NORTHERN ARIZONA UNIVERSITY

Comprehensive Annual Financial Report

Year Ended | June 30, 2017

Included as an Enterprise Fund of the State of Arizona

Comprehensive Annual Financial Report
For the year ended June 30, 2017

Flagstaff, Arizona
Prepared by the Comptroller's Office

Table of Contents

Introductory Section

NORTHERN ARIZONA UNIVERSITY

Message From President Rita Cheng

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

Student success, which includes retention and strong outcomes, remains the paramount goal of our university. By concentrating on our strengths, talents, and possibilities, we continue to add innovative academic and student centered programs in all areas. These programs build a strong local and Arizona economy and allow students to enter high-demand careers.

Our efforts are yielding results. We welcomed a record 31,000 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. More than 22,200 students are enrolled on the Flagstaff campus, which includes 5,700 new freshmen.

NAU is a high research university and our faculty across disciplines are on the leading edge of creating new knowledge in their fields. We are seeing tremendous success in strengthening our research portfolio as we move closer to achieving our goal of becoming a top 200 research university in the United States. We have seen an increase in new awards to $68.8 million in fiscal year 2017 up from $58 million in fiscal year 2016. In fiscal year 2017, our research expenditures grew to $36.1 million and public service expenditures rose to an estimated $28.9 million.

NAU continues to make improvements to campus infrastructure that ensures our students and researchers are successful. The SkyView residential facility opened this fall and welcomed 627 students to a new home for the school year. We are making progress on classroom technology upgrades across campus and we completed the renovation of the du Bois South Union which has expanded campus dining and academic options. Construction is well underway for the Honors College Living and Learning facility, which will help us attract even more high achieving students, and we broke ground on our new Recital Hall, which will provide a world-class forum for the arts for our campus and the Flagstaff community.

NAU's commitment to community is the foundation of the university's culture of civic engagement and inclusion, and we cultivate relationships within Flagstaff, northern Arizona, and throughout the state. We are engaged members with the Greater Flagstaff Chamber of Commerce, neighborhood coalitions, nonprofits, Northern Arizona Center for Entrepreneurship and Technology, Economic Collaborative of Northern Arizona, and TGen.

Our Lumberjacks increasingly reflect the diversity of Arizona. Our students represent 127 Native American tribes, as well as Hispanic, African-American, and Asian-Pacific Islander cultures. Our Yuma campus has been designated a Hispanic-serving institution (HSI), and our university as a whole is moving toward HSI eligibility in the near future. Our international student population has more than tripled in the last 10 years. We now have more than 1,200 international students from 78 countries.

We are planning the next capital fundraising campaign after our first comprehensive campaign exceeded our ambitious goals and raised more than $103 million for 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.

NORTHERN ARIZONA UNIVERSITY

Letter of Transmittal

October 20, 2017

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

I respectfully submit the Comprehensive Annual Financial Report (CAFR) of Northern Arizona University for the fiscal year ended June 30, 2017. 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 audited by the State of Arizona Office of the Auditor General each year. The University's internal auditors also perform fiscal, compliance and performance audits. The reports resulting from these audits are shared with University management, the Arizona Board of Regents (ABOR), ABOR Audit Committee and the ABOR Business and Finance Committee.

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 the 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, 2017. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The accompanying financial statements present all funds belonging to the University and its component units.

Profile of the University

Northern Arizona University, or Arizona Normal College as it was named back then, opened its doors in 1899 with 23 students, two faculty members (one, Almon N Taylor was also the school president), 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). In 1901, the first graduating class consisted of four women who received credentials to teach in the Arizona Territory. Now in its second century, 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.

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 University's fiscal year 2017 fall semester total enrollment was 30,368 students. Enrollment was comprised of 26,506 undergraduate and 3,862 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 1,094 full-time equivalent faculty educate a diverse student population. The University's student population is 60.4 percent female, 21.8 percent Hispanic, 3.3 percent African American or Black, 2.7 percent American Indian or Alaska Native and 1.9 percent Asian. It includes students from all 50 states and the District of Columbia, and 78 foreign countries. International students represent 4.3 percent of the fall 2016 enrollment.

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 the University's financial statements is comprised of the University and two component units. The component units include the Northern Arizona University Foundation (Foundation) and Northern Arizona Capital Facilities Finance Corporation. The component units are non-profit, tax-exempt organizations. The Foundation is a discretely presented component unit, more information relating to the Foundation can be found in Notes 2 and 11 to the financial statements. Northern Arizona Capital Facilities Finance Corporation is a blended component unit, based on the nature and significance of its 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 Arizona Board of Regents approves the University's annual operating budget in accordance with ABOR policy 3-403. The budget includes the general purpose (state general funds and tuition and fees) budget and the local funds budget which consists of the designated, restricted, and auxiliary funds. The State Legislature reviews the University's local funds budget and adopts and appropriates the general purpose budget through legislation. 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.

Economic Condition

Arizona continued to experience growth in total population, overall economy, and employment during the fiscal year ended June 30, 2017. On May 11, 2017 the Bureau of Economic Analysis reported the population of Arizona in 2016 was 6,931,071, which ranks 14th in the nation. Arizona's current-dollar gross domestic product was $303.0 billion and ranked 21st among the states. In 2016, Arizona real GDP grew 2.1 percent; the 2015-2016 national change was 1.5 percent.

As reported by the Arizona Department of Administration Office of Economic Opportunity, Arizona nonfarm employment grew by 2.4 percent (62,700 jobs) over the year in June. The private sector accounted for 57,000 jobs (2.5%). Government employment increased by 5,700 jobs in June. Eight of the eleven sectors reported job gains, and three sectors reported losses. The sectors with the largest gains included Leisure and Hospitality (18,200 jobs); Education and Health Services (13,100 jobs); Professional and Business Services (9,500 jobs); and Financial Activities (8,700 jobs). Gains were also recorded for Government; Trade, Transportation and Utilities; Manufacturing; and Construction. Job losses were reported in Natural Resources and Mining; Information; and Other Services.

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. As part of the Arizona

Board of Regents' strategic plan, *Impact Arizona*, key performance metrics are used to measure the success of NAU and the other state universities in achieving institutional and system-wide goals. *Impact Arizona* goals measure progress in delivering a high-quality university education; increasing the number of Arizonans with a college degree or certificate; creating new knowledge, collaborations, inventions and technology to solve critical problems; and engaging our communities through initiatives and partnerships to improve Arizona's economy and competitiveness. Key measures of progress toward achieving these goals are continually reviewed and monitored by ABOR and the universities.

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, all 50 states, and 78 countries.

Research highlights and recent grants consist of a National Science Foundation grant of $1.45 million to continue a program started seven years ago that aims to recruit, train, and retain well-qualified math and science teachers. A grant from the National Institute on Drug Abuse is funding an innovative, experiential learning program at NAU that has successfully trained dozens of students in specialized research methods in the area of adolescent drug abuse. A partnership between the University and the Yuma medical community will provide a new look into the effects of decades-old water contamination in the Arizona border community. A grant from the National Institutes of Health for a research project on cell signaling. A $3 million grant from the National Science Foundation to support the first detailed map of the nation's food, energy and water systems.

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, 2016. This was the fourth 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, 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

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, 2016

Executive Director/CEO

Arizona Board of Regents

June 30, 2017

EX-OFFICIO MEMBERS

Honorable Doug Ducey
Governor of Arizona

Honorable Diane Douglas
Superintendent of Public Instruction

APPOINTED MEMBERS

Bill Ridenour, Chair

Ram Krishna, Secretary

Jay Heiler, Treasurer

Rick Myers, Regent

Lyndel Manson, Regent

Karrin Taylor Robson, Regent

Ron Shoopman, Regent

Larry Penley, Regent

Jared Gorshe, Student Regent

Vianney Careaga, Student Regent

Executive Administration

June 30, 2017

Rita Cheng
President

Joanne Keene
Executive Vice President and Chief of Staff

Steve Burrell
Chief Information Officer

Lisa Campos
Vice President for Intercollegiate Athletics

Christy Farley
Vice President for External Affairs and Partnerships

Bjorn Flugstad
Vice President for Finance, Institutional Planning and Analysis

William Grabe
Vice President for Research

Chad Hamill
Vice President for Native American Initiatives

Daniel Kain
Provost and Vice President for Academic Affairs

Jane Kuhn
Vice President for Enrollment Management and Student Affairs

Betsy Mennell
Vice President for Development and Alumni Engagement

Daniel Okoli
Vice President Capital Planning & Campus Operations

Michelle Parker
General Counsel

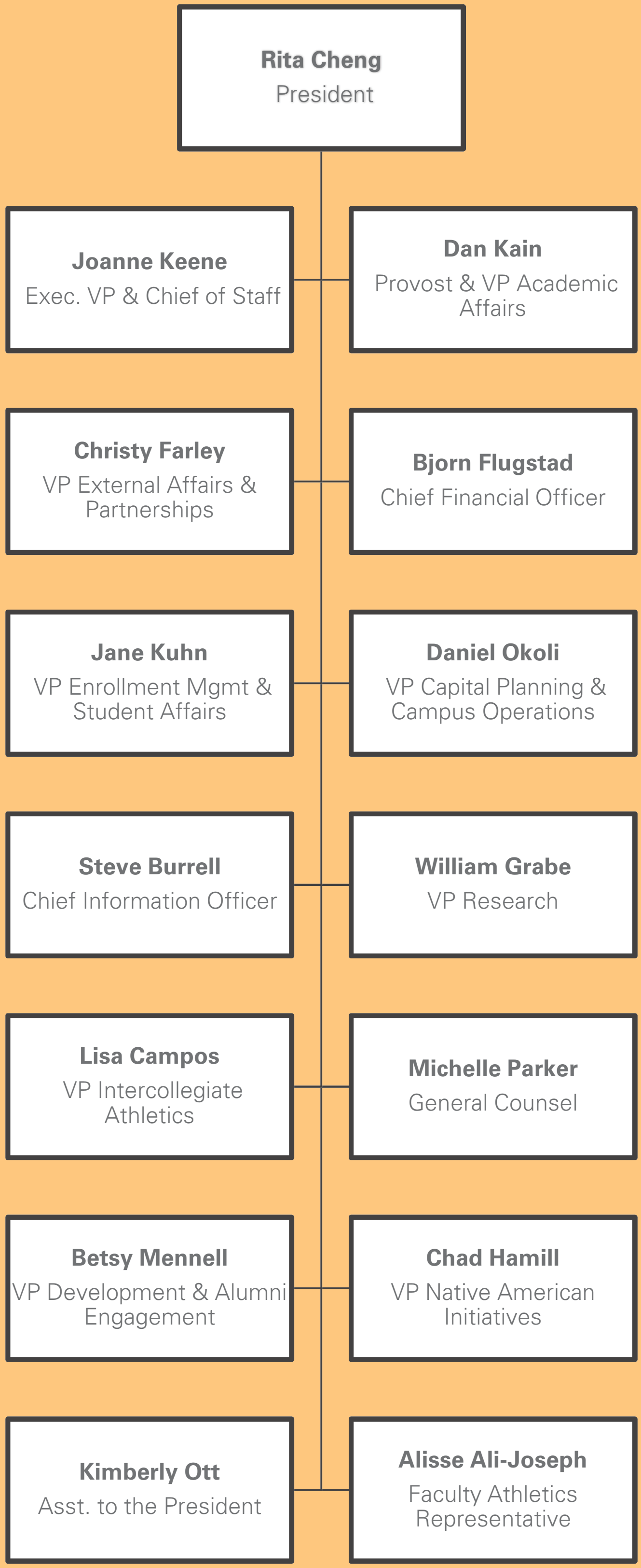
This comprehensive annual financial report is compiled and issued by Wendy Swartz – Associate Vice President for Financial Services/Comptroller

Northern Arizona University
P.O. Box 4069
Flagstaff, AZ 86011-4069

This report is also available online at http://nau.edu/Comptroller/Annual-Financial-Reports/

Organizational Chart

As of June 30, 2017



Financial Section

STATE OF ARIZONA

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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, 2017, 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, 2017, 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, 2017, 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.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 16 through 23, schedule of University's proportionate share of net pension liability on page 63, schedule of University's pension contributions on page 63, and single-employer OPEB plan schedule of funding progress on page 64 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

October 20, 2017

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, 2017 with comparative information for the fiscal year ended June 30, 2016. While audited financial statements for the 2016 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 2017 data. 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 2 and Note 11, and in its separately issued financial statements.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) 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.

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, includes 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 17 summarizes the University's assets and deferred outflows, liabilities and deferred inflows, and net position on June 30, 2017 and June 30, 2016.

Total Assets

When compared to fiscal year 2016, total assets for the University increased by $1.4 million. The increase is attributable to an increase in cash and investments of $12.2 million, capital assets of $2.6 million, and endowment investments of $2.8 million. These increases were offset by a decrease in restricted cash for capital projects of $15.1 million.

The decrease in restricted cash for capital projects is due to the spending of bond proceeds for the Aquatic and Tennis Complex, South Dining renovation, and the Phoenix Biomedical build-out. The increase in capital assets is primarily due to an increase in construction in progress. The increase in cash and investments is a result of the University adopting a defensive cash position to take advantage of potential future increases in interest rates. The increase in endowment investments is attributable to fair value adjustments made at year end.

Deferred Outflows of Resources

Deferred outflows of resources, which are consumptions of the University's net position that are applicable to a future reporting period, increased $12.2 million. This increase is attributed to a $1.1 million increase in deferred amounts related to debt refunding and $11.1 million increase in deferred outflows related to pensions from reported actuarial adjustments provided by the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS).

Total Liabilities

Total liabilities remained comparable to fiscal year 2016. Net pension liability increased $9.0 million, and other postemployment benefit (OPEB) obligation increased $6.3 million. These increases were offset by a decrease in long-term debt of $15.1

Condensed Statement of Net Position (dollars in thousands)

		2017		2016	% Change
Assets:					
Current assets	$	238,086	$	238,145	0.0%
Non-current assets:					
Endowment, restricted, student loans receivable, and other investments		64,234		64,994	(1.2%)
Capital assets, net		845,644		843,065	0.3%
Other non-current assets		1,725		2,130	(19.0%)
Total Assets	$	1,149,689	$	1,148,334	0.1%
Deferred Outflows of Resources	$	53,875	$	41,720	29.1%
Liabilities:					
Current liabilities	$	71,673	$	72,752	(1.5%)
Long-term liabilities		821,773		819,899	0.2%
Total Liabilities	$	893,446	$	892,651	0.1%
Deferred Inflow of Resources	$	22,468	$	14,965	50.1%
Net Position:					
Net investment in capital assets	$	269,240	$	265,882	1.3%
Restricted		63,818		55,777	14.4%
Unrestricted		(45,408)		(39,221)	15.8%
Total Net Position	$	287,650	$	282,438	1.8%

million. The increase in net pension liability is due to actuarial adjustments provided by ASRS and PSPRS. Net OPEB obligation increased due to actuarial adjustments provided by the Arizona Department of Administration (ADOA) for post-employment benefit plans. The decrease in long-term debt was mainly due to principal payments on System Revenue Bonds, Certificates of Participation and capital leases.

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 increased $7.5 million due to deferred inflows related to pensions resulting from actuarial adjustments provided by ASRS and PSPRS. See Note 9 for 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 $287.7 million at June 30, 2017, an increase of $5.2 million over the prior year which is attributed to increases in net investment in capital assets, due to several large renovation projects, and restricted net position. Unrestricted net position reflects a deficit balance of $45.4 million due to the net pension liability. Net position is reported as follows:

- Net investment in capital assets represents the University's total investment in capital assets such as equipment, buildings, land and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- Restricted non-expendable net position primarily represents the University's permanent endowment funds received from donors for the purpose of creating permanent

funding streams for specific programs or activities. These funds are held in perpetuity and are not available for expenditure by the University. The earnings on these funds support the programs and activities as determined by donors.

- Restricted expendable 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 composed of all other funds available to the University for purposes related to its mission. Unrestricted net position is typically designated or committed for specific academic programs or research initiatives.

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, 2017 and for the year ended June 30, 2016 is as follows:

		2017		2016	% Change
Operating revenues:					
Student tuition and fees, net	$	237,930	$	217,047	9.6%
Grants and contracts		30,174		26,210	15.1%
Auxiliary enterprises, net		60,447		56,886	6.3%
Other		23,110		21,577	7.1%
Total operating revenues	$	351,661	$	321,720	9.3%
Operating expenses:					
Educational and general	$	462,119	$	435,752	6.1%
Auxiliary enterprises		41,067		38,071	7.9%
Depreciation		41,538		37,964	9.4%
Total operating expenses	$	544,724	$	511,787	6.4%
Operating loss	$	(193,063)	$	(190,067)	1.6%
Non-operating revenues (expenses):					
State appropriations	$	100,106	$	94,633	5.8%
Share of state sales tax revenues		13,752		13,827	(0.5%)
Grants and gifts		82,583		79,235	4.2%
Net investment income		3,863		959	302.8%
Interest expense on debt		(28,144)		(27,187)	3.5%
Other non-operating revenues		15,488		10,578	46.4%
Net non-operating revenues	$	187,648	$	172,045	9.1%
Income (loss) before capital and endowment additions	$	(5,415)	$	(18,022)	(70.0%)
Capital appropriations		4,247		5,493	(22.7%)
Other capital and endowment additions		6,380		3,873	64.7%
Increase/(Decrease) in net position	$	5,212	$	(8,656)	(160.2%)
Net position, beginning of year		282,438		291,094	(3.0%)
Net position, end of year	$	287,650	$	282,438	1.8%

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

Operating Revenues

The operating revenues represent resources generated 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 $113.1 million for fiscal year 2017 and $101.8 million for the prior year. Net revenues from student tuition and fees increased 9.6 percent over the prior year due to approved tuition and fee increases and student enrollment increases over the prior year.

Revenues from operating grants and contracts increased 15.1 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 6.3 percent over the prior year, primarily due to increased student enrollment.

Operating Expenses

Operating expenses are reported by programmatic (functional) classification in the Statement of Revenues, Expenses and Changes in Net Position and by natural classification in Note 8.

The University's operating expenses were $544.7 million for the fiscal year ended June 30, 2017. Overall, operating expense increased 6.4 percent. The programmatic categories of research, institutional support, and scholarships and fellowships recorded the highest increases of 19.7, 13.0, and 12.1 percent respectively, primarily due to increased student enrollment and increased grant activity.

The following tables illustrate the University's operating expenses by natural classification and by functional classification.

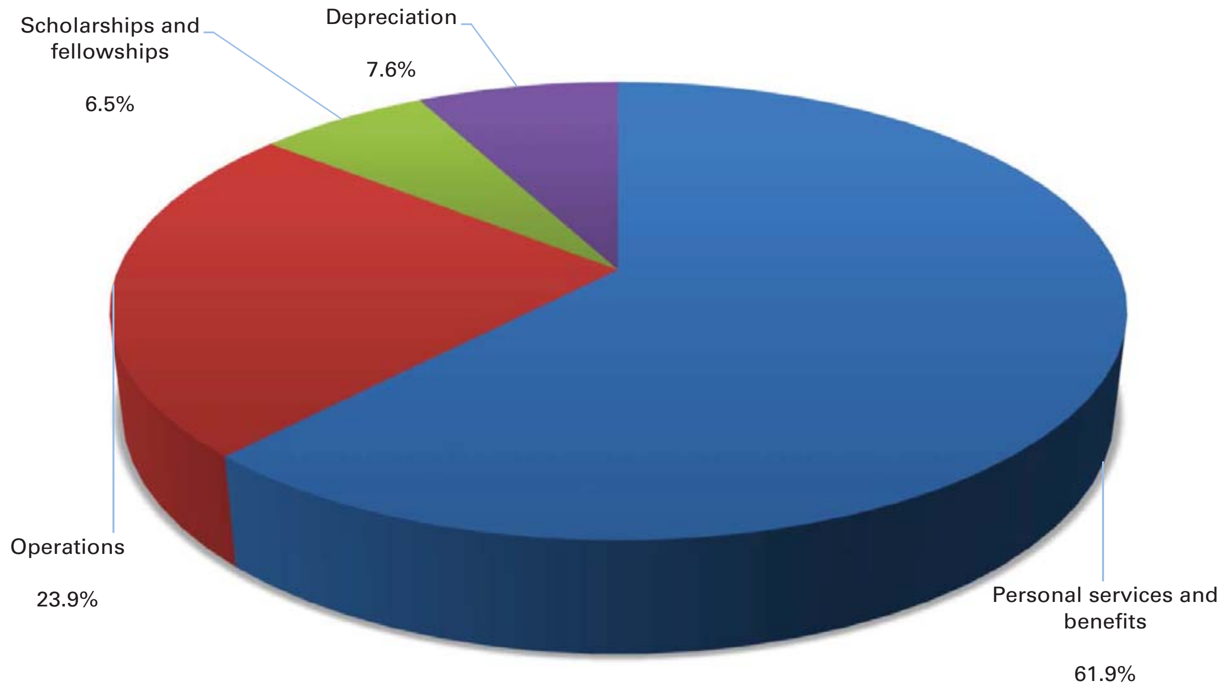
Operating Expenses by Functional Classification (in thousands)

	2017	2016
Operating:		
Instruction	$ 176,334	$ 169,385
Research	36,068	30,142
Public service	28,866	28,163
Academic support	41,074	40,506
Student services	54,246	53,834
Institutional support	59,238	52,447
Operation and maintenance of plant	31,003	29,790
Scholarships and fellowships	35,290	31,485
Auxiliary enterprises	41,067	38,071
Depreciation	41,538	37,964
Total operating expenses	$ 544,724	$ 511,787

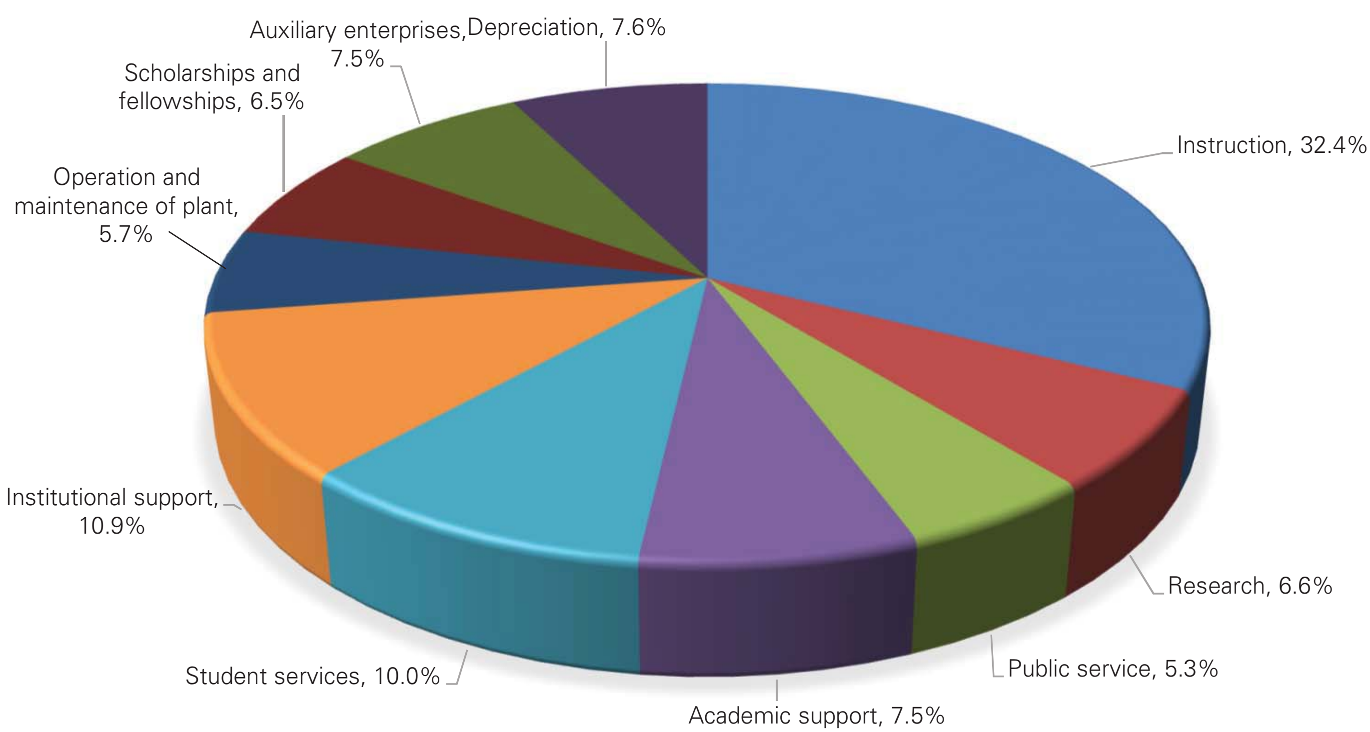
Operating Expenses by Natural Classification (in thousands)

	2017	2016
Operating:		
Personal services and benefits	$ 337,450	$ 323,156
Operations	130,446	119,182
Scholarships and fellowships	35,290	31,485
Depreciation	41,538	37,964
Total operating expenses	$ 544,724	$ 511,787

EXPENSE BY NATURAL CLASSIFICATION



EXPENSE BY FUNCTIONAL CLASSIFICATION



Non-operating Revenues and Expenses

State appropriations, noncapital gifts and grants, and investment income are considered non-operating because they were not generated by the University's principal, ongoing operations. State appropriations were not generated by the University but were provided to help fund operating expenses. State appropriations revenue totaled $100.1 million for fiscal year 2017, an increase of 5.8 percent from the $94.6 million received during the prior year.

Noncapital gifts and grants increased $3.3 million or 4.2 percent and include expendable gifts, and federal government and other awards that are not considered to be operating revenues. Investment income increased $2.9 million, the returns for fiscal year 2017 were much stronger than in fiscal year 2016.

Combined Sources and Uses (Dollars in millions)

		2017			2016		% Change
Sources							
Tuition and fees, net	$	237.9	41.2%	$	217.1	40.8%	9.6%
State appropriations		100.1	17.3%		94.6	17.8%	5.8%
Grants and contracts		94.3	16.3%		88.9	16.7%	6.1%
Auxiliary enterprises		60.4	10.4%		56.9	10.7%	6.2%
Other sources		49.3	8.5%		42.9	8.1%	14.9%
Private gifts, grants and contracts		18.4	3.2%		16.5	3.1%	11.5%
Share of state sales tax (TRIF)		13.8	2.4%		13.8	2.6%	0.0%
Net investment income		3.9	0.7%		1.0	0.2%	290.0%
Total sources	$	578.1	100.0%	$	531.7	100.0%	8.7%
Uses							
Instruction and academic support	$	217.4	37.9%	$	209.9	38.8%	3.6%
Student services & institutional support		113.5	19.8%		106.3	19.7%	6.8%
Research and public service		64.9	11.3%		58.3	10.8%	11.3%
Auxiliary enterprises		41.1	7.2%		38.1	7.1%	7.9%
Depreciation		41.5	7.3%		37.9	7.0%	9.5%
Scholarships and fellowships		35.3	6.2%		31.5	5.8%	12.1%
Other uses		28.2	4.9%		28.5	5.3%	(1.1%)
Operation & maintenance of plant		31.0	5.4%		29.8	5.5%	4.0%
Total uses	$	572.9	100.0%	$	540.3	100.0%	6.0%

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 non-operating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major 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 2017, the University continued work on the south dining facilities renovation, the Aquatic and Tennis complex, and the north/south pedestrian walkway. In addition to these projects, the University issued $43.0 million in system revenue refunding bonds, and $33.3 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 percent 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, 2017, the University's debt ratio was 4.7 percent. 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 $4.2 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 base revenue is forecast to grow by 4.3 percent to $10.47 billion for fiscal year 2018 compared to 3.5 percent growth in fiscal year 2017. Base revenues reflect the underlying growth in the economy and exclude one-time adjustments, urban revenue sharing and new tax law changes. General fund spending in fiscal year 2018 is projected to be $9.82 billion which is an increase of $181 million or 1.96 percent. The unemployment rate declined again last year and is now back to a level last seen just before the recession. Tightening labor markets are translating into faster wage and income growth and that should eventually boost retail sales. Overall, the outlook calls for the state to accelerate modestly in the near term, before growth slows as demographic forces (baby boom retirements) take hold. The state outlook depends in part on future national economic performance. The national baseline forecast calls for the U.S. economy to continue to expand during the next decade. It also calls for a modest acceleration in the near term, with real GDP, the broadest measure of economic activity, expected to speed up from 1.6 percent growth in 2016 to 2.6 percent growth by 2018.

The University's state appropriations budget for fiscal year 2017-2018 is $108.4 million, a net increase of $3.2 million from the prior year budget of $105.2 million, increasing after significant reductions in prior years. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the immediate fiscal periods to come. The Arizona Board of Regents and the three State universities are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education.

The Arizona Board of Regents voted to increase undergraduate tuition by 2.7 percent for resident students for fiscal year 2018, with an increase in non-resident undergraduate tuition of 2.9 percent. Since 2008 the University has offered the Pledge guaranteed tuition program to incoming students.

The Pledge guarantees the same tuition rate for eight semesters as set by ABOR. The purpose of the Pledge is to help make the costs of a college education more predictable for undergraduate students.

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

Statement of Net Position

June 30, 2017

Assets

Current assets:		
Cash and cash equivalents (Note 3)	$	142,566,156
Short term investments (Note 3)		50,697,924
Receivables, (net of allowance for uncollectible):		
Accounts receivable		27,442,403
Accrued interest		990,652
Endowment		12,293
Government grants and contracts		13,228,885
Student loans, current portion		1,488,910
Other assets		1,267,396
Inventories		391,851
Total Current Assets	$	238,086,470
Noncurrent assets:		
Restricted cash and cash equivalents held by trustee for capital projects (Note 3)	$	16,334,834
Long term investments (Note 3)		12,589,099
Student loans receivable, net of allowance		4,787,552
Endowment investments (Note 3)		30,522,788
Other noncurrent assets		1,724,502
Capital assets, not being depreciated (Note 4)		26,421,692
Depreciable capital assets, net of depreciation (Note 4)		819,222,358
Total Noncurrent Assets	$	911,602,825
Total Assets	$	1,149,689,295

Deferred Outflows of Resources

Deferred charge on debt refunding	$	12,439,446
Deferred outflows related to pensions (Note 9)		41,435,584
Total Deferred Outflows of Resources	$	53,875,030

Statement of Net Position (continued)

Liabilities

Current liabilities:		
Accounts payable	$	12,345,461
Accrued payroll and employee benefits		12,605,445
Interest payable		5,641,949
Unearned revenues		18,525,863
Accrued compensated absences, current portion (Note 7)		770,835
Net pension liability, current portion (Note 9)		537,068
Deposits held in custody for others		1,772,952
Current portion of long-term debt funded by:		
University operating revenues (Note 5)		11,955,326
State appropriations, share of state sales tax, and lottery revenue (Note 5)		7,518,000
Total Current Liabilities	$	71,672,899
Noncurrent liabilities:		
Deposits held in custody for others	$	1,250
Accrued compensated absences (Note 7)		6,130,902
Long-term debt funded by:		
University operating revenues (Note 5)		455,514,162
State appropriations, share of state sales tax, and lottery revenue (Note 5)		154,826,000
Net pension liability (Note 9)		193,339,406
Net OPEB obligation (Note 10)		11,961,288
Total Noncurrent Liabilities	$	821,773,008
Total Liabilities	$	893,445,907

Deferred Inflow of Resources

Deferred inflows related to pensions (Note 9)	$	22,468,012

Net Position

Net investment in capital assets	$	269,240,233
Restricted:		
Nonexpendable:		
Scholarships and fellowships		17,083,527
Student loans		7,541,956
Expendable:		
Scholarships and fellowships		13,903,932
Academic department uses		25,288,939
Unrestricted (deficit)		(45,408,181)
Total Net Position	$	287,650,406

See Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2017

Operating Revenues

Tuition and fees (net of scholarship allowances of $113,142,340)	$ 237,929,536
Government grants and contracts	25,801,875
Private grants and contracts	4,372,263
Auxiliary enterprises	
Residence life (net of scholarship allowances of $7,741,681)	32,790,620
Other auxiliaries	27,656,145
Other	23,110,229
Total operating revenues	$ 351,660,668

Operating Expenses

Operating Expenses (Note 8)	
Educational and general:	
Instruction	$ 176,333,993
Research	36,068,091
Public service	28,866,115
Academic support	41,073,533
Student services	54,246,101
Institutional support	59,238,087
Operation and maintenance of plant	31,003,097
Scholarships and fellowships	35,289,871
Auxiliary enterprises	41,066,598
Depreciation (Note 4)	41,537,882
Total operating expenses	$ 544,723,368
Operating loss	$ (193,062,700)

Nonoperating Revenues (Expenses)

State appropriations	$ 100,105,500
Share of state sales tax- technology and research initiative funding	13,751,545
Government grants	68,532,520
Private grants and gifts	14,050,519
Net investment income	3,863,059

Statement of Revenues, Expenses and Changes in Net Position (continued)

Interest expense on capital asset related debt		(28,143,594)
Net loss on disposal of capital assets		(53,095)
Other nonoperating revenues, net		15,541,459
Total nonoperating revenues and expenses	$	187,647,913
Loss before capital and endowment additions	$	(5,414,787)
Capital appropriations	$	4,246,800
Capital grants and gifts		5,474,336
Additions to permanent endowments		905,857
Total other revenues	$	10,626,993
Increase in net position	$	5,212,206

Net Position

Total net position, Beginning of year	$	282,438,200
Total net position, End of year	$	287,650,406

See Notes to Financial Statements

Statement of Cash Flows

For the Year Ended June 30, 2017

Cash Flows from Operating Activities:

Tuition and fees	$	231,957,515
Grants and contracts		31,235,819
Payments to vendors and suppliers		(128,759,458)
Payments for employee wages and benefits		(316,988,529)
Payments for scholarships and fellowships		(35,289,871)
Loans issued to students		(975,674)
Collection on loans to students		1,269,934
Auxiliary enterprise receipts		60,478,239
Other receipts		22,045,626
Net cash used for operating activities	$	(135,026,399)

Cash Flows from Noncapital Financing Activities:

State appropriations	$	100,105,500
Share of state sales tax receipts		13,751,545
Gifts and grants for other than capital purposes		82,583,038
Federal direct lending received		172,175,899
Federal direct lending disbursed		(172,603,886)
Deposits held in custody for others received		25,217,328
Deposits held in custody for others disbursed		(27,591,713)
Other non-operating receipts		3,216,051
Financial aid trust funds		905,857
Net cash provided by noncapital financing activities	$	197,759,619

Cash Flows from Capital Financing Activities:

Capital appropriations	$	4,246,800
Proceeds from issuance of capital debt		163,337
Build America Bonds- federal subsidy		12,325,408
Proceeds from sale of capital assets		78,516
Capital grants and gifts received		5,467,336
Purchases of capital assets		(44,241,237)
Principal paid on capital debt and leases		(16,313,361)
Interest paid on capital debt and leases		(28,235,815)
Net cash used for capital financing activities	$	(66,509,016)

Statement of Cash Flows (continued)

Cash Flows from Investing Activities:

Proceeds from sales and maturities of investments	$	23,736,131
Interest on investments		4,495,717
Purchase of investments		(45,129,681)
Net cash used for investing activities	$	(16,897,833)
Net decrease in cash and cash equivalents	$	(20,673,629)

Cash and Cash Equivalents

Cash and cash equivalents- July 1, 2016		179,574,619
Cash and cash equivalents- June 30, 2017	$	158,900,990

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:

Operating loss	$	(193,062,700)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		41,537,882
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables:		
Accounts receivable		(1,534,207)
Government grants and contracts receivable		2,649,048
Student loans receivable and accrued interest from student loans		277,342
Inventories		64,674
Other assets		268,014
Accounts payable		1,621,681
Accrued payroll and employee benefits		1,953,030
Net OPEB obligation		6,334,043
Net pension liability		9,275,926
Deferred outflows of resources related to pensions		(11,052,435)
Deferred inflows of resources related to pensions		7,503,075
Unearned revenues		(1,295,819)
Accrued compensated absences		434,047
Net cash used for operating activities	$	(135,026,399)

Significant Noncash Transactions:

Refinancing of long-term debt	$	73,005,000

See Notes to Financial Statements

Statement of Financial Position - Component Unit

Northern Arizona University Foundation

June 30, 2017

Assets		
Cash and cash equivalents	$	2,391,087
Promises to give, net		8,773,165
Bequests receivable		117,854
Other receivables		101,519
Net investment in direct financing leases		4,888,669
Investments		169,302,667
Cash surrender value of life insurance		5,963,774
EBS licenses, net		94,903
Donated assets held for sale		41,942
Assets held under split-interest agreements		4,478,876
Beneficial interest in perpetual trusts		3,327,839
Other assets		45,000
Total assets	$	199,527,295
Liabilities		
Accounts payable and accrued liabilities	$	186,639
Assets held in custody for others		31,712,183
Due to Northern Arizona University		2,213,500
Deferred revenue		5,536,513
Liabilities under split-interest agreements		2,370,728
Total liabilities	$	42,019,563
Net Assets		
Unrestricted	$	10,402,986
Temporarily restricted		69,074,114
Permanently restricted		78,030,632
Total net assets	$	157,507,732
Total Liabilities and Net Assets	$	199,527,295

See Notes to Financial Statements

Statement of Activities - Component Unit

Northern Arizona University Foundation

For the Year Ended June 30, 2017

Revenue, Support, and Gains	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public contributions	$ 567,661	$ 8,848,926	$ 4,955,986	$ 14,372,573
EBS revenue	1,450,532			1,450,532
Net investment return	1,297,364	18,746,366	143,582	20,187,312
Interest income on direct financing leases	274,504			274,504
Change in beneficial interest in perpetual trusts			172,762	172,762
Change in value of split-interest agreements	130,364			130,364
Change in cash surrender value of life insurance		796,887		796,887
Other income and support	147,820	1,202,047		1,349,867
Reclassification of donor intent	113,885	(248,318)	134,433	
Net assets released from restrictions	9,450,287	(9,450,287)		
Total revenue, support, and gains	$ 13,432,417	$ 19,895,621	$ 5,406,763	$ 38,734,801
Expenses and Losses				
Program expenses:				
Disbursements for educational purposes	$ 3,225,575			$ 3,225,575
Scholarships	2,875,990			2,875,990
Facilities	901,341			901,341
Other University programs	980,370			980,370
Total program expenses	$ 7,983,276			$ 7,983,276
Supporting services expense:				
Fundraising and development	$ 4,340,924			$ 4,340,924
Management and general	547,474			547,474
Amortization of EBS licenses	213,178			213,178
Total supporting services expense	5,101,576			5,101,576
Total expenses and losses	$ 13,084,852			$ 13,084,852
Change in net assets	$ 347,565	$ 19,895,621	$ 5,406,763	$ 25,649,949
Net assets, Beginning of year	10,055,421	49,178,493	72,623,869	131,857,783
Net assets, End of year	$ 10,402,986	$ 69,074,114	$ 78,030,632	$ 157,507,732

See Notes to Financial Statements

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

Financial Reporting Entity

As required by generally accepted accounting principles in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Northern Arizona 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 accompanying financial statements present all funds belonging to the University and its component units. The University's component units are either blended or discretely presented in the University's financial statements. The blended component unit, although legally separate, is, in substance, part of the University's operations and, therefore, is reported as if it were part of the University. The discretely presented component unit's financial data is reported in separate financial statements because of its use of a different GAAP reporting model and to emphasize its legal separateness.

Basis of Presentation

The accompanying financial statements are presented in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* 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 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 University's 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 have been consumed or acquired that are applicable to 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 non-operating, 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 non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, non-exchange 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 non-operating 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.

Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus emphasizes the long-term effects of operations on overall net resources (i.e., total assets, total deferred outflows of resources, total liabilities, and total deferred inflows of resources). The statement of revenues, expenses, and changes in net position prepared using the economic resources measurement focus includes only transactions and events that increase or decrease net position during the year. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, or benefit has been received, 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.

Significant Accounting Policies

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

Cash and Investments

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.

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, 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 (years)
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 materials	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. The University is reporting deferred outflows for a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition prices, and for deferred pension amounts as detailed in Note 9.

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. The University is reporting deferred inflow amounts resulting from pension amounts as described in Note 9.

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 tuition and fees or residence hall charges and the amount that is paid by the student or third parties making payments on behalf of the student.

Accordingly, some types of student financial aid such as fee waivers, Pell grants and 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, 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. 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 Northern Arizona University Comptroller's Office, P.O. Box 4069, Flagstaff, AZ 86011.

During the year ended June 30, 2017, the Foundation distributed $8.0 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, 2017, the carrying amount of the University's deposits was $44,945,753 and the bank balance was $51,515,354. 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, and Federal National Mortgage Association.

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, 2017 the Foundation held $31,379,990 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, 2017 was $23,224,539.

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

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, 2017, 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	Not Rated		$ 97,363,858
U.S. agency securities	AA+	Standard and Poor's	62,669,631
Government Money Market Mutual Fund	AAAm	Standard and Poor's	16,334,834
			$ 176,368,323

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, 2017, the University had $62,669,631 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, 2017: Federal Home Loan Bank, 9.7 percent, Federal Farm Credit Bank, 6.5 percent and Federal National Mortgage Association, 14.0 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, 2017, utilizing the segmented time distribution method:

		Maturity	
Investment Type	Fair Value	< 1 Year	1 - 5 Years
State Treasurer Investment Pool 4	$ 97,363,858		$ 97,363,858
U.S. agency securities*	62,669,631	$ 50,697,924	11,971,707
Government Money Market Mutual Funds	16,334,834	16,334,834	
Total	$ 176,368,323	$ 67,032,758	$ 109,335,565

*At June 30, 2017, the University held $62,669,631 or 30.17 percent of investments in U.S. agency securities, including the Federal Farm Credit Bank, Federal Home Loan Bank, and Federal National Mortgage Association, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary. Although all of the University's investments in U.S. agency securities have a maturity date greater than one year, they are reported as having a maturity date of less than one year if 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	$ 16,735
Cash in bank	44,945,753
Total investments	207,748,313
	$ 252,710,801

Statement of Net Position	
Cash and cash equivalents	$ 142,566,156
Short term investments	50,697,924
Restricted cash and cash equivalents	
held by trustee for capital projects	16,334,834
Long term investments	12,589,099
Endowment investments	30,522,788
	$ 252,710,801

Fair Value of Investment Assets

The University measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets that are accessible at the measurement date;
- Level 2: Inputs, other than quoted market prices included within Level 1, that are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are significant to the fair value measurement and unobservable.

The University's investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		Fair value measurement using		
	Amount	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	$ 62,669,631		$ 62,669,631	
Government Money Market Mutual Funds	16,334,834	$ 13,195,864	3,138,970	
Total investments by fair value level	$ 79,004,465	$ 13,195,864	$ 65,808,601	
External investment pools measured at fair value				
State Treasurer's Investment Pool 4	$ 97,363,858			
NAU Foundation investment pool	31,379,990			
Total external investment pools measured at fair value	$ 128,743,848			
Total investments measured at fair value	207,748,313			
Total investments	$ 207,748,313			

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Land	$ 8,383,009	$ 130,000			$ 8,513,009
Construction in progress:					
Real property	7,107,547	23,830,796		$ (13,029,660)	17,908,683
Total non-depreciable/ non-amortizable capital assets	$ 15,490,556	$ 23,960,796		$ (13,029,660)	$ 26,421,692
Infrastructure	$ 142,892,792	$ 5,510,810		$ 4,526,196	$ 152,929,798
Buildings and improvements	1,018,817,841	8,316,362		8,503,464	1,035,637,667
Equipment	73,351,895	5,347,521	$ 2,274,514		76,424,902
Intangible assets	9,501,074	883,526			10,384,600
Library materials	45,184,301	229,171	69,499		45,343,973
Total depreciable/ amortizable capital assets	$ 1,289,747,903	$ 20,287,390	$ 2,344,013	$ 13,029,660	$ 1,320,720,940
Less accumulated depreciation/ amortization					
Infrastructure	$ 54,299,904	$ 4,852,435			$ 59,152,339
Buildings and improvements	308,313,270	28,762,688			337,075,958
Equipment	50,970,905	5,437,579	$ 2,142,953		54,265,531
Intangible assets	5,099,780	2,084,677			7,184,457
Library materials	43,489,293	400,503	69,499		43,820,297
Total accumulated depreciation/ amortization	$ 462,173,152	$ 41,537,882	$ 2,212,452		$ 501,498,582
Depreciable/ amortizable capital assets, net	$ 827,574,751	$ (21,250,492)	$ 131,561	$ 13,029,660	$ 819,222,358
Capital assets, net	**$ 843,065,307**	**$ 2,710,304**	**$ 131,561**		**$ 845,644,050**

In addition to expenditures through June 30, 2017, it is estimated that $47.3 million will be required to complete projects under construction, including a renovation of the south dining facilities and several residence halls, and a new recital facility. Of that amount, $19.39 million is contractually encumbered. These projects are being financed with a combination of systems revenue and lease revenue bond monies, series 2013, 2014, 2015, 2016, and 2017 and University reserves.

Note 5 - Long Term Liabilities

A summary of changes in the long-term debt activity for the year ended June 30, 2017 is presented as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Revenue bonds payable	$ 536,420,000	$ 76,310,000	$ 85,805,000	$ 526,925,000	$ 13,205,000
Certificates of participation	54,985,000		1,945,000	53,040,000	3,490,000
Discounts/premiums	37,682,707		2,562,871	35,119,836	1,695,458
Total bonds payable	$ 629,087,707	$ 76,310,000	$ 90,312,871	$ 615,084,836	$ 18,390,458
Capital leases	$ 15,773,192		$ 1,044,540	$ 14,728,652	$ 1,082,868
Accrued compensated absences	6,467,690	$ 9,975,906	9,541,859	6,901,737	770,835
Net OPEB obligation	5,627,245	7,891,043	1,557,000	11,961,288	
Net pension liability	184,849,303	62,977,386	53,950,215	193,876,474	537,068
Total long-term liabilities	$ 841,805,137	$ 157,154,335	$ 156,406,485	$ 842,552,987	$ 20,781,229

Revenue Bonds Payable and Certificates of Participation

On March 14, 2017, the University sold $33,340,000 of Lease Revenue Refunding Bonds Series 2017 with an interest rate of 2.9 percent. Refunded bonds total $31,335,000 of the 2008 Pine Ridge Village/Campus Heights Lease Revenue Bonds for maturities from June 1, 2017 to June 1, 2033. The refunding set aside $33,035,628 that purchased Treasury Notes that matured between 5/31/2017 and 5/31/2018. The present value of refunded debt prior to 3/14/2017 was $46,218,519 and the net present value of savings was $3,060,904. The advanced refunding decreases the University's debt service by an average of $1,496,335 annually for fiscal years 6/30/2017 through 6/30/2018 and decreases debt service by an average of $7,666 annually for fiscal years 6/30/2019 through 6/30/2033.

On March 9, 2017, the University sold $42,970,000 of System Revenue and Refunding Bonds Series 2017 with an interest rate of 2.9 percent. System Revenue Refunding Bonds Series 2006 refunded bonds total $41,670,000 with maturity dates of June 1, 2017 to June 1, 2034. The refunding was a private placement with JP Morgan Chase. The refunding set aside $42,653,175 into Global Proceeds Escrow that matured 6/1/2017. The present value of prior refunded debt was $62,233,450 and the net present value of savings was $5,480,459. The advanced refunding decreases the University's debt service by an average of $1,868,800 annually for fiscal years 6/30/2017 through 6/30/2019 and decreases debt service by an average of $2,787 annually for fiscal years 6/30/2020 through 6/30/2034.

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, 2017 the University had System Revenue Bonds Series 2008 of $33,400,000, and $30,350,000 in Lease Revenue Refunding Bonds Series 2008 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 2017, the Federal government reduced federal direct payment claims filed between October 1, 2016 and September 30, 2017 by 6.9 percent due to the federal budget sequestration resulting in a $257,155 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, 2017. 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 $272 million for the prior five years. For fiscal year 2017 pledged revenues totaled $313 million of which 10.2 percent ($31.9 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.8 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 $745.3 million.

Debt service requirements to maturity for Systems, Lease, and SPEED Revenue Bonds payable at June 30, 2017.

Year	Principal	Interest
2018	$ 13,205,000	$ 25,875,904
2019	16,115,000	25,277,754
2020	19,230,000	24,538,041
2021	19,110,000	23,662,813
2022	19,895,000	22,757,273
2023-2027	115,575,000	98,013,130
2028-2032	135,285,000	66,748,722
2033-2037	109,455,000	36,144,668
2038-2042	61,530,000	11,226,431
2043-2044	17,525,000	877,993
Total	$ 526,925,000	$ 335,122,729

Debt service requirements to maturity for Certificates of Participation payable at June 30, 2017.

Year	Principal	Interest
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	1,992,166
2022	3,150,000	1,837,250
2023-2027	18,485,000	6,465,542
2028-2031	17,735,000	1,533,042
Total	$ 53,040,000	$ 18,570,575

Revenue Bonds Payable and Certificates of Participation at June 30, 2017
(dollars in thousands)

	Average Interest Rate	Final Maturity	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017
Revenue Bonds:						
2004 System Revenue and Refunding	4.75%	6/1/2017	$ 1,260		$ (1,260)	$ 0.00
2006 System Revenue Refunding	4.68%	6/1/2017	41,670		(41,670)	0.00
2007 System Revenue	4.93%	6/1/2017	900		(900)	0.00
2008 System Revenue	5.04%	6/1/2018	1,865		(915)	950
2009A System Revenue	6.49%	6/1/2039	108,860		(3,035)	105,825
2012 System Revenue	4.46%	6/1/2041	21,890		(550)	21,340
2014 System Revenue and Refunding	4.98%	6/1/2044	65,100		(1,355)	63,745
2015 System Revenue Refunding	5.00%	6/1/2037	45,415			45,415
2016 System Revenue and Refunding	5.00%	6/1/2038	33,815		(430)	33,385
2017 System Revenue Refunding	2.91%	6/1/2034		$ 42,970		42,970
Subtotal - System Revenue Bonds			$ 320,775	$ 42,970	$ (50,115)	$ 313,630
2010 SPEED Revenue	6.16%	8/1/2030	$ 64,785		$ (3,345)	$ 61,440
2013 SPEED Revenue	4.71%	8/1/2043	75,190			75,190
Subtotal - SPEED Revenue Bonds			$ 139,975		$ (3,345)	$ 136,630
2008 Lease Refunding	4.61%	6/1/2018	$ 31,335		$ (31,335)	$ 0.00
2014 Lease Revenue	4.99%	6/1/2044	33,685		(595)	33,090
2016 Lease Refunding	2.61%	6/1/2036	10,650		(415)	10,235
2017 Lease Refunding	2.90%	6/1/2033		$ 33,340		33,340
Subtotal - Lease Revenue Bonds			$ 75,670	$ 33,340	$ (32,345)	$ 76,665
Subtotal: Revenue Bonds			$ 536,420	$ 76,310	$ (85,805)	$ 526,925
Certificates of Participation (COP's):						
2006 COP's	4.35%	9/1/2016	$ 440		$ (440)	$ 0.00
2013 Refunding COP's	4.78%	9/1/2030	36,005		(15)	35,990
2015 Refunding COP's	4.92%	9/1/2030	18,540		(1,490)	17,050
Subtotal: COP's			$ 54,985		$ (1,945)	$ 53,040
Total Par amount of Bonds and COP's			$ 591,405	$ 76,310	$ (87,750)	$ 579,965
Premium on Sale of Bonds and COP's			$ 37,683		$ (2,563)	$ 35,120
Total Bonds and COP's Payable			$ 629,088	$ 76,310	$ (90,313)	$ 615,085

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 principal and interest payments are approximately $1.2 million each year through June 1, 2027.

Capital Lease Commitments to Lessors at June 30, 2017

	Average Interest Rate	Final Maturity	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Energy Conservation Equipment Lease Purchase	3.53%	6/1/2027	$ 10,857,192		$ 823,540	$ 10,033,652	$ 852,868
Northern Arizona Real Estate Holdings, LLC	5.50%	9/30/2030	4,916,000		221,000	4,695,000	230,000
			$ 15,773,192		$ 1,044,540	$ 14,728,652	$ 1,082,868

Capital Lease Debt Service Requirements

The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2017:

Year Ending	
2018	$ 1,687,820
2019	1,690,170
2020	1,686,695
2021	1,690,670
2022	1,689,655
2023-2027	8,444,175
2028-2031	1,962,825
Total minimum lease payments	$ 18,852,010
Less amount representing interest	(4,123,358)
Present value of net minimum lease payments	$ 14,728,652

Capital Lease Financing

The following is a summary of capital assets financed by capital leases at June 30, 2017:

Buildings	$ 9,780,185
*Building Improvements	17,051,207
Total cost of assets	26,831,392
Less: accumulated depreciation	(9,458,828)
Carrying value of assets	$ 17,372,564

* The value of the building improvements includes other funding sources of $4,630,918

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, 2017. 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, 2017 are as noted.

Year ending June 30,		
2018	$	1,803,955
2019		1,745,578
2020		1,713,303
2021		1,432,635
2022		1,414,235
2023-2025		3,182,030
Total minimum lease payments	$	11,291,736

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, 2017 was as follows:

Beginning balance	$	6,467,690
Additions		9,975,906
Reductions		(9,541,859)
Ending balance	$	6,901,737
Current portion	$	770,835

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, 2017

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	$ 155,961,463	$ 20,372,530			$ 176,333,993
Research	24,826,875	11,241,216			36,068,091
Public service	13,040,129	15,825,986			28,866,115
Academic support	31,698,920	9,374,613			41,073,533
Student services	34,796,597	19,449,504			54,246,101
Institutional support	40,725,079	18,513,008			59,238,087
Operation and maintenance of plant	10,030,071	20,973,026			31,003,097
Scholarships and fellowships			$ 35,289,871		35,289,871
Auxiliary enterprises	26,370,669	14,695,929			41,066,598
Depreciation				$ 41,537,882	41,537,882
Total	**$ 337,449,803**	**$ 130,445,812**	**$ 35,289,871**	**$ 41,537,882**	**$ 544,723,368**

Note 9 – Pension Plans

University employees participate in the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) a state administered multiple-employer defined benefit pension plan, or one of two defined contribution plans which are described below. Although a PSPRS net pension liability has been recorded at June 30, 2017, 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.

The University's net pension liability at June 30, 2017, was comprised of the following:

ASRS	$	183,823,445
PSPRS		7,497,920
Defined Contribution Pension Plans		2,555,109
Total net pension liability	$	193,876,474

Changes in the University's net pension liability during the fiscal year ended June 30, 2017, were as follows:

Beginning balance	$	184,849,303
Increases		62,977,386
Decreases		(53,950,215)
Ending balance	$	193,876,474
Current portion	$	537,068

Defined Benefit Plan

Plan Description

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. Full benefit eligible classified staff are required to participate in this plan. Full benefit eligible University faculty, academic professionals, and administrative officers have the option to participate in the ASRS defined benefit plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS is a component unit of the State of Arizona.

Benefits Provided

The ASRS provides retirement and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the 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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate 10.78 percent of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.17 percent 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, 2017, were $11,988,535.

Pension Liability

At June 30, 2017, the University reported a liability of $183,823,445 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The University's proportion measure as of June 30, 2016, was 1.14 percent, which was an increase of .01 from its proportion measure as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the University recognized pension expense for ASRS of $16,976,421. At June 30, 2017, 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	$ 1,117,083	$ 12,645,709
Changes in assumptions or other inputs		9,725,729
Net difference between projected and actual earnings on pension plan investments	19,920,343	
Changes in proportion and differences between university contributions and proportionate share of contributions	6,588,580	
University contributions subsequent to the measurement date	11,988,535	
Total	$ 39,614,541	$ 22,371,438

The $11,988,535 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, 2018. 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	
2018	$ (3,444,993)
2019	(5,115,504)
2020	8,229,459
2021	5,585,606

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
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, 2015 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 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount Rate

The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.75 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:

		University's Proportionate Share of the Net Pension Liability
1% Decrease (7%)	$	234,388,851
Current discount rate (8%)		183,823,445
1% increase (9%)		143,281,042

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 $458,733 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2017.

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, 2017, 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 the contribution rates for active plan members' and the University. For the year ended June 30, 2017, 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, 2017, the University reported a liability of $2,555,109 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, 2017, the University recognized pension expense for Defined Contribution Plans of $6,028,093. For the year ended June 30, 2017, forfeitures reduced the University's pension expense by $291,967.

Pension Contributions Payable

The University's accrued payroll and employee benefits included $234,346 of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2017.

Note 10 - Other Post-Employment Benefits (OPEB)

Cost-Sharing Plan

Other post-employment benefits provided as part of University employment include the ASRS health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan.

For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 0.14 percent of the members' annual covered payroll for long-term disability, and statute required the University to contribute at the actuarially determined rate of the active members' covered payroll of 0.56 percent for health insurance premium benefit and 0.14 percent for long-term disability. In addition, the University was required by statute to contribute 0.21 percent for health insurance premium benefit and 0.09 percent for long-term disability based on 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 OPEB contributions for the current and two 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
2017	$	614,928	$	159,013
2016		524,499		130,540
2015		604,259		126,303

Single-Employer Plan

The Arizona Department of Administration (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. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the ADOA Plan to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees, net of related premiums, which are paid entirely by the retiree or on behalf of the retiree. 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.

A portion of the ADOA plan's implicit rate subsidy, if not fully funded, represents an obligation to the University, for its proportionate share of the net OPEB obligation. The net OPEB obligation is allocated to the University based on its percentage of contributions to the ADOA medical and dental plans.

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

The ADOA's current funding policy is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the actuarial accrued liability. To the extent that the calculated annual required contribution exceeds the annual pay-as-you-go cost of providing OPEB benefits, a net OPEB obligation is created.

Annual OPEB Cost and Net OPEB Obligation

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year of the ADOA single-employer defined benefit post-employment plan are as follows:

Fiscal Year Ended		Annual OPEB Cost		Actual Contributions	Percentage of Annual Cost Contributed		Net OPEB Obligation
2017	$	7,891,043	$	1,557,000	19.7%	$	11,961,288
2016		8,019,245		1,456,000	18.2%		5,627,245

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.

		2017
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		168,817
Adjustment to annual required contribution		(278,736)
Annual OPEB cost (expense)		7,891,043
Contributions made		(1,557,000)
Increase in net OPEB obligation		6,334,043
Net OPEB obligation-beginning of year		5,627,245
Net OPEB obligation-end of year	$	11,961,288

Funded Status and Funding Progress

The University's funded status of the ADOA single-employer defined benefit post-employment plan for the most recent valuation date June 30, 2016 showed an actuarial accrued liability of $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 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare costs trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress which presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits is not included as only one year of information is currently available.

Actuarial Methods and Assumptions

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 11 – 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."

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, 2017, 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, 2017, the allowance was $232,448.

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 earnings. 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, 2017, 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.

B. Net Investment Return

Net investment return consists of the following for the year ended June 30, 2017:

Interest and dividends	$	2,247,899
Net realized and unrealized gain (loss)		18,013,504
Less investment management and custodial fees		(74,091)
	$	20,187,312

C. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017:

Within one year	$ 2,053,169
In one to five years	6,532,310
Over five years	566,833
	$ 9,152,312
Less discount to present value at rates ranging from 0.1% - 2.42%	(146,699)
Less allowance for uncollectible promises to give	(232,448)
	$ 8,773,165

At June 30, 2017, two donors accounted for approximately 55 percent of gross promises to give. Three donors accounted for approximately 35 percent of total contribution revenue for the year ended June 30, 2017.

D. 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, 2017:

Cash	$	1,485,490
Pledges receivable		305
Investments		29,554,502
Beneficial interest in perpetual trust		671,886
	$	31,712,183

Assets held on behalf of:		
Northern Arizona University	$	31,379,991
NAU Parents' Association		332,192
	$	31,712,183

E. 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 majority of the liability balance 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 majority of 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, 2017:

		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	$ 13,070,064		$ 13,070,064	
Corporate Bond Mutual Fund	13,074,305	$ 13,074,305		
Exchange Traded Funds	112,480	112,480		
Equity Mutual Funds	61,613,401	61,613,401		
International Bond Mutual Funds	6,512,939	6,512,939		
International Equity Mutual Funds	63,717,911	63,717,911		
Common Stock	5,305,245	5,305,245		
Money Market Funds	1,477,877	1,477,877		
Corporate Bonds	4,418,445		4,418,445	
	$ 169,302,667	$ 151,814,158	$ 17,488,509	
Assets held under split-interest agreements				
Mutual Fund				
Corporate Bond Mutual Fund	$ 1,118,132		$ 1,118,132	
Equity Mutual Funds	2,518,755	$ 2,518,755		
Alternative Investment Mutual Funds	422,624	422,624		
Money Market Funds	80,903	80,903		
Real Estate	338,462			$ 338,462
	$ 4,478,876	$ 3,022,282	$ 1,118,132	$ 338,462
Beneficial interests in				
Perpetual trusts	$ 3,327,839			$ 3,327,839
Liabilities				
Assets held in custody for others	$ 31,712,183		$ 31,712,183	
Liabilities under split-interest agreements	$ 2,370,728			$ 2,370,728

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, 2017:

	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, 2017			
Balance at June 30, 2016	$ 236,039	$ 3,116,144	$ 2,394,994
Change in value of assets held by third party		211,695	
Distributions			(169,992)
Change in actuarial valuation	102,423		145,726
Balance at June 30, 2017	$ 338,462	$ 3,327,839	$ 2,370,728
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		$ 211,695	

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.

F. Endowments

The Foundation's endowment (the Endowment) consists of approximately 800 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, 2017, 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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	$ 10,395,438			$ 10,395,438
Donor-restricted quasi-endowment		$ 5,274,305		5,274,305
Donor-restricted for permanent endowment	(73,674)	25,209,831	$ 72,395,223	97,531,380
	$ 10,321,764	$ 30,484,136	$ 72,395,223	$ 113,201,123

At June 30, 2017, 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 $73,674 are reported in unrestricted net assets.

G. 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 percent 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 2017, the spending rate maximum was 4.5 percent. 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, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,363,377	$ 24,130,072	$ 67,767,404	$ 101,260,853
Investment return				
Investment income, net of fees	110,794	968,811		1,079,605
Net realized and unrealized gain/(loss)	386,574	7,617,451	143,582	8,147,607
	497,368	8,586,262	143,582	9,227,212
Contributions	241,366	62,358	4,327,509	4,631,233
Reclassification of donor intent	132,405	(1,463)	156,728	287,670
Deficiency in original gift value of permanently restricted funds below fair value	251,826			251,826
Appropriation of endowment assets pursuant to spending-rate policy	(164,578)	(2,293,093)		(2,457,671)
Endowment net assets, end of year	$ 10,321,764	$ 30,484,136	$ 72,395,223	$ 113,201,123

Required Supplementary Information

Schedule of University's Proportionate Share of Net Pension Liability

Year Ended June 30,

Arizona State Retirement System Reporting Fiscal Year (Measurement Date)	2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	2015 (2014)	2014 through 2008
University's proportion of the net pension liability	1.14%	1.13%	1.06%	
University's proportionate share of the net pension liability	$ 183,823,445	$ 175,686,559	$ 156,806,397	Information
University's covered payroll	$ 106,912,713	$ 104,361,657	$ 96,736,181	not available
University's proportionate share of the net pension liability as a percentage of its covered payroll	172%	168%	162%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Schedule of University's Pension Contributions - Arizona State Retirement System

Fiscal Year Ended	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2017	$ 11,988,535	$ 11,988,535	$ -	$ 111,651,187	10.74%
2016	11,554,333	11,554,333	-	106,912,713	10.81%
2015	11,318,482	11,318,482	-	104,361,657	10.85%
2014	10,291,080	10,291,080	-	96,736,181	10.64%
2013	9,007,925	9,007,925	-	88,480,987	10.18%
2012	7,975,201	7,975,201	-	80,802,442	9.87%
2011	7,244,168	7,244,168	-	80,401,420	9.01%
2010	6,222,744	6,222,744	-	74,613,237	8.34%
2009	6,135,935	6,135,935	-	76,795,194	7.99%
2008	5,939,553	5,939,553	-	73,783,267	8.05%

Single-Employer OPEB Plan
Schedule of Funding Progress
June 30, 2017

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%

Analysis of the funding progress for the ADOA single-employer defined benefit post-employment plan, as of the most recent actuarial valuations

*Annualized payroll of active employees (not waiving coverage) as of the valuation date.

Statistical Section

Narrative to the Statistical Section

Table of Contents

Net Position by Component

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008
(Dollars in thousands)										
Invested in Capital Assets	$269,240	$265,882	$268,007	$234,187	$215,847	$218,676	$200,274	$157,565	$150,766	$152,828
Restricted, Non-expendable	24,625	23,593	22,540	21,770	20,430	19,517	19,047	18,253	17,504	16,493
Restricted, Expendable	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951
Unrestricted	(45,408)	(39,221)	(32,051)	154,120	172,284	178,600	182,210	173,639	124,781	80,149
Total Net Position	**$287,650**	**$282,438**	**$291,094**	**$439,539**	**$435,219**	**$434,364**	**$417,897**	**$368,830**	**$311,970**	**$272,421**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	93.6	94.1	92.1	53.3	49.6	50.3	47.9	42.7	48.3	56.1
Restricted, Non-expendable	8.6	8.4	7.7	4.9	4.7	4.5	4.6	4.9	5.6	6.1
Restricted, Expendable	13.6	11.4	11.2	6.7	6.1	4.0	3.9	5.3	6.1	8.4
Unrestricted	(15.8)	(13.9)	(11.0)	35.1	39.6	41.2	43.6	47.1	40.0	29.4
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	1.3	(0.8)	14.4	8.5	(1.3)	9.2	27.1	4.5	(1.3)	20.4
Restricted, Non-expendable	4.4	4.7	3.5	6.6	4.7	2.5	4.3	4.3	6.1	1.5
Restricted, Expendable	21.8	(1.3)	10.6	10.5	51.7	7.4	(15.5)	2.4	(17.6)	2.5
Unrestricted	(15.8)	(22.4)	(120.8)	(10.5)	(3.5)	(2.0)	4.9	39.2	55.7	13.3
Total Net Position	**1.8**	**(3.0)**	**(33.8)**	**1.0**	**0.2**	**3.9**	**13.3**	**18.2**	**14.5**	**15.3**

Change in Net Position

Fiscal Year Ended June 30, (Dollars in thousands)	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008
Revenues										
Operating Revenues										
Student tuition and fees, net	$237,930	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075	$99,151
Governmental grants and contracts	25,802	22,772	22,288	19,594	19,521	18,461	26,185	17,706	14,690	14,625
Private grants and contracts	4,372	3,438	2,793	2,865	3,518	2,119	1,437	1,977	3,518	3,527
Residence Life	32,791	32,141	31,602	29,870	30,541	29,534	29,480	27,841	25,448	22,804
Other auxiliaries	27,656	24,745	23,443	21,424	20,096	16,272	17,692	14,903	13,520	13,051
Other revenues	23,110	21,577	23,215	20,246	17,410	17,190	10,603	10,124	8,826	9,185
Total Operating Revenues	**$351,661**	**$321,720**	**$308,891**	**$282,815**	**$263,651**	**$241,440**	**$232,621**	**$198,965**	**$178,077**	**$162,343**
Expenses										
Operating Expenses										
Instruction	$176,334	$169,385	$167,080	$156,021	$142,282	$134,272	$132,117	$123,077	$127,717	$127,073
Research	36,068	30,142	25,461	23,584	19,886	21,766	23,178	22,306	21,463	21,433
Public Service	28,866	28,163	27,009	25,699	26,935	28,352	27,301	26,878	28,794	29,333
Academic support	41,074	40,506	36,182	33,877	32,164	28,858	30,321	27,194	27,064	29,185
Student services	54,246	53,834	50,335	50,504	42,145	36,274	32,995	25,312	28,228	27,836
Institutional support	59,238	52,447	57,141	53,702	47,265	41,789	40,909	37,627	35,789	36,676
Operation & maintenance of plant	31,003	29,790	25,779	26,693	23,259	21,781	17,426	16,591	19,658	22,610
Scholarship and fellowship	35,290	31,485	29,068	25,412	24,211	25,576	29,218	23,431	16,644	13,848
Auxiliary enterprises	41,067	38,071	37,706	32,759	44,386	37,035	34,351	29,339	28,716	28,645
Depreciation	41,538	37,964	35,123	33,256	31,388	27,260	21,990	21,605	20,731	18,926
Total Operating Expenses	**$544,724**	**$511,787**	**$490,884**	**$461,507**	**$433,921**	**$402,963**	**$389,806**	**$353,360**	**$354,804**	**$355,565**
Operating loss	**$(193,063)**	**$(190,067)**	**$(181,993)**	**$(178,692)**	**$(170,270)**	**$(161,523)**	**$(157,185)**	**$(154,395)**	**$(176,727)**	**$(193,222)**
Nonoperating Revenues (Expenses)										
State operating appropriations	$100,106	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600	$153,579
Federal fiscal stabilization funds	-	-	-	-	-	-	291	10,935	23,492	-
Share of state tax-TRIF	13,752	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246	16,424
Government grants	68,533	66,142	59,658	56,413	57,569	60,200	56,324	53,514	43,468	42,837
Private gifts and grants	14,050	13,093	13,032	10,920	9,925	10,367	8,003	10,873	8,880	10,469
Net investment return (loss)	3,863	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700
Interest on debt	(28,144)	(27,187)	(22,723)	(23,696)	(23,456)	(22,852)	(14,023)	(14,450)	(13,422)	(12,206)
Other revenues (expenses)	15,488	10,578	8,271	8,987	5,703	4,229	3,642	171	(117)	(1,664)
Net Nonoperating Revenues	**$187,648**	**$172,045**	**$185,302**	**$176,223**	**$165,876**	**$169,449**	**$196,938**	**$204,582**	**$208,955**	**$214,139**
Income/(loss) before other revenues, expenses, gains, or losses	**$(5,415)**	**$(18,022)**	**$3,309**	**$(2,469)**	**$(4,394)**	**$7,926**	**$39,753**	**$50,187**	**$32,228**	**$20,917**

Change in Net Position (continued)

Fiscal Year Ended June 30, (Dollars in thousands)	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008
Capital appropriations	$4,247	$5,493	$5,827	$5,900	$5,900	$5,900	$5,900	$5,900	$5,900	$5,900
Capital grants and gifts	5,474	3,010	60	63	63	455	2,582	46	770	2,997
Additions to permanent endowments	906	863	858	826	882	852	831	727	651	650
Increase/(Decrease) in Net Position	**$5,212**	**$(8,656)**	**$10,054**	**$4,320**	**$2,451**	**$15,133**	**$49,066**	**$56,860**	**$39,549**	**$30,464**
Total Revenues	$578,080	$530,318	$523,661	$489,523	$459,828	$440,948	$452,895	$424,670	$409,084	$399,899
Total Expenses	572,868	538,974	513,607	485,203	457,377	425,815	403,829	367,810	369,535	369,435
Increase/(Decrease) in Net Position	**$5,212**	**$(8,656)**	**$10,054**	**$4,320**	**$2,451**	**$15,133**	**$49,066**	**$56,860**	**$39,549**	**$30,464**

Change in Net Position (Continued)

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

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net	41.2	40.9	39.3	38.6	37.5	35.8	32.5	29.8	27.4	24.8
Governmental grants and contracts	4.5	4.3	4.3	4.0	4.2	4.2	5.8	4.2	3.6	3.7
Private grants and contracts	0.8	0.6	0.5	0.6	0.8	0.5	0.3	0.5	0.9	0.9
Residence Life	5.7	6.1	6.0	6.1	6.6	6.7	6.5	6.6	6.2	5.7
Other Auxiliaries	4.8	4.7	4.5	4.4	4.4	3.7	3.9	3.5	3.3	3.3
Other revenues (1)	4.0	4.1	4.4	4.1	3.8	3.9	2.3	2.4	2.2	2.3
Total Operating Revenues	**61.0**	**60.7**	**59.0**	**57.8**	**57.3**	**54.8**	**51.3**	**47.0**	**43.6**	**40.7**
Expenses										
Operating Expenses										
Instruction	30.8	31.4	32.5	32.2	31.1	31.5	32.7	33.5	34.6	34.4
Research	6.3	5.6	5.0	4.9	4.3	5.1	5.7	6.1	5.8	5.8
Public Service	5.0	5.2	5.3	5.3	5.9	6.7	6.8	7.3	7.8	7.9
Academic support	7.2	7.5	7.0	7.0	7.0	6.8	7.5	7.4	7.3	7.9
Student services	9.5	10.0	9.8	10.4	9.2	8.5	8.2	6.9	7.6	7.5
Institutional support	10.3	9.7	11.1	11.1	10.3	9.8	10.1	10.2	9.7	9.9
Operation & maintenance of plant	5.4	5.5	5.0	5.5	5.1	5.1	4.3	4.5	5.3	6.1
Scholarships and fellowships	6.2	5.8	5.7	5.2	5.3	6.0	7.2	6.4	4.5	3.7
Auxiliary enterprises	7.2	7.1	7.3	6.8	9.7	8.7	8.5	8.0	7.8	7.8
Depreciation	7.3	7.0	6.8	6.9	6.9	6.4	5.4	5.9	5.6	5.1
Total Operating Expenses	**95.2**	**94.9**	**95.5**	**95.3**	**94.8**	**94.6**	**96.4**	**96.2**	**96.0**	**96.1**
Operating loss	**(33.4)**	**(35.8)**	**(34.8)**	**(36.5)**	**(37.0)**	**(36.6)**	**(34.7)**	**(36.4)**	**(43.2)**	**(48.3)**
Nonoperating Revenues (Expenses)										
State operating appropriations	17.3	17.8	21.4	21.6	22.1	23.5	28.4	30.2	33.1	38.4
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.1	2.6	5.7	0.0
Share of state tax- TRIF	2.4	2.6	2.5	2.5	2.5	2.5	2.5	2.6	3.0	4.1
Government Grants	11.9	12.5	11.4	11.5	12.5	13.7	12.4	12.6	10.6	10.7
Private gifts	2.4	2.5	2.5	2.2	2.2	2.4	1.8	2.6	2.2	2.6
Net investment return (loss)	0.7	0.2	0.3	1.2	0.7	0.6	0.7	1.0	(0.3)	1.2
Interest on debt	(4.9)	(5.0)	(4.4)	(4.9)	(5.1)	(5.4)	(3.5)	(3.9)	(3.6)	(3.3)
Other revenues (expenses)	2.7	2.0	1.6	1.8	1.2	1.0	0.8	0.0	(0.0)	(0.5)
Net Nonoperating Revenues	**32.5**	**32.5**	**35.3**	**35.9**	**36.1**	**38.3**	**43.2**	**47.7**	**50.7**	**53.2**
Income/(loss) before other revenues, expenses, gains, or losses	**(0.9)**	**(3.3)**	**0.5**	**(0.6)**	**(0.9)**	**1.7**	**8.5**	**11.3**	**7.5**	**4.9**
Capital appropriations	0.7	1.0	1.1	1.2	1.3	1.3	1.3	1.4	1.4	1.5
Capital grants	0.9	0.6	0.0	0.0	0.0	0.1	0.6	0.0	0.2	0.7
Additions to permanent endowments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Increase/(Decrease) in Net Position	**0.9**	**(1.5)**	**1.8**	**0.8**	**0.6**	**3.3**	**10.6**	**12.9**	**9.3**	**7.3**

(1) In compliance with Arizona Revised Statutes §35-391, for FY2017, the University received a rebate in the amount of $483,613 from JP Morgan for Pcard purchases.

Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009	2008
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	9.6	5.6	8.9	9.4	9.3	7.2	16.5	12.8	13.0	11.2
Governmental grants and contracts	13.3	2.2	13.7	0.4	5.7	(29.5)	47.9	20.5	0.4	(73.6)
Private grants and contracts	27.2	23.1	(2.5)	(18.6)	66.0	47.5	(27.3)	(43.8)	(0.3)	(14.1)
Residence Life	2.0	1.7	5.8	(2.2)	3.4	0.2	5.9	9.4	11.6	4.8
Other Auxiliaries	11.8	5.6	9.4	6.6	23.5	(8.0)	18.7	10.2	3.6	(22.6)
Other revenues	7.1	(7.1)	14.7	16.3	1.3	62.1	4.7	14.7	(3.9)	26.9
Total Operating Revenues	**9.3**	**4.2**	**9.2**	**7.3**	**9.2**	**3.8**	**16.9**	**11.7**	**9.7**	**(16.6)**
Expenses										
Operating Expenses										
Instruction	4.1	1.4	7.1	9.7	6.0	1.6	7.3	(3.6)	0.5	9.0
Research	19.7	18.4	8.0	18.6	(8.6)	(6.1)	3.9	3.9	0.1	0.4
Public Service	2.5	4.3	5.1	(4.6)	(5.0)	3.8	1.6	(6.7)	(1.8)	6.6
Academic support	1.4	12.0	6.8	5.3	11.5	(4.8)	11.5	0.5	(7.3)	9.4
Student services	0.8	7.0	(0.3)	19.8	16.2	9.9	30.4	(10.3)	1.4	16.4
Institutional support	12.9	(8.2)	6.4	13.6	13.1	2.2	8.7	5.1	(2.4)	13.2
Operation & maintenance of plant	4.1	15.6	(3.4)	14.8	6.8	25.0	5.0	(15.6)	(13.1)	26.5
Scholarships and fellowships	12.1	8.3	14.4	5.0	(5.3)	(12.5)	24.7	40.8	20.2	6.3
Auxiliary enterprises	7.9	1.0	15.1	(26.2)	19.8	7.8	17.1	2.2	0.2	(14.5)
Depreciation	9.4	8.1	5.6	6.0	15.1	24.0	1.8	4.2	9.5	5.9
Total Operating Expenses	**6.4**	**4.3**	**6.4**	**6.4**	**7.7**	**3.4**	**10.3**	**(0.4)**	**(0.2)**	**7.5**
Operating loss	**1.6**	**4.4**	**1.8**	**4.9**	**5.4**	**2.8**	**1.8**	**(12.6)**	**(8.5)**	**42.0**
Nonoperating Revenues (Expenses)										
State operating appropriations	5.8	(15.5)	6.1	4.1	(2.1)	(19.3)	0.1	(5.3)	(11.7)	12.2
Federal fiscal stabilization funds	n/a	n/a	n/a	n/a	n/a	(100.0)	(97.3)	(53.5)	n/a	n/a
Share of state tax-TRIF	(0.5)	4.2	7.8	7.1	3.0	(0.3)	2.5	(10.9)	(25.4)	(2.9)
Government grants & contracts	3.6	10.9	5.8	(2.0)	(4.4)	6.9	5.3	23.1	1.5	16,439.4
Private gifts	7.3	0.5	19.3	10.0	(4.3)	29.5	(26.4)	22.4	(15.2)	98.5
Net investment return (loss)	302.8	(45.8)	(68.9)	79.7	18.5	(10.2)	(28.6)	(450.5)	(125.4)	(47.4)
Interest on indebtedness	3.5	19.6	(4.1)	1.0	2.6	63.0	(3.0)	7.7	10.0	16.2
Other revenues (expenses)	46.4	27.9	(8.0)	57.6	34.9	16.1	2,029.8	(246.2)	(93.0)	(276.6)
Net Nonoperating Revenues	**9.1**	**(7.2)**	**5.2**	**6.2**	**(2.1)**	**(14.0)**	**(3.7)**	**(2.1)**	**(2.4)**	**35.0**
Income/(loss) before other revenues, expenses, gains, or losses	**70.0**	**(644.6)**	**234.0**	**43.8**	**(155.4)**	**(80.1)**	**(20.8)**	**55.7**	**54.1**	**(7.5)**
Capital appropriations	(22.7)	(5.7)	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	122.9
Capital grants	81.9	4,916.7	(4.8)	0.0	(86.2)	(82.4)	5,513.0	(94.0)	(74.3)	4,657.1
Additions to permanent endowments	5.0	0.6	3.9	(6.3)	3.5	2.5	14.3	11.7	0.2	24.5
Increase/(Decrease) in Net Position	**160.2**	**(186.1)**	**132.7**	**76.3**	**(83.8)**	**(69.2)**	**(13.7)**	**43.8**	**29.8**	**17.8**

Operating Expenses by Natural Classification

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
Personal Services and Benefits	$337,450	$323,156	$313,645	$293,654	$268,887	$254,396	$248,043	$231,613	$237,591	$231,571
Operations	130,446	119,182	113,048	109,185	109,435	95,731	90,555	76,711	79,838	91,220
Scholarships	35,290	31,485	29,068	25,412	24,211	25,576	29,218	23,431	16,644	13,848
Depreciation	41,538	37,964	35,123	33,256	31,388	27,260	21,990	21,605	20,731	18,926
Total Operating Expenses by Natural Classification	**$544,724**	**$511,787**	**$490,884**	**$461,507**	**$433,921**	**$402,963**	**$389,806**	**$353,360**	**$354,804**	**$355,565**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	61.9	63.1	63.9	63.6	62.0	63.1	63.6	65.5	67.0	65.1
Supplies and Services	24.0	23.3	23.0	23.7	25.2	23.8	23.3	21.8	22.5	25.7
Student Aid	6.5	6.2	5.9	5.5	5.6	6.3	7.5	6.6	4.7	3.9
Depreciation	7.6	7.4	7.2	7.2	7.2	6.8	5.6	6.1	5.8	5.3
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	4.4	3.0	6.8	9.2	5.7	2.6	7.1	(2.5)	2.6	7.0
Supplies and Services	9.5	5.4	3.5	(0.2)	14.3	5.7	18.0	(3.9)	(12.5)	9.5
Student Aid	12.1	8.3	14.4	5.0	(5.3)	(12.5)	24.7	40.8	20.2	6.3
Depreciation	9.4	8.1	5.6	6.0	15.1	24.0	1.8	4.2	9.5	5.9
Total Operating Expenses by Natural Classification	**6.4**	**4.3**	**6.4**	**6.4**	**7.7**	**3.4**	**10.3**	**(0.4)**	**(0.2)**	**7.5**

Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
PLEDGE* Resident Undergraduate										
Northern Arizona University	$10,764	$10,358	$9,989	$9,745	$9,271	$8,824	$7,667	$6,627	$5,446	$4,841
percent increase from prior year	3.9%	3.7%	2.5%	5.1%	5.1%	15.1%	15.7%	21.7%	12.5%	6.5%
ABOR Peers with a 4 year guarantee	$12,228	$12,670	$12,122	$12,197	$11,506	$11,026	$10,411	$9,971	$9,294	
percent increase from prior year	(3.5%)	4.5%	(0.6%)	6.0%	4.4%	5.9%	4.4%	7.3%	n/a	
ABOR Peers Average										$6,945
percent increase from prior year										(2.7%)
PLEDGE* Non-Resident Undergraduate										
Northern Arizona University	$24,144	$23,348	$22,509	$22,099	$21,626	$21,179	$20,067	$17,854	$16,544	$14,495
percent increase from prior year	3.4%	3.7%	1.9%	2.2%	2.1%	5.5%	12.4%	7.9%	14.1%	7.5%
ABOR Peers with a 4 year guarantee	$23,785	$23,816	$23,060	$23,044	$22,079	$21,117	$19,854	$18,832	$16,869	
percent increase from prior year	-0.1%	3.3%	0.1%	4.4%	4.6%	6.4%	5.4%	11.6%	n/a	
ABOR Peers Average										$16,678
percent increase from prior year										1.1%

* 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.

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Resident Graduate										
Northern Arizona University	$9,990	$9,606	$9,165	$8,806	$8,378	$8,008	$7,398	$6,546	$5,616	$5,214
percent increase from prior year	4.0%	4.8%	4.1%	5.1%	4.6%	8.2%	13.0%	16.6%	7.7%	6.5%
Non-Resident Graduate										
Northern Arizona University	$21,976	$21,244	$20,249	$19,900	$19,472	$18,910	$18,172	$17,060	$15,976	$14,896
percent increase from prior year	3.4%	4.9%	1.8%	2.2%	3.0%	4.1%	6.5%	6.8%	7.3%	6.2%

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,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	**$237,930**	**$217,047**	**$205,550**	**$188,816**	**$172,565**	**$157,864**	**$147,224**	**$126,414**	**$112,075**	**$99,151**
percent of total revenue	41%	41%	39%	39%	38%	36%	33%	30%	27%	25%
percent increase/(decrease) from prior year	10%	6%	9%	9%	9%	7%	16%	13%	13%	11%
State of Arizona Government										
State appropriations	$100,106	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600	$153,579
Technology and research initiatives funding	13,752	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246	16,424
Capital appropriations	4,247	5,493	5,827	5,900	5,900	5,900	5,900	5,900	5,900	5,900
State grants and contracts	6,675	3,591	3,464	3,469	5,649	3,359	3,229	3,796	4,518	10,693
Arizona State Government	**$124,780**	**$117,544**	**$134,584**	**$127,265**	**$124,510**	**$124,086**	**$148,847**	**$149,057**	**$158,264**	**$186,596**
percent of total revenue	22%	22%	26%	26%	27%	28%	33%	35%	39%	47%
percent increase (decrease) from prior year	6%	(13%)	6%	2%	0%	(17%)	(0%)	(6%)	(15%)	15%
Federal Government										
Federal grants and contracts	$41,508	$39,773	$35,669	$52,981	$53,838	$56,412	$59,255	$57,577	$59,901	$68,220
Financial aid grants	42,881	41,587	39,533	36,535	36,091	36,704	34,478	28,107	15,476	4,551
Capital grants	474	10	60	63	63	455	2,582	46	770	2,997
Federal fiscal stabilization funds	-	-	-	-	-	-	291	10,935	23,492	-
Federal Government	**$84,863**	**$81,370**	**$75,262**	**$89,579**	**$89,992**	**$93,571**	**$96,606**	**$96,665**	**$99,639**	**$75,768**
percent of total revenue	15%	15%	14%	18%	20%	21%	21%	23%	24%	19%
percent increase (decrease) from prior year	4%	8%	(16%)	(0%)	(4%)	(3%)	(0%)	(3%)	32%	112%
Total from principal revenue payers	**$447,573**	**$415,961**	**$415,396**	**$405,660**	**$387,067**	**$375,521**	**$392,677**	**$372,136**	**$369,978**	**$361,515**
percent of total revenue	77%	78%	79%	83%	84%	85%	87%	88%	90%	90%
percent increase (decrease) from prior year	8%	0%	2%	5%	3%	(4%)	6%	1%	2%	26%

Long-Term Debt

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
System Revenue Bonds	$526,925	$536,420	$533,630	$510,695	$467,425	$353,820	$335,700	$360,010	$187,270	$150,710
Unamortized Premium	28,658	30,748	25,906	16,550	9,305	4,283	3,356	4,265	4,601	4,937
Deferred amount on Refundings	-	-	-	-	(1,200)	(1,325)	(1,455)	(1,847)	(2,007)	(2,167)
Net System Revenue Bonds	**$555,583**	**$567,168**	**$559,536**	**$527,245**	**$475,530**	**$356,778**	**$337,601**	**$362,428**	**$189,864**	**$153,480**
Certificates of Participation (COPs)	$53,040	$54,985	$58,285	$62,850	$65,630	$69,540	$80,835	$83,315	$85,705	$88,030
Unamortized Premium	6,462	6,935	7,408	5,574	5,911	849	894	938	983	1,028
Deferred amount on Refundings*	-	-	-	-	(3,502)	-	-	-	-	-
Net Certificates of Participation	**$59,502**	**$61,920**	**$65,693**	**$68,424**	**$68,039**	**$70,389**	**$81,729**	**$84,253**	**$86,688**	**$89,058**
Net System Revenue Bonds Payable	$555,583	$567,168	$559,536	$527,245	$475,530	$356,778	$337,601	$362,428	$189,864	$153,480
Net COPs Payable	59,502	61,920	65,693	68,424	68,039	70,389	81,729	84,253	86,688	89,058
Capital Leases Payable	14,729	15,773	16,778	17,746	17,936	58,652	47,217	48,135	49,234	50,202
Total Long-Term Debt Payable	**$629,814**	**$644,861**	**$642,007**	**$613,415**	**$561,505**	**$485,819**	**$466,547**	**$494,816**	**$325,786**	**$292,740**
Long Term Debt (whole dollars)										
per Student FTE	$21,937	$23,557	$24,755	$24,719	$23,195	$21,156	$20,511	$23,585	$16,675	$16,013
per Dollar of State Appropriations and State Aid	$6.04	$6.44	$5.45	$5.50	$5.23	$4.43	$3.47	$3.68	$2.30	$1.84
per Dollar of Total Grants and Contracts	$5.72	$6.09	$6.73	$6.85	$6.24	$5.22	$4.98	$5.77	$4.32	$3.71
Data Used in Above Calculations										
Total Student FTE	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281
State Appropriations and State Capital Appropriations	$104,353	$100,126	$117,853	$111,488	$107,369	$109,570	$134,429	$134,348	$141,500	$159,479
Grants and Contracts	$110,041	$105,915	$95,327	$89,516	$89,929	$93,116	$93,733	$85,684	$75,377	$78,913

Summary of Ratios

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.13**	**0.09**	**0.12**	**0.50**	**0.54**	**0.56**	**0.60**	**0.62**	**0.47**	**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	0.98	0.68	0.90	3.76	4.06	4.21	4.51	4.66	3.53	2.71
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.34	0.24	0.32	1.32	1.42	1.47	1.58	1.63	1.24	0.95
= Ratio 10.00 Cap Subtotal	0.34	0.24	0.32	1.32	1.42	1.47	1.58	1.63	1.24	0.95
+ Return on Net Assets Ratio	**7.4%**	**(1.5%)**	**3.9%**	**4.8%**	**3.1%**	**2.7%**	**14.4%**	**16.8%**	**8.3%**	**11.0%**
/ 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	3.70	(0.75)	1.95	2.40	1.55	1.35	7.20	8.40	4.15	5.50
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.74	(0.15)	0.39	0.48	0.31	0.27	1.44	1.68	0.83	1.10
= Ratio 10.00 Cap Subtotal	0.74	(0.15)	0.39	0.48	0.31	0.27	1.44	1.68	0.83	1.10
+ Net Operating Revenues Ratio	**(0.9%)**	**(3.6%)**	**0.4%**	**0.3%**	**(0.3%)**	**1.9%**	**9.8%**	**13.2%**	**7.2%**	**5.8%**
/ 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	(0.69)	(1.00)	0.31	0.23	(0.23)	1.46	7.54	10.00	5.54	4.46
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.07)	(0.10)	0.03	0.02	(0.02)	0.15	0.75	1.00	0.55	0.45
= Ratio 10.00 Cap Subtotal	(0.07)	(0.10)	0.03	0.02	(0.02)	0.15	0.75	1.00	0.55	0.45
+ Viability Ratio	**0.1**	**0.1**	**0.1**	**0.4**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**	**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	0.24	0.96	1.09	1.20	1.17	1.03	1.14	1.02
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.08	0.08	0.08	0.34	0.38	0.42	0.41	0.36	0.40	0.36
= Ratio 10.00 Cap Subtotal	0.08	0.08	0.08	0.34	0.38	0.42	0.41	0.36	0.40	0.36
Composite Financial Index	**1.1**	**0.1**	**0.8**	**2.2**	**2.1**	**2.3**	**4.2**	**4.7**	**3.0**	**2.9**
Composite Financial Index w/10.00 Cap	**1.1**	**0.1**	**0.8**	**2.2**	**2.1**	**2.3**	**4.2**	**4.7**	**3.0**	**2.9**

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,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										

PRIMARY RESERVE RATIO

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Unrestricted Net Position	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149
Unrestricted Net Assets- Component Units	10,403	10,055	10,842	12,286	32,282	29,470	30,222	24,951	17,464	20,139
Expendable Restricted Net Position	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951
Temp. Restricted Net Assets - Component Units	69,074	49,179	51,942	52,378	23,511	18,357	22,263	15,403	17,146	22,846
Expendable Net Position/ Assets	**$73,262**	**$52,197**	**$63,331**	**$248,246**	**$254,735**	**$243,998**	**$251,061**	**$233,366**	**$178,310**	**$146,085**
Operating Expenses	$544,724	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804	$355,565
Nonoperating Expenses	28,144	27,187	22,723	23,696	23,456	22,852	14,023	14,450	14,731	13,870
Component Unit Total Expenses	13,085	13,186	13,214	11,944	10,822	11,363	13,424	11,289	11,506	37,868
Total Expenses	**$585,953**	**$552,160**	**$526,821**	**$497,147**	**$468,199**	**$437,178**	**$417,253**	**$379,099**	**$381,041**	**$407,303**
Expendable Net Position/	$73,262	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310	$146,085
Total Expenses	$585,953	$552,160	$526,821	$497,147	$468,199	$437,178	$417,253	$379,099	$381,041	$407,303
Ratio	**0.13**	**0.09**	**0.12**	**0.50**	**0.54**	**0.56**	**0.60**	**0.62**	**0.47**	**0.36**

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Change in Total Net Position/	$30,862	$(6,331)	$15,628	$25,910	$15,925	$13,714	$64,088	$64,204	$29,355	$34,843
Total Net Position (Beginning of Year)	$414,296	$420,627	$404,999	$537,588	$521,663	$509,545	$445,520	$381,316	$351,961	$317,119
Ratio	**7.4%**	**(1.5%)**	**3.9%**	**4.8%**	**3.1%**	**2.7%**	**14.4%**	**16.8%**	**8.3%**	**11.0%**

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Income/(Loss) Before Capital and Endowment Additions	$(5,415)	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228	$20,917
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	348	(787)	(1,443)	3,834	2,812	646	5,271	7,488	(2,676)	4,195
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	$(5,067)	$(18,809)	$1,866	$1,365	$(1,582)	$8,572	$45,024	$57,675	$29,552	$25,112

Summary of Ratios - (Continued)

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
Total Operating Revenues	$351,661	$321,720	$308,891	$282,815	$263,651	$241,440	$232,621	$198,965	$178,077	$162,343
State Appropriation and State related revenues	113,858	108,460	125,293	117,896	112,961	114,827	140,009	150,296	171,338	170,003
Non-capital Gifts and Grants, net	82,583	79,235	72,690	67,333	67,494	70,567	64,327	64,387	52,348	53,306
Investment Income (Loss), net	3,863	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700
Component Units Total Unrestricted Revenue	13,433	12,399	11,771	15,778	13,634	12,009	18,696	18,777	8,830	42,063
Adjusted Net Operating Revenues	$565,398	$522,773	$520,416	$489,525	$460,914	$441,521	$458,636	$436,603	$409,401	$432,415
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items/	$(5,067)	$(18,809)	$1,866	$1,365	$(1,582)	$8,572	$45,024	$57,675	$29,552	$25,112
Adjusted Net Operating Revenues	$565,398	$522,773	$520,416	$489,525	$460,914	$441,521	$458,636	$436,603	$409,401	$432,415
Ratio	**(0.9%)**	**(3.6%)**	**0.36%**	**0.28%**	**(0.3%)**	**1.94%**	**9.82%**	**13.21%**	**7.22%**	**5.81%**

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

VIABILITY RATIO

Unrestricted Net Position	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149
Unrestricted Net Assets- Component Units	10,403	10,055	10,842	12,286	32,282	29,470	30,222	24,951	17,464	20,139
Expendable Restricted Net Position/Assets	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951
Temporarily Restricted Net Assets- Component Units	69,074	49,179	51,942	52,378	23,511	18,357	22,263	15,403	17,146	22,846
Expendable Net Position	$73,262	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310	$146,085
University LT Debt, net capital leases with CUs	$629,813	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740
Component Units Long Term Debt	-	-	-	-	-	-	46,894	47,741	48,522	49,139
Total Adjusted University Debt	$629,813	$644,861	$642,007	$613,415	$561,505	$485,819	$513,441	$542,557	$374,308	$341,879
Expendable Net Position/	$73,262	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310	$146,085
Total Adjusted University Debt	$629,813	$644,861	$642,007	$613,415	$561,505	$485,819	$513,441	$542,557	$374,308	$341,879
Ratio	**0.12**	**0.08**	**0.10**	**0.40**	**0.45**	**0.50**	**0.49**	**0.43**	**0.48**	**0.43**

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

Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
OPERATING MARGIN EXCLUDING GIFTS										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$(5,415)	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228	$20,917
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	**$(5,415)**	**$(18,022)**	**$3,309**	**$(2,469)**	**$(4,394)**	**$7,926**	**$39,753**	**$50,187**	**$32,228**	**$20,917**
Total Operating Revenues	$351,661	$321,720	$308,891	$282,815	$263,651	$241,440	$232,621	$198,965	$178,077	$162,343
State appropriation and share of sales tax	113,858	108,460	125,293	117,896	112,961	114,827	139,718	139,361	147,846	170,003
Federal fiscal stabilization funds							291	10,935	23,492	
Investment Income/ (Loss), net	3,863	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)	4,700
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	**$469,382**	**$431,139**	**$435,955**	**$406,414**	**$379,786**	**$358,945**	**$375,613**	**$353,439**	**$348,223**	**$337,046**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$(5,415)	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228	$20,917
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	$469,382	$431,139	$435,955	$406,414	$379,786	$358,945	$375,613	$353,439	$348,223	$337,046
Ratio	**(1.2%)**	**(4.2%)**	**0.8%**	**(0.6%)**	**(1.2%)**	**2.2%**	**10.6%**	**14.2%**	**9.3%**	**6.2%**

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Expenses	$544,724	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804	$355,565
Scholarships and Fellowships	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)
Interest on Debt	28,144	27,187	22,723	23,696	23,456	22,852	14,023	14,450	13,422	12,206
Total Adjusted Operating Expenses	**$537,578**	**$507,489**	**$484,539**	**$459,791**	**$433,166**	**$400,239**	**$374,611**	**$344,379**	**$351,582**	**$353,923**
Research Expenses	$36,068	$30,142	$25,461	$23,584	$19,886	$21,766	$23,178	$22,306	$21,463	$21,433
Total Adjusted Operating Expenses	$537,578	$507,489	$484,539	$459,791	$433,166	$400,239	$374,611	$344,379	$351,582	$353,923
Ratio	**6.7%**	**5.9%**	**5.3%**	**5.1%**	**4.6%**	**5.4%**	**6.2%**	**6.5%**	**6.1%**	**6.1%**

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

Summary of Ratios - Other Ratios (Continued)

Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$237,930	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075	$99,151
Financial Aid Grants	42,881	41,587	39,533	36,535	36,091	36,704	34,478	28,107	15,476	10,693
Scholarships and Fellowships	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)	(13,848)
Net Tuition and Fees	$245,521	$227,149	$216,015	$199,939	$184,445	$168,992	$152,484	$131,090	$110,907	$95,996
Student FTE	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281
Net Tuition per Student (whole dollars)	**$8,552**	**$8,298**	**$8,329**	**$8,057**	**$7,619**	**$7,359**	**$6,704**	**$6,248**	**$5,677**	**$5,251**

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

STATE APPROPRIATIONS PER STUDENT

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
State Appropriations	$100,106	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600	$153,579
Capital State Appropriations	4,247	5,493	5,827	5,900	5,900	5,900	5,900	5,900	5,900	5,900
Adjusted State Appropriations	$104,353	$100,126	$117,853	$111,488	$107,369	$109,570	$134,429	$134,348	$141,500	$159,479
Student FTE	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281
Adjusted State Appropriation per Student (whole dollars)	**$3,635**	**$3,658**	**$4,544**	**$4,493**	**$4,435**	**$4,771**	**$5,910**	**$6,404**	**$7,243**	**$8,724**

Measures the institution's dependency on state appropriations.

Summary of Ratios - Debt Related Ratios

Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008

(Dollars in thousands)

EXPENDABLE RESOURCES TO DEBT

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Unrestricted Net Position	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149
Expendable Restricted Net Position	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951
Expendable Net Position	$(6,215)	$(7,037)	$547	$183,582	$198,942	$196,171	$198,576	$193,012	$143,700	$103,100
Total Bonds, COPS, and Capital Leases	$629,814	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740
Ratio	**0.0**	**0.0**	**0.0**	**0.3**	**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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Unrestricted Net Position	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781	$80,149
Expendable Restricted Net Position	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919	22,951
Non-expendable Restricted Net Position	24,625	23,593	22,540	21,770	20,430	19,517	19,047	18,253	17,504	16,493
Total Financial Resources	$18,410	$16,556	$23,087	$205,352	$219,372	$215,688	$217,623	$211,265	$161,204	$119,593
Total Bonds, COPS, and Capital Leases	$629,814	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740
Ratio	**0.0**	**0.0**	**0.0**	**0.3**	**0.4**	**0.4**	**0.5**	**0.4**	**0.5**	**0.4**

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

DIRECT DEBT TO ADJUSTED CASH FLOW

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net Cash Used by Operating Activities	$(132,421)	$(150,773)	$(133,504)	$(144,325)	$(143,659)	$(147,552)	$(137,184)	$(126,391)	$(151,474)	$(176,809)
State Appropriations and Federal Stabilization Funds	100,106	94,633	112,026	105,588	101,469	103,670	128,820	139,383	159,092	153,579
Share of State Sales Tax - TRIF	13,752	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246	16,424
Non-capital Grants and Contracts, Gifts, Other	82,583	79,235	72,690	67,333	67,494	70,567	64,327	64,387	52,348	53,306
Adjusted Cash Flow from Operations	**$64,020**	**$36,922**	**$64,479**	**$40,904**	**$36,796**	**$37,842**	**$67,152**	**$88,292**	**$72,212**	**$46,500**
Total Bonds, COPS, and Capital Leases	$629,814	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786	$292,740
Adjusted Cash Flow from Operations	64,020	36,922	64,479	40,904	36,796	37,842	67,152	88,292	72,212	46,500
Ratio	**9.8**	**17.5**	**10.0**	**15.0**	**15.3**	**12.8**	**6.9**	**5.6**	**4.5**	**6.3**

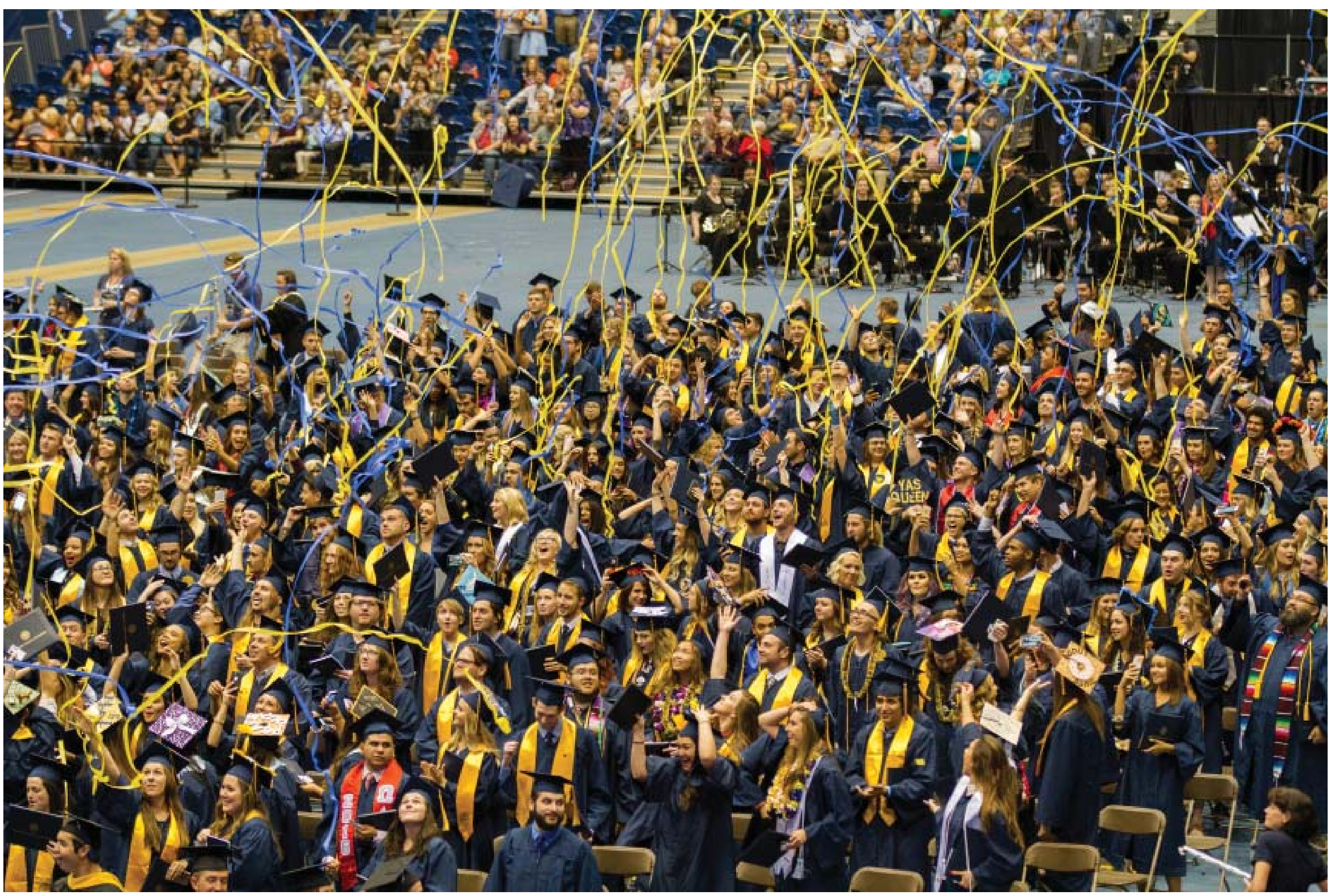
Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.

Summary of Ratios - Debt Related Ratios (Continued)

Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$28,144	$27,187	$22,723	$23,696	$23,456	$22,851	$14,023	$14,450	$13,422	$12,206
Principal Paid on Debt and Leases	88,795	46,400	81,103	26,959	51,997	18,115	27,708	10,034	9,863	48,482
Principal Paid from Refinancing Activities (1)	(73,005)	(33,680)	(68,095)	(16,315)	(37,245)	(8,720)	(18,700)	-	-	(35,345)
Debt Service	$43,934	$39,907	$35,731	$34,340	$38,208	$32,246	$23,031	$24,484	$23,285	$25,343
Operating Expenses	$544,724	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804	$355,565
Ratio	**8.1%**	**7.8%**	**7.3%**	**7.4%**	**8.8%**	**8.0%**	**5.9%**	**6.9%**	**6.6%**	**7.1%**

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 Service Coverage for Senior Lien System Revenue Bonds

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	$237,930	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075	$99,151
Receipts from Other Major Revenue Sources (Facilities Revenues)	75,148	68,525	67,451	63,383	61,277	56,355	46,770	49,886	40,726	35,565
Net Revenues Available for Debt Service	**$313,078**	**$285,572**	**$273,001**	**$252,199**	**$233,842**	**$214,219**	**$193,994**	**$176,300**	**$152,801**	**$134,716**
Senior Lien Bonds Debt Service										
Interest on Debt	$15,738	$15,926	$15,824	$14,990	$15,248	$15,112	$15,133	$10,139	$8,774	$7,350
Principal Paid on Debt	8,445	6,500	8,015	6,615	6,610	5,835	5,610	6,545	6,470	10,455
Direct Payment- Build America Bonds	(2,245)	(2,247)	(2,235)	(2,237)	(2,306)	(2,411)	(2,411)	(1,098)		
Senior Lien Bonds Debt Service Requirements	**$21,938**	**$20,179**	**$21,604**	**$19,368**	**$19,552**	**$18,536**	**$18,332**	**$15,586**	**$15,244**	**$17,805**
Coverage	**14.27**	**14.15**	**12.64**	**13.02**	**11.96**	**11.56**	**10.58**	**11.31**	**10.02**	**7.57**

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.

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Subordinate Lien Bonds Debt Service										
Interest on Debt	$7,093	$7,223	$7,224	$7,315	$3,859	$3,859	$3,870	$665		
Principal Paid on Debt	$3,345									
Direct Payment- Build America Bonds	(1,235)	(1,255)	(1,253)	(1,243)	(1,351)	(1,351)	(1,024)			
Direct Payment- State Lottery Revenue	(7,590)	(4,900)	(5,241)	(2,489)	(2,007)	(2,006)	(2,426)			
Subordinate Lien Bonds Debt Service Requirements	**$1,613**	**$1,068**	**$730**	**$3,583**	**$501**	**$502**	**$420**	**$665**		
Combined Senior/Subordinate Lien Debt Service	**$23,551**	**$21,247**	**$22,334**	**$22,951**	**$20,053**	**$19,038**	**$18,752**	**$16,251**	**$15,244**	**$17,805**
Coverage	**13.29**	**13.44**	**12.22**	**10.99**	**11.66**	**11.25**	**10.35**	**10.85**	**10.02**	**7.57**

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

Admissions, Enrollment, and Degrees Earned

Fall Enrollment of Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
ADMISSIONS - FRESHMEN										
Applications	36,511	29,583	27,780	33,435	29,108	24,482	22,845	21,035	16,492	13,022
Accepted	28,495	22,739	25,159	30,561	26,010	20,620	20,562	19,076	14,745	11,563
Enrolled	5,607	5,218	4,890	4,772	4,254	3,872	4,132	3,702	3,588	3,171
Accepted as Percentage of Application	78%	77%	91%	91%	89%	84%	90%	91%	89%	89%
Enrolled as Percentage of Accepted	20%	23%	19%	16%	16%	19%	20%	19%	24%	27%
Average SAT scores - Total	1045	1050	1050	1053	1059	1065	1062	1050	1051	1057
Verbal	523	520	524	525	526	522	523	518	518	520
Math	522	520	520	528	529	526	525	521	523	527
ENROLLMENT										
Student FTE	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537	18,281
Student Headcount	30,368	29,031	27,715	26,606	26,002	25,364	25,204	23,600	22,507	21,352
Men (Headcount)	12,016	11,622	11,393	10,802	10,534	10,165	9,906	8,999	8,432	7,929
Percentage of Total	39.6%	40.0%	41.1%	40.6%	40.5%	40.1%	39.3%	38.1%	37.5%	37.1%
Women (Headcount)	18,352	17,409	16,322	15,804	15,468	15,199	15,298	14,601	14,075	13,423
Percentage of Total	60.4%	60.0%	58.9%	59.4%	59.5%	59.9%	60.7%	61.9%	62.5%	62.9%
African American (Headcount)	1,007	946	888	839	831	842	823	795	723	641
Percentage of Total	3.3%	3.3%	3.2%	3.2%	3.2%	3.3%	3.3%	3.4%	3.2%	3.0%
White (Headcount)	17,982	17,645	17,289	17,023	16,917	16,848	17,030	16,497	16,053	15,325
Percentage of Total	59.2%	60.8%	62.4%	64.0%	65.1%	66.4%	67.6%	69.9%	71.3%	71.8%
Other (Headcount)	11,379	10,440	9,538	8,744	8,254	7,674	7,351	6,308	5,731	5,386
Percentage of Total	37.5%	36.0%	34.4%	32.9%	31.7%	30.3%	29.2%	26.7%	25.5%	25.2%
DEGREES EARNED										
Bachelor's	5,824	5,105	5,063	5,009	4,513	4,497	4,020	3,635	3,277	2,935
Master's	1,201	1,267	1,234	1,348	1,424	1,546	1,707	1,699	1,719	1,767
Doctoral	123	132	127	116	100	109	95	91	103	87
Total Degrees Earned	7,148	6,504	6,424	6,473	6,037	6,152	5,822	5,425	5,099	4,789

Source: Northern Arizona University- Institutional Research and Analysis

Demographic Data

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Arizona Population	6,931,071	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
Arizona Personal Income (in millions)	$278,925	$266,756	$255,089	$244,011	$235,781	$227,287	$216,590	$212,873	$226,465	$218,588
Arizona Per Capita Personal Income	$40,243	$39,060	$37,895	$36,823	$35,979	$35,062	$33,773	$33,560	$36,059	$35,441
Arizona Unemployment Rate	5.10%	5.30%	6.30%	8.00%	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%

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

Principal Employers

	Calendar Year Ended December 31, 2016			Calendar Year Ended December 31, 2007		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of Arizona	42,687	1	1.32%	50,079	1	1.65%
Banner Health	40,226	2	1.24%	17,020	3	0.56%
Wal-Mart Stores, Inc	34,350	3	1.06%	30,174	2	1.00%
Fry's Food Service	18,870	4	0.58%	11,780	8	0.39%
Wells Fargo	14,860	5	0.46%	14,000	6	0.46%
University of Arizona	14,521	6	0.45%			
City of Phoenix	14,421	7	0.44%	14,453	4	0.48%
U.S. Postal Service	13,509	8	0.42%	11,000	9	0.36%
Arizona State University	12,488	9	0.39%	12,727	7	0.42%
Intel Corp.	11,000	10	0.34%			
Maricopa County				14,057	5	0.46%
Honeywell Aerospace				10,700	10	0.35%
Total	**216,932**		**6.70%**	**185,990**		**6.13%**

Sources: Phoenix Business Journal, Book of Lists 2017 and 2008 for employers: Arizona Department of Adminstration - Employment and Population Statistics website, https://laborstats.az.gov/local-area-unemployment-statistics for annual state employment.

Faculty and Staff

Fall employment of fiscal year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
FACULTY										
Full-time	1,094	1,068	1,055	973	900	864	836	813	809	774
Part-time	569	553	589	616	639	632	665	601	706	726
Total Faculty	**1,663**	**1,621**	**1,644**	**1,589**	**1,539**	**1,496**	**1,501**	**1,414**	**1,515**	**1,500**
Percentage Tenured	49%	49%	50%	53%	52%	60%	63%	69%	71%	75%
STAFF										
Full-time	1,383	1,883	1,892	1,842	1,779	1,707	1,651	1,608	1,710	1,620
Part-time*	1,306	753	756	715	651	661	606	682	674	642
Total Staff	**2,689**	**2,636**	**2,648**	**2,557**	**2,430**	**2,368**	**2,257**	**2,290**	**2,384**	**2,262**
Total Faculty and Staff	**4,352**	**4,257**	**4,292**	**4,146**	**3,969**	**3,864**	**3,758**	**3,704**	**3,899**	**3,762**

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Institutional Research and Analysis

Capital Assets

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Academic/Support Facilities	88	87	85	84	83	81	80	81	79	80
Auxiliary Facilities	38	38	36	33	31	28	28	27	27	24
Total	**126**	**125**	**121**	**117**	**114**	**109**	**108**	**108**	**106**	**104**

Does not include leased facilities.

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

Credits

Content

Wendy Swartz
Associate Vice President/Comptroller

Anton Ciochetti
Associate Comptroller

Tammy Laird
Associate Comptroller

Brent Helsel
Accounting Analyst, Senior

Joseph Sturm
Cash & Investment Analyst

Francine Dalgai
Accountant, Principal

Additional Contributions by

Financial Accounting Services office staff: Gerry Barela, Anthea Barenblatt and Twila Gleason. Contracting and Purchasing Services staff, Student and Departmental Account Services staff, Institutional Research and Analysis staff, Budget Office staff, University Marketing staff, President's Office, and the Facility Services staff.

NORTHERN ARIZONA UNIVERSITY | Associate Vice President and Comptroller's Office

Comptroller's Office
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