists of approximately 776 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board of Directors, and quasi-endowments set up by donors that are working to the level of required investment to qualify as an Endowment under the Foundation's donor guidelines. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2016, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	$ 9,688,878			$ 9,688,878
Donor-restricted quasi-endowment		$ 4,341,073		4,341,073
Donor-restricted for permanent endowment	(325,501)	19,788,999	$ 67,767,404	87,230,902
	$ 9,363,377	$ 24,130,072	$ 67,767,404	$ 101,260,853

At June 30, 2016, certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of $325,501 are reported in unrestricted net assets.

I. Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time. The Foundation uses an endowment spending-rate formula to determine the amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2016, the spending rate maximum was 4.5%. In establishing this policy, the Foundation considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

With the exception of certain permanently restricted contributions that the donor requires to be separately invested, all permanently restricted contributions are consolidated in an investment pool. Appreciation, depreciation, income and expense relative to the pooled endowment investments are allocated to each endowment based upon the ratio of that endowment's investment balance to the total investment pool and are shown as a change in temporarily restricted net assets.

Changes in Endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,550,321	$ 27,159,602	$ 62,123,944	$ 98,833,867
Investment return				
Investment income, net of fees	5,053	11,882		16,935
Net realized and unrealized gain/(loss)	(12,858)	(963,935)	110,070	(866,723)
	(7,805)	(952,053)	110,070	(849,788)
Contributions	176,074	202,214	5,498,322	5,876,610
Reclassification of donor intent	(7,664)	65,687	35,068	93,091
Deficiency in original gift value of permanently restricted funds below fair value	(230,433)			(230,433)
Appropriation of endowment assets pursuant to spending-rate policy	(117,116)	(2,345,378)		(2,462,494)
Endowment net assets, end of year	$ 9,363,377	$ 24,130,072	$ 67,767,404	$ 101,260,853

Required Supplementary Information

Schedule of University's Proportionate Share of Net Pension Liability
June 30, 2016

Arizona State Retirement System		Reporting Fiscal Year (Measurement Date)			
		2016 (2015)		2015 (2014)	2014 through 2007
University's proportion of the net pension liability		1.13%		1.06%	
University's proportionate share of the net pension liability	$	175,686,559	$	156,806,397	Information
University's covered payroll	$	104,361,657	$	96,736,181	not available
University's proportionate share of the net pension liability as a percentage of its covered payroll		168%		162%	
Plan fiduciary net position as a percentage of the total pension liability		68.35%		69.49%	

Schedule of University's Pension Contributions - Arizona State Retirement System
June 30, 2016

Reporting Fiscal Year

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 11,554,333	$ 11,318,482	$ 10,291,080	$ 9,007,925	$ 7,975,201	$ 7,244,168	$ 6,222,744	$ 6,135,936	$ 5,939,553	$ 5,051,466
Contributions in relation to the statutorily required contribution	11,554,333	11,318,482	10,291,080	9,007,925	7,975,201	7,244,168	6,222,744	6,135,936	5,939,553	5,051,466
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$ 106,912,713	$ 104,361,657	$ 96,736,181	$ 88,480,987	$ 80,802,442	$ 80,401,420	$ 74,613,237	$ 76,795,194	$ 73,783,267	$ 67,896,048
Contributions as a percentage of covered payroll	10.81%	10.85%	10.64%	10.18%	9.87%	9.01%	8.34%	7.99%	8.05%	7.44%

Postemployment Health Care Benefits
Schedule of Funding Progress
June 30, 2016

Actuarial Valuation Date		Actuarial Value of Plan Assets (a)		Actuarial Accrued Liability (b)		Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	Actuarial Liability as a Percentage of Covered Payroll ((b-a)/c))
6/30/2016	$	0	$	67,177,684	$	67,177,684	0%	$	180,924,430	37.1%

Statistical Section

Narrative to the Statistical Section
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NET POSITION BY COMPONENT

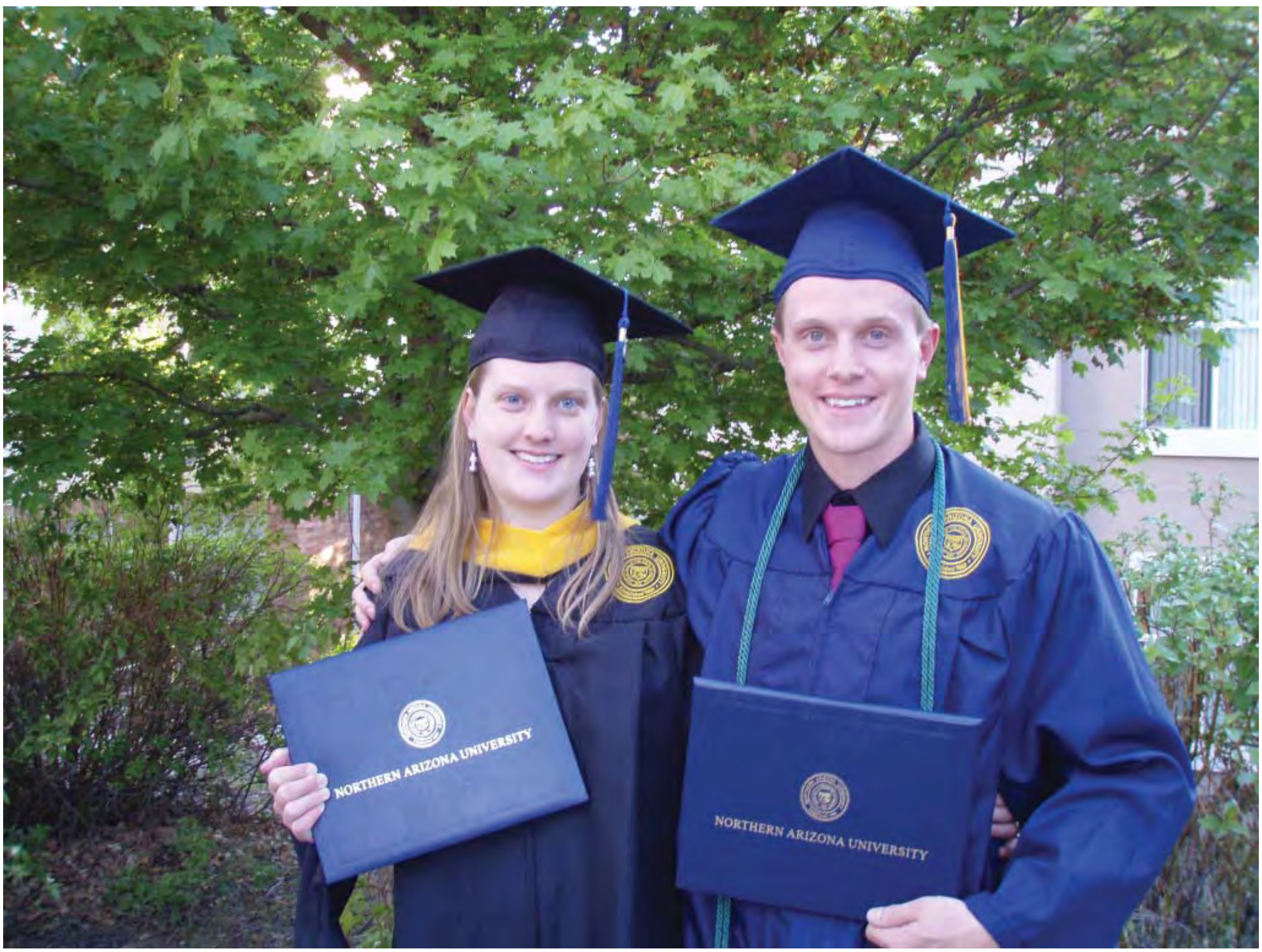
Fiscal Year Ended June 30,	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008	2007
(Dollars in thousands)										
Invested in Capital Assets	$265,882	$268,007	$234,187	$215,847	$218,676	$200,274	$157,565	$150,766	$152,828	$126,930
Restricted, Non-expendable	23,593	22,540	21,770	20,430	19,517	19,047	18,253	17,504	16,493	16,251
Restricted, Expendable	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401
Unrestricted	(39,221)	(32,051)	154,120	172,284	178,600	182,210	173,639	124,781	80,149	70,716
Total Net Position	**$282,438**	**$291,094**	**$439,539**	**$435,219**	**$434,364**	**$417,897**	**$368,830**	**$311,970**	**$272,421**	**$236,298**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	94.1	92.1	53.3	49.6	50.3	47.9	42.7	48.3	56.1	53.7
Restricted, Non-expendable	8.4	7.7	4.9	4.7	4.5	4.6	4.9	5.6	6.1	6.9
Restricted, Expendable	11.4	11.2	6.7	6.1	4.0	3.9	5.3	6.1	8.4	9.5
Unrestricted	(13.9)	(11.0)	35.1	39.6	41.2	43.6	47.1	40.0	29.4	29.9
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
% Increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	(0.8)	14.4	8.5	(1.3)	9.2	27.1	4.5	(1.3)	20.4	(1.9)
Restricted, Non-expendable	4.7	3.5	6.6	4.7	2.5	4.3	4.3	6.1	1.5	(4.2)
Restricted, Expendable	(1.3)	10.6	10.5	51.7	7.4	(15.5)	2.4	(17.6)	2.5	10.9
Unrestricted	22.4	(120.8)	(10.5)	(3.5)	(2.0)	4.9	39.2	55.7	13.3	49.4
Total Net Position	**(3.0)**	**(33.8)**	**1.0**	**0.2**	**3.9**	**13.3**	**18.2**	**14.5**	**15.3**	**10.5**

CHANGE IN NET POSITION

Fiscal Year Ended June 30, *(Dollars in thousands)*	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008	2007
Revenues										
Operating Revenues										
Student tuition and fees, net	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075	$99,151	$89,162
Governmental grants and contracts	22,772	22,288	19,594	19,521	18,461	26,185	17,706	14,690	14,625	55,459
Private grants and contracts	3,438	2,793	2,865	3,518	2,119	1,437	1,977	3,518	3,527	4,108
Residence Life	32,141	31,602	29,870	30,541	29,534	29,480	27,841	25,448	22,804	21,755
Other auxiliaries	24,745	23,443	21,424	20,096	16,272	17,692	14,903	13,520	13,051	16,856
Other revenues	21,577	23,215	20,246	17,410	17,190	10,603	10,124	8,826	9,185	7,236
Total Operating Revenues	**$321,720**	**$308,891**	**$282,815**	**$263,651**	**$241,440**	**$232,621**	**$198,965**	**$178,077**	**$162,343**	**$194,576**
Expenses										
Operating Expenses										
Instruction	$169,385	$167,080	$156,021	$142,282	$134,272	$132,117	$123,077	$127,717	$127,073	$116,548
Research	30,142	25,461	23,584	19,886	21,766	23,178	22,306	21,463	21,433	21,353
Public Service	28,163	27,009	25,699	26,935	28,352	27,301	26,878	28,794	29,333	27,509
Academic support	40,506	36,182	33,877	32,164	28,858	30,321	27,194	27,064	29,185	26,668
Student services	53,834	50,335	50,504	42,145	36,274	32,995	25,312	28,228	27,836	23,907
Institutional support	52,447	57,141	53,702	47,265	41,789	40,909	37,627	35,789	36,676	32,385
Operation & maintenance of plant	29,790	25,779	26,693	23,259	21,781	17,426	16,591	19,658	22,610	17,874
Scholarship and fellowship	31,485	29,068	25,412	24,211	25,576	29,218	23,431	16,644	13,848	13,031
Auxiliary enterprises	38,071	37,706	32,759	44,386	37,035	34,351	29,339	28,716	28,645	33,491
Depreciation	37,964	35,123	33,256	31,388	27,260	21,990	21,605	20,731	18,926	17,867
Total Operating Expenses	**$511,787**	**$490,884**	**$461,507**	**$433,921**	**$402,963**	**$389,806**	**$353,360**	**$354,804**	**$355,565**	**$330,633**
Operating loss	**$(190,067)**	**$(181,993)**	**$(178,692)**	**$(170,270)**	**$(161,523)**	**$(157,185)**	**$(154,395)**	**$(176,727)**	**$(193,222)**	**$(136,057)**
Nonoperating Revenues (Expenses)										
State operating appropriations	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600	$153,579	$136,862
Federal fiscal stabilization funds	-	-	-	-	-	291	10,935	23,492	-	-
Share of state tax - TRIF	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246	16,424	16,913
Government grants	66,142	59,658	56,413	57,569	60,200	56,324	53,514	43,468	42,837	259
Private gifts and grants	13,093	13,032	10,920	9,925	10,367	8,003	10,873	8,880	10,469	5,275
Net investment return (loss)	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933
Interest on debt	(27,187)	(22,723)	(23,696)	(23,456)	(22,852)	(14,023)	(14,450)	(13,422)	(12,206)	(10,506)
Other revenues (expenses)	10,578	8,271	8,987	5,703	4,229	3,642	171	(117)	(1,664)	942
Net Nonoperating Revenues	**$172,045**	**$185,302**	**$176,223**	**$165,876**	**$169,449**	**$196,938**	**$204,582**	**$208,955**	**$214,139**	**$158,678**
Income (loss) before other revenues, expenses, gains, or losses	**$(18,022)**	**$3,309**	**$(2,469)**	**$(4,394)**	**$7,926**	**$39,753**	**$50,187**	**$32,228**	**$20,917**	**$22,621**

CHANGE IN NET POSITION (continued)

Fiscal Year Ended June 30, *(Dollars in thousands)*	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008	2007
Capital appropriations	$5,493	$5,827	$5,900	$5,900	$5,900	$5,900	$5,900	$5,900	$5,900	$2,647
Capital grants and gifts	3,010	60	63	63	455	2,582	46	770	2,997	63
Additions to permanent endowments	863	858	826	882	852	831	727	651	650	522
Increase (Decrease) in Net Position	**$(8,656)**	**$10,054**	**$4,320**	**$2,451**	**$15,133**	**$49,066**	**$56,860**	**$39,549**	**$30,464**	**$25,853**
Total Revenues	$530,318	$523,661	$489,523	$459,828	$440,948	$452,895	$424,670	$409,084	$399,899	$366,992
Total Expenses	538,974	513,607	485,203	457,377	425,815	403,829	367,810	369,535	369,435	341,139
Increase (Decrease) in Net Position	**$(8,656)**	**$10,054**	**$4,320**	**$2,451**	**$15,133**	**$49,066**	**$56,860**	**$39,549**	**$30,464**	**$25,853**



CHANGE IN NET POSITION (Continued)

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

Fiscal Year Ended June 30,	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008	2007
Revenues	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Operating Revenues										
Student tuition and fees, net	40.9	39.3	38.6	37.5	35.8	32.5	29.8	27.4	24.8	24.3
Governmental grants and contracts	4.3	4.3	4.0	4.2	4.2	5.8	4.2	3.6	3.7	15.1
Private grants and contracts	0.6	0.5	0.6	0.8	0.5	0.3	0.5	0.9	0.9	1.1
Residence Life	6.1	6.0	6.1	6.6	6.7	6.5	6.6	6.2	5.7	5.9
Other Auxiliaries	4.7	4.5	4.4	4.4	3.7	3.9	3.5	3.3	3.3	4.6
Other revenues (1)	4.1	4.4	4.1	3.8	3.9	2.3	2.4	2.2	2.3	2.0
Total Operating Revenues	**60.7**	**59.0**	**57.8**	**57.3**	**54.8**	**51.3**	**47.0**	**43.6**	**40.7**	**53.0**
Expenses										
Operating Expenses										
Instruction	31.4	32.5	32.2	31.1	31.5	32.7	33.5	34.6	34.4	34.2
Research	5.6	5.0	4.9	4.3	5.1	5.7	6.1	5.8	5.8	6.3
Public Service	5.2	5.3	5.3	5.9	6.7	6.8	7.3	7.8	7.9	8.1
Academic support	7.5	7.0	7.0	7.0	6.8	7.5	7.4	7.3	7.9	7.8
Student services	10.0	9.8	10.4	9.2	8.5	8.2	6.9	7.6	7.5	7.0
Institutional support	9.7	11.1	11.1	10.3	9.8	10.1	10.2	9.7	9.9	9.5
Operation & maintenance of plant	5.5	5.0	5.5	5.1	5.1	4.3	4.5	5.3	6.1	5.2
Scholarships and fellowships	5.8	5.7	5.2	5.3	6.0	7.2	6.4	4.5	3.7	3.8
Auxiliary enterprises	7.1	7.3	6.8	9.7	8.7	8.5	8.0	7.8	7.8	9.8
Depreciation	7.0	6.8	6.9	6.9	6.4	5.4	5.9	5.6	5.1	5.2
Total Operating Expenses	**94.9**	**95.5**	**95.3**	**94.8**	**94.6**	**96.4**	**96.2**	**96.0**	**96.1**	**96.9**
Operating loss	**(35.8)**	**(34.8)**	**(36.5)**	**(37.0)**	**(36.6)**	**(34.7)**	**(36.4)**	**(43.2)**	**(48.3)**	**(37.1)**
Nonoperating Revenues (Expenses)										
State operating appropriations	17.8	21.4	21.6	22.1	23.5	28.4	30.2	33.1	38.4	37.3
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.1	2.6	5.7	0.0	0.0
Share of state tax - TRIF	2.6	2.5	2.5	2.5	2.5	2.5	2.6	3.0	4.1	4.6
Government Grants	12.5	11.4	11.5	12.5	13.7	12.4	12.6	10.6	10.7	0.1
Private gifts	2.5	2.5	2.2	2.2	2.4	1.8	2.6	2.2	2.6	1.4
Net investment return (loss)	0.2	0.3	1.2	0.7	0.6	0.7	1.0	(0.3)	1.2	2.4
Interest on debt	(5.0)	(4.4)	(4.9)	(5.1)	(5.4)	(3.5)	(3.9)	(3.6)	(3.3)	(3.1)
Other revenues (expenses)	2.0	1.6	1.8	1.2	1.0	0.8	0.0	(0.0)	(0.5)	0.3
Net Nonoperating Revenues	**32.5**	**35.3**	**35.9**	**36.1**	**38.3**	**43.2**	**47.7**	**50.7**	**53.2**	**43.0**
Income (loss) before other revenues, expenses, gains, or losses	**(3.4)**	**0.5**	**(0.6)**	**(0.9)**	**1.7**	**8.5**	**11.3**	**7.5**	**4.9**	**5.9**
Capital appropriations	1.0	1.1	1.2	1.3	1.3	1.3	1.4	1.4	1.5	0.7
Capital grants	0.6	0.0	0.0	0.0	0.1	0.6	0.0	0.2	0.7	0.0
Additions to permanent endowments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Increase/Decrease in Net Position	**(1.6)**	**1.8**	**0.8**	**0.6**	**3.3**	**10.6**	**12.9**	**9.3**	**7.3**	**6.7**

(1) In compliance with Arizona Revised Statutes §35-391, for FY2016, the University received a rebate in the amount of $502,685 from JP Morgan for Pcard purchases.

CHANGE IN NET POSITION (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30,	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008	2007
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	5.6	8.9	9.4	9.3	7.2	16.5	12.8	13.0	11.2	8.7
Governmental grants and contracts	2.2	13.7	0.4	5.7	(29.5)	47.9	20.5	0.4	(73.6)	8.4
Private grants and contracts	23.1	(2.5)	(18.6)	66.0	47.5	(27.3)	(43.8)	(0.3)	(14.1)	5.8
Sales and services										
Residence Life	1.7	5.8	(2.2)	3.4	0.2	5.9	9.4	11.6	4.8	21.3
Other Auxiliaries	5.6	9.4	6.6	23.5	(8.0)	18.7	10.2	3.6	(22.6)	(17.8)
Other revenues	(7.1)	14.7	16.3	1.3	62.1	4.7	14.7	(3.9)	26.9	19.0
Total Operating Revenues	**4.2**	**9.2**	**7.3**	**9.2**	**3.8**	**16.9**	**11.7**	**9.7**	**(16.6)**	**7.2**
Expenses										
Operating Expenses										
Instruction	1.4	7.1	9.7	6.0	1.6	7.3	(3.6)	0.5	9.0	12.7
Research	18.4	8.0	18.6	(8.6)	(6.1)	3.9	3.9	0.1	0.4	0.6
Public Service	4.3	5.1	(4.6)	(5.0)	3.8	1.6	(6.7)	(1.8)	6.6	5.9
Academic support	12.0	6.8	5.3	11.5	(4.8)	11.5	0.5	(7.3)	9.4	3.0
Student services	7.0	(0.3)	19.8	16.2	9.9	30.4	(10.3)	1.4	16.4	11.8
Institutional support	(8.2)	6.4	13.6	13.1	2.2	8.7	5.1	(2.4)	13.2	(1.5)
Operation & maintenance of plant	15.6	(3.4)	14.8	6.8	25.0	5.0	(15.6)	(13.1)	26.5	9.0
Scholarships and fellowships	8.3	14.4	5.0	(5.3)	(12.5)	24.7	40.8	20.2	6.3	10.5
Auxiliary enterprises	1.0	15.1	(26.2)	19.8	7.8	17.1	2.2	0.2	(14.5)	(6.9)
Depreciation	8.1	5.6	6.0	15.1	24.0	1.8	4.2	9.5	5.9	13.0
Total Operating Expenses	**4.3**	**6.4**	**6.4**	**7.7**	**3.4**	**10.3**	**(0.4)**	**(0.2)**	**7.5**	**6.4**
Operating loss	**4.4**	**1.8**	**4.9**	**5.4**	**2.8**	**1.8**	**(12.6)**	**(8.5)**	**42.0**	**5.3**
Nonoperating Revenues (Expenses)										
State operating appropriations	(15.5)	6.1	4.1	(2.1)	(19.3)	0.1	(5.3)	(11.7)	12.2	9.8
Federal fiscal stabilization funds	n/a	n/a	n/a	n/a	(100.0)	(97.3)	(53.5)	n/a	n/a	n/a
Share of state tax - TRIF	4.2	7.8	7.1	3.0	(0.3)	2.5	(10.9)	(25.4)	(2.9)	42.6
Government grants & contracts	10.9	5.8	(2.0)	(4.4)	6.9	5.3	23.1	1.5	16,439.4	(10.4)
Private gifts	0.5	19.3	10.0	(4.3)	29.5	(26.4)	22.4	(15.2)	98.5	1.9
Net investment return (loss)	(45.8)	(68.9)	79.7	18.5	(10.2)	(28.6)	(450.5)	(125.4)	(47.4)	31.1
Interest on indebtedness	19.6	(4.1)	1.0	2.6	63.0	(3.0)	7.7	10.0	16.2	4.6
Other revenues (expenses)	27.9	(8.0)	57.6	34.9	16.1	2,029.8	(246.2)	(93.0)	(276.6)	(341.5)
Net Nonoperating Revenues	**(7.2)**	**5.2**	**6.2**	**(2.1)**	**(14.0)**	**(3.7)**	**(2.1)**	**(2.4)**	**35.0**	**14.7**
Income (loss) before other revenues, expenses, gains, or losses	**(644.6)**	**(234.0)**	**(43.8)**	**(155.4)**	**(80.1)**	**(20.8)**	**55.7**	**54.1**	**(7.5)**	**145.9**
Capital appropriations	(5.7)	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	122.9	n/a
Capital grants	4,916.7	(4.8)	0.0	(86.2)	(82.4)	5,513.0	(94.0)	(74.3)	4,657.1	28.6
Additions to permanent endowments	0.6	3.9	(6.3)	3.5	2.5	14.3	11.7	0.2	24.5	(55.3)
Increase (Decrease) in Net Position	**(186.1)**	**132.7**	**76.3**	**(83.8)**	**(69.2)**	**(13.7)**	**43.8**	**29.8**	**17.8**	**148.3**

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(Dollars in thousands)										
Personal Services and Benefits	$323,156	$313,645	$293,654	$268,887	$254,396	$248,043	$231,613	$237,591	$231,571	$216,466
Operations	119,182	113,048	109,185	109,435	95,731	90,555	76,711	79,838	91,220	83,269
Scholarships	31,485	29,068	25,412	24,211	25,576	29,218	23,431	16,644	13,848	13,031
Depreciation	37,964	35,123	33,256	31,388	27,260	21,990	21,605	20,731	18,926	17,867
Total Operating Expenses by Natural Classification	**$511,787**	**$490,884**	**$461,507**	**$433,921**	**$402,963**	**$389,806**	**$353,360**	**$354,804**	**$355,565**	**$330,633**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	63.1	63.9	63.6	62.0	63.1	63.6	65.5	67.0	65.1	65.5
Supplies and Services	23.3	23.0	23.7	25.2	23.8	23.3	21.8	22.5	25.7	25.2
Student Aid	6.2	5.9	5.5	5.6	6.3	7.5	6.6	4.7	3.9	3.9
Depreciation	7.4	7.2	7.2	7.2	6.8	5.6	6.1	5.8	5.3	5.4
Total Operating Expenses by Natural Classification	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
% Increase (decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	3.0	6.8	9.2	5.7	2.6	7.1	(2.5)	2.6	7.0	10.8
Supplies and Services	5.4	3.5	(0.2)	14.3	5.7	18.0	(3.9)	(12.5)	9.5	(5.2)
Student Aid	8.3	14.4	5.0	(5.3)	(12.5)	24.7	40.8	20.2	6.3	10.5
Depreciation	8.1	5.6	6.0	15.1	24.0	1.8	4.2	9.5	5.9	13.0
Total Operating Expenses by Natural Classification	**4.3**	**6.4**	**6.4**	**7.7**	**3.4**	**10.3**	**(0.4)**	**(0.2)**	**7.5**	**6.4**

ACADEMIC YEAR TUITION AND REQUIRED FEES

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
PLEDGE* Resident Undergraduate										
Northern Arizona University	$10,358	$9,989	$9,745	$9,271	$8,824	$7,667	$6,627	$5,446	$4,841	$4,546
percent increase from prior year	3.7%	2.5%	5.1%	5.1%	15.1%	15.7%	21.7%	12.5%	6.5%	3.5%
ABOR Peers with a 4 year guarantee	$12,670	$12,122	$12,197	$11,506	$11,026	$10,411	$9,971	$9,294		
percent increase from prior year	4.5%	(0.6%)	6.0%	4.4%	5.9%	4.4%	7.3%	n/a		
ABOR Peers Average									$6,945	$7,136
percent increase from prior year									(2.7%)	6.8%
PLEDGE* Non-Resident Undergraduate										
Northern Arizona University	$23,348	$22,509	$22,099	$21,626	$21,179	$20,067	$17,854	$16,544	$14,495	$13,487
percent increase from prior year	3.7%	1.9%	2.2%	2.1%	5.5%	12.4%	7.9%	14.1%	7.5%	3.6%
ABOR Peers with a 4 year guarantee	$23,816	$23,060	$23,044	$22,079	$21,117	$19,854	$18,832	$16,869		
percent increase from prior year	3.3%	0.1%	4.4%	4.6%	6.4%	5.4%	11.6%	n/a		
ABOR Peers Average									$16,678	$16,498
percent increase from prior year									1.1%	5.9%

* PLEDGE tuition rate means new freshman and transfer students will pay the same tuition rate for four years. The PLEDGE rate began in fall 2008-2009.

Resident Graduate										
Northern Arizona University	$9,606	$9,165	$8,806	$8,378	$8,008	$7,398	$6,546	$5,616	$5,214	$4,898
percent increase from prior year	4.8%	4.1%	5.1%	4.6%	8.2%	13.0%	16.6%	7.7%	6.5%	3.5%
Non-Resident Graduate										
Northern Arizona University	$21,244	$20,249	$19,900	$19,472	$18,910	$18,172	$17,060	$15,976	$14,896	$14,032
percent increase from prior year	4.9%	1.8%	2.2%	3.0%	4.1%	6.5%	6.8%	7.3%	6.2%	4.9%

Sources: ABOR History Tuition and Fees: ABOR Base Tuition and Fees

Source: Peers - ABOR Peer Comparisons Prepared Annually for Tuition Setting Board Meeting

PRINCIPAL REVENUE SOURCES

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	**$217,047**	**$205,550**	**$188,816**	**$172,565**	**$157,864**	**$147,224**	**$126,414**	**$112,075**	**$99,151**	**$89,162**
percent of total revenue	41%	39%	39%	38%	36%	33%	30%	27%	25%	24%
percent increase/(decrease) from prior year	6%	9%	9%	9%	7%	16%	13%	13%	11%	9%
State of Arizona Government										
State appropriations	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600	$153,579	$136,862
Technology and research initiatives funding	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246	16,424	16,913
Capital appropriations	5,493	5,827	5,900	5,900	5,900	5,900	5,900	5,900	5,900	2,647
State grants and contracts	3,591	3,464	3,469	5,649	3,359	3,229	3,796	4,518	10,693	6,322
State of Arizona Government	**$117,544**	**$134,584**	**$127,265**	**$124,510**	**$124,086**	**$148,847**	**$149,057**	**$158,264**	**$186,596**	**$162,744**
percent of total revenue	22%	26%	26%	27%	28%	33%	35%	39%	47%	44%
percent increase (decrease) from prior year	(13%)	6%	2%	0%	(17%)	(0%)	(6%)	(15%)	15%	14%
Federal Government										
Federal grants and contracts	$39,773	$35,669	$52,981	$53,838	$56,412	$59,255	$57,577	$59,901	$68,220	$42,000
Financial aid grants	41,587	39,533	36,535	36,091	36,704	34,478	28,107	15,476	4,551	(6,322)
Capital grants	10	60	63	63	455	2,582	46	770	2,997	63
Federal fiscal stabilization funds	-	-	-	-	-	291	10,935	23,492	-	-
Federal Government	**$81,370**	**$75,262**	**$89,579**	**$89,992**	**$93,571**	**$96,606**	**$96,665**	**$99,639**	**$75,768**	**$35,741**
percent of total revenue	15%	14%	18%	20%	21%	21%	23%	24%	19%	10%
percent increase (decrease) from prior year	8%	(16%)	(0%)	(4%)	(3%)	(0%)	(3%)	32%	112%	12%
Total from principal revenue payers	**$415,961**	**$415,396**	**$405,660**	**$387,067**	**$375,521**	**$392,677**	**$372,136**	**$369,978**	**$361,515**	**$287,647**
percent of total revenue	78%	79%	83%	84%	85%	87%	88%	90%	90%	78%
percent increase (decrease) from prior year	0%	2%	5%	3%	(4%)	6%	1%	2%	26%	12%

LONG-TERM DEBT

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(Dollars in thousands)										
System Revenue Bonds	$536,420	$533,630	$510,695	$467,425	$353,820	$335,700	$360,010	$187,270	$150,710	$122,565
Unamortized Premium	30,748	25,906	16,550	9,305	4,283	3,356	4,265	4,601	4,937	4,044
Deferred amount on Refundings	-	-	-	(1,200)	(1,325)	(1,455)	(1,847)	(2,007)	(2,167)	(2,464)
Net System Revenue Bonds	**$567,168**	**$559,536**	**$527,245**	**$475,530**	**$356,778**	**$337,601**	**$362,428**	**$189,864**	**$153,480**	**$124,145**
Certificates of Participation (COPs)	$54,985	$58,285	$62,850	$65,630	$69,540	$80,835	$83,315	$85,705	$88,030	$90,285
Unamortized Premium	6,935	7,408	5,574	5,911	849	894	938	983	1,028	1,072
Deferred amount on Refundings	-	-	-	(3,502)	-	-	-	-	-	-
Net Certificates of Participation	**$61,920**	**$65,693**	**$68,424**	**$68,039**	**$70,389**	**$81,729**	**$84,253**	**$86,688**	**$89,058**	**$91,357**
Net System Revenue Bonds Payable	$567,168	$559,536	$527,245	$475,530	$356,778	$337,601	$362,428	$189,864	$153,480	$124,145
Net COPs Payable	61,920	65,693	68,424	68,039	70,389	81,729	84,253	86,688	89,058	91,357
Capital Leases Payable	15,773	16,778	17,746	17,936	58,652	47,217	48,135	49,234	50,202	36,699
Total Long-Term Debt Payable	**$644,861**	**$642,007**	**$613,415**	**$561,505**	**$485,819**	**$466,547**	**$494,816**	**$325,786**	**$292,740**	**$252,201**
Long Term Debt (whole dollars)										
per Student FTE	$23,557	$24,755	$24,719	$23,195	$21,156	$20,511	$23,585	$16,675	$16,013	$14,421
per Dollar of State Appropriations and State Aid	$6.4	$5.4	$5.5	$5.2	$4.4	$3.5	$3.7	$2.3	$1.8	$1.8
per Dollar of Total Grants and Contracts	$6.1	$6.7	$6.9	$6.2	$5.2	$5.0	$5.8	$4.3	$3.7	$4.5
Data Used in Above Calculations										
Total Student FTE	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489
State Appropriations and State Capital Appropriations	$100,126	$117,853	$111,488	$107,369	$109,570	$134,429	$134,348	$141,500	$159,479	$139,509
Grants and Contracts	$105,915	$95,327	$89,516	$89,929	$93,116	$93,733	$85,684	$75,377	$78,913	$55,977

SUMMARY OF RATIOS

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.09**	**0.12**	**0.50**	**0.54**	**0.56**	**0.60**	**0.62**	**0.47**	**0.36**	**0.36**
/ Strength Factor	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
= Ratio / Strength Factor	0.68	0.90	3.76	4.06	4.21	4.51	4.66	3.53	2.71	2.71
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.24	0.32	1.32	1.42	1.47	1.58	1.63	1.24	0.95	0.95
= Ratio 10.00 Cap Subtotal	0.24	0.32	1.32	1.42	1.47	1.58	1.63	1.24	0.95	0.95
+ Return on Net Assets Ratio	**(1.5%)**	**3.9%**	**4.8%**	**3.1%**	**2.7%**	**14.4%**	**16.8%**	**8.3%**	**11.0%**	**17.6%**
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	(0.75)	1.95	2.40	1.55	1.35	7.20	8.40	4.15	5.50	8.80
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	(0.15)	0.39	0.48	0.31	0.27	1.44	1.68	0.83	1.10	1.76
= Ratio 10.00 Cap Subtotal	(0.15)	0.39	0.48	0.31	0.27	1.44	1.68	0.83	1.10	1.76
+ Net Operating Revenues Ratio	**(3.6%)**	**0.4%**	**0.3%**	**(0.3%)**	**1.9%**	**9.8%**	**13.2%**	**7.2%**	**5.8%**	**7.2%**
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	(1.00)	0.31	0.23	(0.23)	1.46	7.54	10.00	5.54	4.46	5.54
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.10)	0.03	0.02	(0.02)	0.15	0.75	1.00	0.55	0.45	0.55
= Ratio 10.00 Cap Subtotal	(0.10)	0.03	0.02	(0.02)	0.15	0.75	1.00	0.55	0.45	0.55
+ Viability Ratio	**0.1**	**0.1**	**0.4**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**	**0.4**	**0.4**
/ Strength Factor	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
= Ratio / Strength Factor	0.24	0.24	0.96	1.09	1.20	1.17	1.03	1.14	1.02	1.07
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.08	0.08	0.34	0.38	0.42	0.41	0.36	0.40	0.36	0.38
= Ratio 10.00 Cap Subtotal	0.08	0.08	0.34	0.38	0.42	0.41	0.36	0.40	0.36	0.38
Composite Financial Index	**0.1**	**0.8**	**2.2**	**2.1**	**2.3**	**4.2**	**4.7**	**3.0**	**2.9**	**3.6**
Composite Financial Index w/10.00 Cap	**0.1**	**0.8**	**2.2**	**2.1**	**2.3**	**4.2**	**4.7**	**3.0**	**2.9**	**3.6**

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators. Ratio/ Strength are capped at a maximum of 10 before the weighting factors are applied so that a higher CFI does not unduly mask a weakness in a component ratio.

SUMMARY OF RATIOS - (Continued)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007

(Dollars in thousands)

PRIMARY RESERVE RATIO

Unrestricted Net Position	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149	$70,716
Unrestricted Net Assets - Component Units	10,055	10,842	12,286	32,282	29,470	30,222	24,951	17,464	20,139	15,944
Expendable Restricted Net Position	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401
Temp. Restricted Net Assets - Component Units	49,179	51,942	52,378	23,511	18,357	22,263	15,403	17,146	22,846	25,025
Expendable Net Position/Assets	**$52,197**	**$63,331**	**$248,246**	**$254,735**	**$243,998**	**$251,061**	**$233,366**	**$178,310**	**$146,085**	**$134,086**
Operating Expenses	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804	$355,565	$330,633
Nonoperating Expenses	27,187	22,723	23,696	23,456	22,852	14,023	14,450	14,731	13,870	10,506
Component Unit Total Expenses	13,186	13,214	11,944	10,822	11,363	13,424	11,289	11,506	37,868	28,203
Total Expenses	**$552,160**	**$526,821**	**$497,147**	**$468,199**	**$437,178**	**$417,253**	**$379,099**	**$381,041**	**$407,303**	**$369,342**
Expendable Net Position	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310	$146,085	$134,086
Total Expenses	$552,160	$526,821	$497,147	$468,199	$437,178	$417,253	$379,099	$381,041	$407,303	$369,342
Ratio	**0.1**	**0.1**	**0.5**	**0.5**	**0.6**	**0.6**	**0.6**	**0.5**	**0.4**	**0.4**

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

RETURN ON NET ASSETS RATIO

Change in Total Net Position	$(6,331)	$15,628	$25,910	$15,925	$13,714	$64,088	$64,204	$29,355	$34,843	$46,645
Total Net Position (Beginning of Year)	$420,627	$404,999	$537,588	$521,663	$509,545	$445,520	$381,316	$351,961	$317,119	$264,815
Ratio	**(1.5%)**	**3.9%**	**4.8%**	**3.1%**	**2.7%**	**14.4%**	**16.8%**	**8.3%**	**11.0%**	**17.6%**

Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

NET OPERATING REVENUES RATIO

Income/(Loss) Before Capital and Endowment Additions	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228	$20,917	$22,621
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	(787)	(1,443)	3,834	2,812	646	5,271	7,488	(2,676)	4,195	5,816
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	$(18,809)	$1,866	$1,365	$(1,582)	$8,572	$45,024	$57,675	$29,552	$25,112	$28,437

SUMMARY OF RATIOS - (Continued)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(Dollars in thousands)										
Total Operating Revenues	$321,720	$308,891	$282,815	$263,651	$241,440	$232,621	$198,965	$178,077	$162,343	$194,576
State Appropriation and State related revenues	108,460	125,293	117,896	112,961	114,827	140,009	150,296	171,338	170,003	153,775
Non-capital Gifts and Grants, net	79,235	72,690	67,333	67,494	70,567	64,327	64,387	52,348	53,306	5,534
Investment Income (Loss), net	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933
Component Units Total Unrestricted Revenue	12,399	11,771	15,778	13,634	12,009	18,696	18,777	8,830	42,063	34,018
Adjusted Net Operating Revenues	$522,773	$520,416	$489,525	$460,914	$441,521	$458,636	$436,603	$409,401	$432,415	$396,836
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items/	$(18,809)	$1,866	$1,365	$(1,582)	$8,572	$45,024	$57,675	$29,552	$25,112	$28,437
Adjusted Net Operating Revenues	$522,773	$520,416	$489,525	$460,914	$441,521	$458,636	$436,603	$409,401	$432,415	$396,836
Ratio	**(3.6%)**	**0.4%**	**0.3%**	**(0.3%)**	**1.9%**	**9.8%**	**13.2%**	**7.2%**	**5.8%**	**7.2%**

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

VIABILITY RATIO

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Unrestricted Net Position	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149	$70,716
Unrestricted Net Assets - Component Units	10,055	10,842	12,286	32,282	29,470	30,222	24,951	17,464	20,139	15,944
Expendable Restricted Net Position/Assets	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401
Temporarily Restricted Net Assets - Component Units	49,179	51,942	52,378	23,511	18,357	22,263	15,403	17,146	22,846	25,025
Expendable Net Position	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310	$146,085	$134,086
University LT Debt, net capital leases with CUs	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740	$252,201
Component Units Long Term Debt	-	-	-	-	-	46,894	47,741	48,522	49,139	47,778
Total Adjusted University Debt	$644,861	$642,007	$613,415	$561,505	$485,819	$513,441	$542,557	$374,308	$341,879	$299,979
Expendable Net Position	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310	$146,085	$134,086
Total Adjusted University Debt	$644,861	$642,007	$613,415	$561,505	$485,819	$513,441	$542,557	$374,308	$341,879	$299,979
Ratio	**0.1**	**0.1**	**0.4**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**	**0.4**	**0.4**

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

SUMMARY OF RATIOS - OTHER RATIOS

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007

(Dollars in thousands)

OPERATING MARGIN EXCLUDING GIFTS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228	$20,917	$22,621
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	**$(18,022)**	**$3,309**	**$(2,469)**	**$(4,394)**	**$7,926**	**$39,753**	**$50,187**	**$32,228**	**$20,917**	**$22,621**
Total Operating Revenues	$321,720	$308,891	$282,815	$263,651	$241,440	$232,621	$198,965	$178,077	$162,343	$194,576
State appropriation and share of sales tax	108,460	125,293	117,896	112,961	114,827	139,718	139,361	147,846	170,003	153,775
Federal fiscal stabilization funds						291	10,935	23,492		
Investment Income/(Loss), net	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700	8,933
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	**$431,139**	**$435,955**	**$406,414**	**$379,786**	**$358,945**	**$375,613**	**$353,439**	**$348,223**	**$337,046**	**$357,284**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228	$20,917	$22,621
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	$431,139	$435,955	$406,414	$379,786	$358,945	$375,613	$353,439	$348,223	$337,046	$357,284
Ratio	**(4.2%)**	**0.8%**	**(0.6%)**	**(1.2%)**	**2.2%**	**10.6%**	**14.2%**	**9.3%**	**6.2%**	**6.3%**

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

RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Expenses	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804	$355,565	$330,633
Scholarships and Fellowships	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)	(13,031)
Interest on Debt	27,187	22,723	23,696	23,456	22,852	14,023	14,450	13,422	12,206	10,506
Total Adjusted Operating Expenses	**$507,489**	**$484,539**	**$459,791**	**$433,166**	**$400,239**	**$374,611**	**$344,379**	**$351,582**	**$353,923**	**$328,108**
Research Expenses	$30,142	$25,461	$23,584	$19,886	$21,766	$23,178	$22,306	$21,463	$21,433	$21,353
Total Adjusted Operating Expenses	$507,489	$484,539	$459,791	$433,166	$400,239	$374,611	$344,379	$351,582	$353,923	$328,108
Ratio	**5.9%**	**5.3%**	**5.1%**	**4.6%**	**5.4%**	**6.2%**	**6.5%**	**6.1%**	**6.1%**	**6.5%**

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

SUMMARY OF RATIOS - OTHER RATIOS (Continued)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007

(Dollars in thousands)

NET TUITION PER STUDENT

Student Tuition and Fees, net	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075	$99,151	$89,162
Financial Aid Grants	41,587	39,533	36,535	36,091	36,704	34,478	28,107	15,476	10,693	13,718
Scholarships and Fellowships	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)	(13,031)
Net Tuition and Fees	$227,149	$216,015	$199,939	$184,445	$168,992	$152,484	$131,090	$110,907	$95,996	$89,849
Student FTE	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489
Net Tuition per Student (whole dollars)	**$8,298**	**$8,329**	**$8,057**	**$7,619**	**$7,359**	**$6,704**	**$6,248**	**$5,677**	**$5,251**	**$5,137**

Measures the institution's net student tuition and fees received per student.

STATE APPROPRIATIONS PER STUDENT

State Appropriations	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600	$153,579	$136,862
Capital State Appropriations	5,493	5,827	5,900	5,900	5,900	5,900	5,900	5,900	5,900	2,647
Adjusted State Appropriations	$100,126	$117,853	$111,488	$107,369	$109,570	$134,429	$134,348	$141,500	$159,479	$139,509
Student FTE	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489
Adjusted State Appropriation per Student (whole dollars)	**$3,658**	**$4,544**	**$4,493**	**$4,435**	**$4,771**	**$5,910**	**$6,404**	**$7,243**	**$8,724**	**$7,977**

Measures the institution's dependency on state appropriations.

SUMMARY OF RATIOS - DEBT RELATED RATIOS

Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(Dollars in thousands)										
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149	$70,716
Expendable Restricted Net Position	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401
Expendable Net Position	$(7,037)	$547	$183,582	$198,942	$196,171	$198,576	$193,012	$143,700	$103,100	$93,117
Total Bonds, COPS, and Capital Leases	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740	$252,201
Ratio	**0.0**	**0.0**	**0.3**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**

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

TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149	$70,716
Expendable Restricted Net Position	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951	22,401
Non-expendable Restricted Net Position	23,593	22,540	21,770	20,430	19,517	19,047	18,253	17,504	16,493	16,251
Total Financial Resources	$16,556	$23,087	$205,352	$219,372	$215,688	$217,623	$211,265	$161,204	$119,593	$109,368
Total Bonds, COPS, and Capital Leases	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740	$252,201
Ratio	**0.0**	**0.0**	**0.3**	**0.4**	**0.4**	**0.5**	**0.4**	**0.5**	**0.4**	**0.4**

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

DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$(150,773)	$(133,504)	$(144,325)	$(143,659)	$(147,552)	$(137,184)	$(126,391)	$(151,474)	$(176,809)	$(120,301)
State Appropriations and Federal Stabilization Funds	94,633	112,026	105,588	101,469	103,670	128,820	139,383	159,092	153,579	136,862
Share of State Sales Tax - TRIF	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246	16,424	16,913
Non-capital Grants and Contracts, Gifts, Other	79,235	72,690	67,333	67,494	70,567	64,327	64,387	52,348	53,306	5,534
Adjusted Cash Flow from Operations	**$36,922**	**$64,479**	**$40,904**	**$36,796**	**$37,842**	**$67,152**	**$88,292**	**$72,212**	**$46,500**	**$39,008**
Total Bonds, COPS, and Capital Leases	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740	$252,201
Ratio	**17.5**	**10.0**	**15.0**	**15.3**	**12.8**	**6.9**	**5.6**	**4.5**	**6.3**	**6.5**

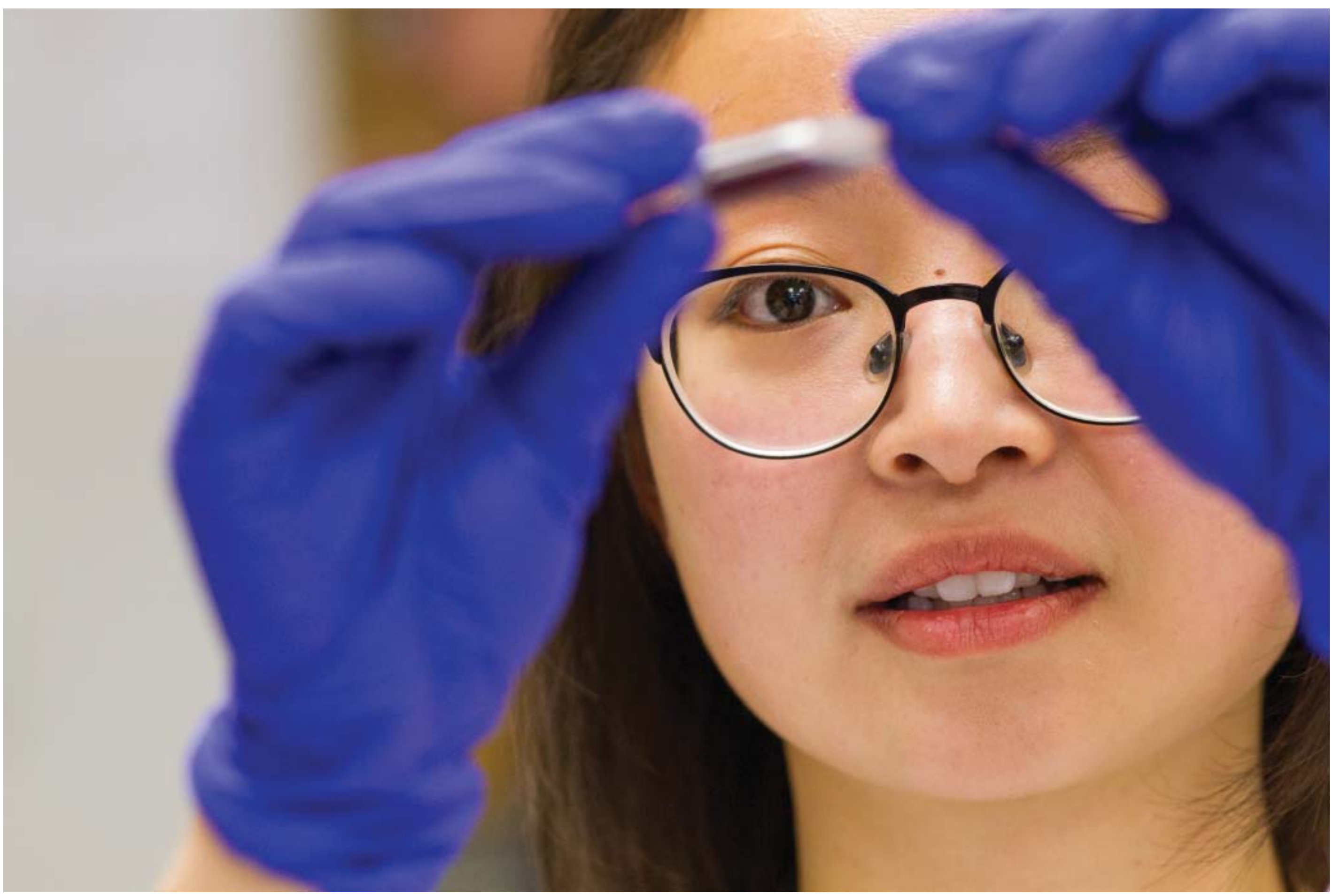
Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.

SUMMARY OF RATIOS - DEBT RELATED RATIOS (Continued)

Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(Dollars in thousands)										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$27,187	$22,723	$23,696	$23,456	$22,851	$14,023	$14,450	$13,422	$12,206	$10,506
Principal Paid on Debt and Leases	46,400	81,103	26,959	51,997	18,115	27,708	10,034	9,863	48,482	52,277
Principal Paid from Refinancing Activities (1)	(33,680)	(68,095)	(16,315)	(37,245)	(8,720)	(18,700)	-	-	(35,345)	(41,130)
Debt Service	$39,907	$35,731	$34,340	$38,208	$32,246	$23,031	$24,484	$23,285	$25,343	$21,653
Operating Expenses	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804	$355,565	$330,633
Ratio	**7.8%**	**7.3%**	**7.4%**	**8.8%**	**8.0%**	**5.9%**	**6.9%**	**6.6%**	**7.1%**	**6.5%**

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

(1) Obtained amount from refunding bonds official statements.



DEBT COVERAGE FOR SENIOR LIEN SYSTEM REVENUE BONDS

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
(Dollars in thousands)					

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

	2016	2015	2014	2013	2012
Revenues Available for Debt Service					
Tuition and Fees, net of scholarship allowance	$217,047	$205,550	$188,816	$172,565	$157,864
Receipts from Other Major Revenue Sources (Facilities Revenues)	68,525	67,451	63,383	61,277	56,355
Net Revenues Available for Debt Service	**$285,572**	**$273,001**	**$252,199**	**$233,842**	**$214,219**
Senior Lien Bonds Debt Service					
Interest on Debt	$15,926	$15,824	$14,990	$15,248	$15,112
Principal Paid on Debt	6,500	8,015	6,615	6,610	5,835
Direct Payment - Build America Bonds	(2,247)	(2,235)	(2,237)	(2,306)	(2,411)
Senior Lien Bonds Debt Service Requirements	**$20,179**	**$21,604**	**$19,368**	**$19,552**	**$18,536**
Coverage	**14.15**	**12.64**	**13.02**	**11.96**	**11.56**

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

	2016	2015	2014	2013	2012
Subordinate Lien Bonds Debt Service					
Interest on Debt	$7,223	$7,224	$7,315	$3,859	$3,859
Direct Payment - Build America Bonds	(1,255)	(1,253)	(1,243)	(1,351)	(1,351)
Direct Payment - State Lottery Revenue	(4,900)	(5,241)	(2,489)	(2,007)	(2,006)
Subordinate Lien Bonds Debt Service Requirements	**$1,068**	**$730**	**$3,583**	**$501**	**$502**
Combined Senior/Subordinate Lien Debt Service	**$21,247**	**$22,334**	**$22,951**	**$20,053**	**$19,038**
Coverage	**13.44**	**12.22**	**10.99**	**11.66**	**11.25**

DEBT COVERAGE FOR SENIOR LIEN SYSTEM REVENUE BONDS (continued)

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007

(Dollars in thousands)

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

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007
Revenues Available for Debt Service					
Tuition and Fees, net of scholarship allowance	$147,224	$126,414	$112,075	$99,151	$89,162
Receipts from Other Major Revenue Sources (Facilities Revenues)	46,770	49,886	40,726	35,565	39,644
Net Revenues Available for Debt Service	**$193,994**	**$176,300**	**$152,801**	**$134,716**	**$128,806**
Senior Lien Bonds Debt Service					
Interest on Debt	$15,133	$10,139	$8,774	$7,350	$5,922
Principal Paid on Debt	5,610	6,545	6,470	10,455	10,140
Direct Payment - Build America Bonds	(2,411)	(1,098)			
Senior Lien Bonds Debt Service Requirements	**$18,332**	**$15,586**	**$15,244**	**$17,805**	**$16,062**
Coverage	**10.58**	**11.31**	**10.02**	**7.57**	**8.02**

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

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007
Subordinate Lien Bonds Debt Service					
Interest on Debt	$3,870	$665			
Direct Payment - Build America Bonds	(1,024)				
Direct Payment - State Lottery Revenue	(2,426)				
Subordinate Lien Bonds Debt Service Requirements	**$420**	**$665**			
Combined Senior/Subordinate Lien Debt Service	**$18,752**	**$16,251**	**$15,244**	**$17,805**	**$16,062**
Coverage	**10.35**	**10.85**	**10.02**	**7.57**	**8.02**

ADMISSIONS, ENROLLMENT AND DEGREES EARNED

Fall Enrollment of Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ADMISSIONS - FRESHMEN										
Applications	29,583	27,780	33,435	29,108	24,482	22,845	21,035	16,492	13,022	9,814
Accepted	22,739	25,159	30,561	26,010	20,620	20,562	19,076	14,745	11,563	8,894
Enrolled	5,218	4,890	4,772	4,254	3,872	4,132	3,702	3,588	3,171	2,846
Accepted as Percentage of Application	77%	91%	91%	89%	84%	90%	91%	89%	89%	91%
Enrolled as Percentage of Accepted	23%	19%	16%	16%	19%	20%	19%	24%	27%	32%
Average SAT scores - Total	1050	1050	1053	1059	1065	1062	1050	1051	1057	1065
Verbal	520	524	525	526	522	523	518	518	520	523
Math	520	520	528	529	526	525	521	523	527	528

Source: NAU-Planning and Institutional Research

ENROLLMENT										
Student FTE	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281	17,489
Student Headcount	29,031	27,715	26,606	26,002	25,364	25,204	23,600	22,507	21,352	20,562
Men (Headcount)	11,622	11,393	10,802	10,534	10,165	9,906	8,999	8,432	7,929	7,565
Percentage of Total	40.0%	41.1%	40.6%	40.5%	40.1%	39.3%	38.1%	37.5%	37.1%	36.8%
Women (Headcount)	17,409	16,322	15,804	15,468	15,199	15,298	14,601	14,075	13,423	12,997
Percentage of Total	60.0%	58.9%	59.4%	59.5%	59.9%	60.7%	61.9%	62.5%	62.9%	63.2%
African American (Headcount)	946	888	839	831	842	823	795	723	641	555
Percentage of Total	3.3%	3.2%	3.2%	3.2%	3.3%	3.3%	3.4%	3.2%	3.0%	2.7%
White (Headcount)	17,645	17,289	17,023	16,917	16,848	17,030	16,497	16,053	15,325	14,789
Percentage of Total	60.8%	62.4%	64.0%	65.1%	66.4%	67.6%	69.9%	71.3%	71.8%	71.9%
Other (Headcount)	10,440	9,538	8,744	8,254	7,674	7,351	6,308	5,731	5,386	5,218
Percentage of Total	36.0%	34.4%	32.9%	31.7%	30.3%	29.2%	26.7%	25.5%	25.2%	25.4%

Source: NAU-Planning and Institutional Research

DEGREES EARNED										
Bachelor's	5,103	5,004	5,034	4,513	4,497	4,020	3,635	3,277	2,935	2,895
Master's	1,263	1,202	1,346	1,424	1,546	1,707	1,699	1,719	1,767	1,760
Doctoral	132	126	115	100	109	95	91	103	87	88
Total Degrees	**6,498**	**6,332**	**6,495**	**6,037**	**6,152**	**5,822**	**5,425**	**5,099**	**4,789**	**4,743**

Source: NAU - Planning and Institutional Research

DEMOGRAPHIC DATA

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Arizona Population	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681	6,029,141
Arizona Personal Income *(in millions)*	$266,756	$255,089	$244,011	$235,781	$227,287	$216,590	$212,873	$226,465	$218,588	$206,958
Arizona Per Capita Personal Income	$39,060	$37,895	$36,823	$35,979	$35,062	$33,773	$33,560	$36,059	$35,441	$34,326
Arizona Unemployment Rate	5.8%	6.3%	8.0%	8.3%	9.5%	10.5%	9.9%	6.0%	3.7%	4.1%

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

PRINCIPAL EMPLOYERS

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

Sources: Phoenix Business Journal, Book of Lists 2016 and 2007 for employers

FACULTY AND STAFF

Fall employment of fiscal year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
FACULTY										
Full-time	1,068	1,055	973	900	864	836	813	809	774	755
Part-time	553	589	616	639	632	665	601	706	726	737
Total Faculty	**1,621**	**1,644**	**1,589**	**1,539**	**1,496**	**1,501**	**1,414**	**1,515**	**1,500**	**1,492**
Percentage Tenured	49%	50%	53%	52%	60%	63%	69%	71%	75%	76%
STAFF										
Full-time	1,883	1,892	1,842	1,779	1,707	1,651	1,608	1,710	1,620	1,571
Part-time*	753	756	715	651	661	606	682	674	642	677
Total Staff	**2,636**	**2,648**	**2,557**	**2,430**	**2,368**	**2,257**	**2,290**	**2,384**	**2,262**	**2,248**
Total Faculty and Staff	**4,257**	**4,292**	**4,146**	**3,969**	**3,864**	**3,758**	**3,704**	**3,899**	**3,762**	**3,740**

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Planning and Institutional Research

CAPITAL ASSETS

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Academic/Support Facilities	87	85	84	83	81	80	81	79	80	80
Auxiliary Facilities	38	36	33	31	28	28	27	27	24	23
Total	**125**	**121**	**117**	**114**	**109**	**108**	**108**	**106**	**104**	**103**

Does not include leased facilities.

Source: NAU - Capital Improvement Plan - Building Inventory Report Section

NORTHERN ARIZONA UNIVERSITY Associate Vice President and Comptroller's Office

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