NAU
NORTHERN ARIZONA UNIVERSITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

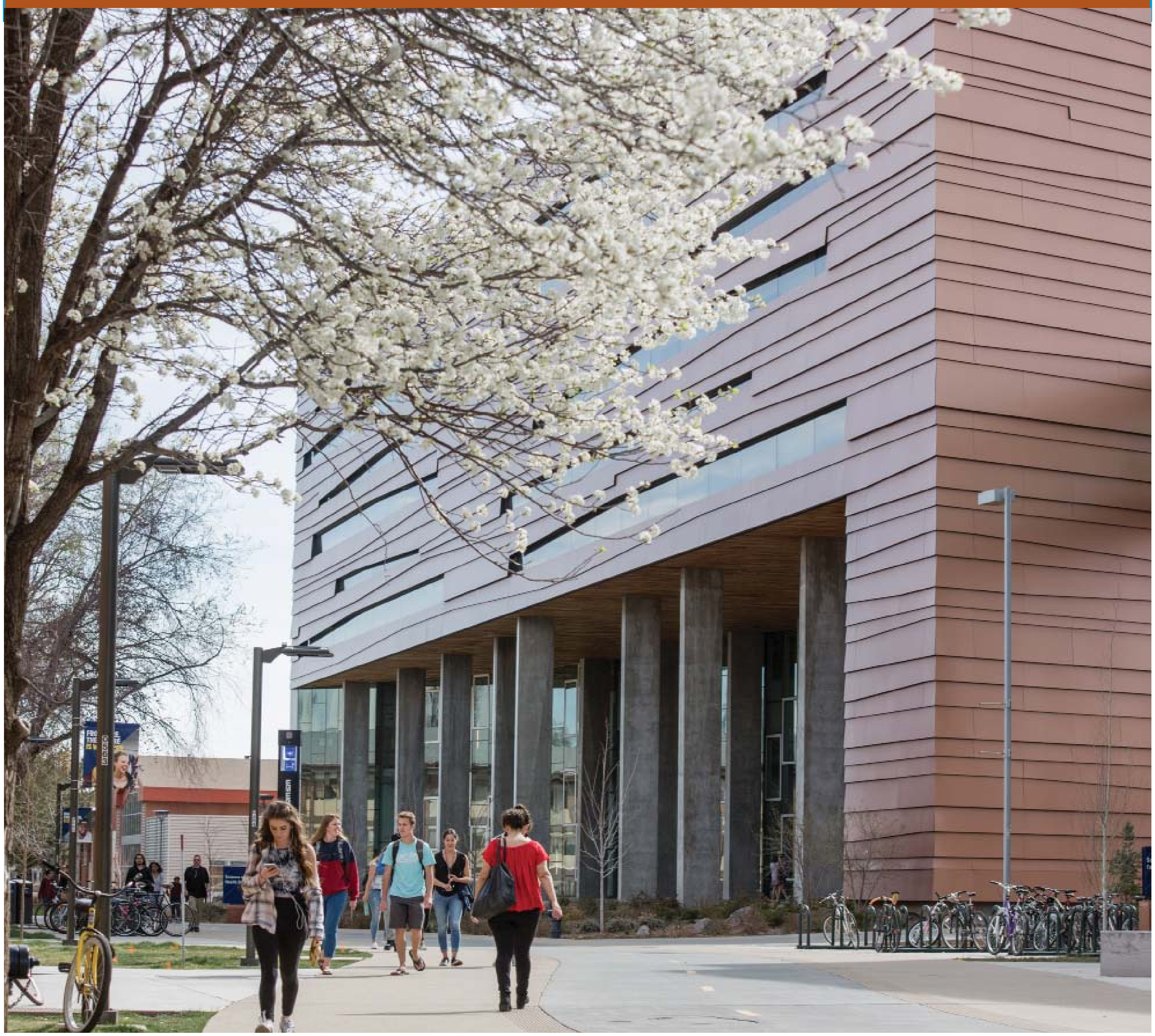
Year Ended | June 30, 2018

Included as an Enterprise Fund of the State of Arizona

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2018

Northern Arizona University
Flagstaff, Arizona
Prepared by the Comptroller's Office



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Introductory Section

A Message from President Rita Cheng

I am pleased to share NAU's progress and success this past year, which included input on NAU's Strategic Plan from thousands of people across our campus and community. The Strategic Plan serves as a guide to ensure we achieve our goals and guide decisions and priorities into our future. It brings together our Mission, Vision and Values as the foundation for our five goals:

Student Success and Access

Student success remains the paramount goal of our university. Our programs build a strong local and Arizona economy and allow students to enter high-demand careers. We welcomed 31,000 new and returning students to NAU's programs offered online and statewide, including 22,600 students on the Flagstaff campus, and 5,800 new freshmen.

Research and Discovery

The significant research success achieved by NAU has been recognized in the Carnegie classification by the designation as a Tier 2, doctoral granting university with higher research activity. Our success is also reflected in the latest Center for World University Rankings that ranks NAU in the top 200 universities in the nation and the top 5% of universities in the world. And we are very close to achieving our goal of being a top 200 research university within the National Science Foundation's (NSF) ranking of US Higher Education Research and Development (HERD) universities. In fact, NAU's research expenditures, as reportable in the NSF HERD annual survey, grew to $52.9M last year, and public service expenditures, as reported to the National Center for Education Statistics, reached an estimated $35.3M. Looking forward, sponsored projects awards expendable in the present year for research, public service, and instruction has reached $65.0M.

Commitment to Native Americans

Diverse Issues in Higher Education magazine named NAU among the best in the nation for conferring the highest number of degrees to Native Americans. We have the 13th highest number of enrolled Native American students among all 4-year public schools in the U.S., the 14th highest of enrolled undergraduate Native American students, and the 6th highest enrolled graduate Native American students.

Engagement

Our NAU town-and-gown engagement continues to thrive and strengthen our connections to Flagstaff neighbors and supporters. We remain one of the top college towns in America, and our statewide partnerships and online education opportunities ensure Arizonans can earn NAU degrees.

Stewardship

We strategically invested in infrastructure to enhance higher education opportunities. We celebrated the creation of our new engineering college, the opening of our new Honors Residential College facility and will soon complete a 250-seat recital hall. Construction has started on the renovation of our Science Annex, and more than 65% of all NAU classrooms have been brought up to the new technology standards.

As you will see in the pages to follow, NAU continues to provide a rich, student-centered educational experience. I am grateful for the support of state leaders who understand the important role we play in Arizona's success, and thank you for your interest and support of NAU.

Letter of Transmittal

October 19, 2018

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, 2018. This report includes the financial statements for the year as well as other useful information that helps ensure the University's accountability to the public. Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net position.

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

The University's CAFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes §41-725. Additionally, federal guidelines and certain bond covenants require that the University's accounting and financial records be subject to an annual independent audit. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The 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, 2018. 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. For the fiscal year ended June 30, 2018, the University implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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 lifetime teaching certificates 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 2018 fall semester total enrollment was 31,057 students. Enrollment was comprised of 27,086 undergraduate and 3,971 graduate students. The University emphasizes undergraduate education while offering graduate programs leading to master's and doctorate degrees in selected fields. The University's 1,151 full-time equivalent faculty educate a diverse student population. The University's student population is 61.2 percent female, 22.9 percent Hispanic, 3.4 percent African American or Black, 2.7 percent American Indian or Alaska Native (affiliated with 128 tribes) and 2.0 percent Asian. It includes students from all 50 states and the District of Columbia. International students represent 4.5 percent of the fall 2017 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 (NACFFC). 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. NACFFC 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 missions. 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, 2018. On March 22, 2018 the Bureau of Economic Analysis reported the population of Arizona in 2017 was 7,016,270, which ranks 14th in the nation. Arizona's current-dollar gross domestic product was $319.9 billion and ranked 21st among the states. In 2017, Arizona real GDP grew 3.2 percent; the 2016-2017 national change was 2.1 percent.

As reported by the Arizona Department of Administration Office of Economic Opportunity, Arizona nonfarm employment grew by 2.6 percent (70,700 jobs) over the year in June. The private sector accounted for 71,400 jobs (3.0%). Ten sectors reported job gains. The sectors with the largest gains included Education and Health Services, Construction, Professional and Business Services, and Manufacturing. Government recorded losses of 700 jobs.

Employment in Arizona is projected to increase 2.6% for the 2017 – 2019 projection time period. Construction and Financial Activities are projected to see the largest percentage change. 22 of the 22 major occupational groups are projected to see gains in employment over the two-year period, with Office and Administrative Support Occupations being the group expected to see the largest change.

Planning and Major Initiatives

Northern Arizona University is dedicated to providing an outstanding undergraduate residential education strengthened by research, graduate and professional programs, and sophisticated methods of distance delivery. NAU has achieved national distinction as a leader in a number of areas, including environmental sustainability, innovative educational approaches, allied health professional education, and Native American educational partnerships. The University is also committed to student success, offering a number of academic planning tools to help students finish in four years and a guaranteed tuition program that ensures that students pay the same tuition over four years.

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 2021 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. Fall 2017 first-year students hail from 14 Arizona counties, all 50 states, and 78 countries.

Research highlights and recent grants consist of a National Institutes of Health grant of $2.6 million to train and mentor Native American students in STEM disciplines. A $1.2 million grant from Planetary Science and Technology from Analog Research to understand the habitability of Mars by studying extreme, Mars-like environments on Earth. Funded for the next five years through a $21.4 million grant from the National Institute on Minority Health and Health Disparities, NAU's Southwest Health Equity Research Collaborative (SHERC) will focus on increasing the university's basic biomedical, clinical and behavioral research capacity to address health disparities among diverse populations of the southwest region. Among the largest grants received at NAU, the SHERC grant will give NAU the ability to make significant strides in these areas. A cross-disciplinary team of NAU ecologists recently received a five-year, $935,000 grant from the U.S. Department of Agriculture to study which plants are most fit for restoring damaged lands and capable of supporting diverse pollinator communities.

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, 2017. This was the fifth 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, 2017

Christopher P. Morrill

Executive Director/CEO

Arizona Board of Regents

June 30, 2018

Ex-Officio Members

Honorable Doug Ducey

Governor of Arizona

Honorable Diane Douglas

Superintendent of Public Instruction

Appointed Members

Ron Shoopman, Chair

Ram Krishna, Secretary

Bill Ridenour, Treasurer

Rick Myers, Regent

Lyndel Manson, Regent

Karrin Taylor Robson, Regent

Jay Heiler, Regent

Larry Penley, Regent

Aundrea DeGravina, Student Regent

Lauren L'Ecuyer, Student Regent

Executive Administration

Rita Cheng
President

Joanne Keene
Executive Vice President and Chief of Staff

Steve Burrell
Chief Information Officer

Ashley Chitwood
Chief Marketing Officer

Christy Farley
Vice President for External Affairs and Partnerships

Bjorn Flugstad
Vice President for Finance, Institutional Planning and Analysis

Chad Hamill
Vice President for Native American Initiatives

Pam Hillman
Interim Vice President for Development and Alumni Engagement

Daniel Kain
Provost and Vice President for Academic Affairs

Jane Kuhn
Vice President for Enrollment Management and Student Affairs

Mike Marlow
Vice President for Intercollegiate Athletics

Daniel Okoli
Vice President Capital Planning & Campus Operations

David Schultz
Vice President for Research

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

Northern Arizona University
PO Box 4069
Flagstaff, AZ 86011-4069

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

Organization Chart

June 30, 2018

- **Rita Cheng**
  President
  - **Joanne Keene**
    Exec. VP & Chief of Staff
  - **Daniel Kain**
    Provost & VP for Academic Affairs
  - **Christy Farley**
    VP for External Affairs & Partnerships
  - **Bjorn Flugstad**
    VP for Finance, Inst Planning & Analysis & CFO
  - **Jane Kuhn**
    VP for Enrollment Mgmt & Student Affairs
  - **Daniel Okoli**
    VP for Capital Planning & Campus Operations
  - **Steve Burrell**
    Chief Information Officer
  - **David Schultz**
    VP for Research
  - **Mike Marlow**
    VP for Intercollegiate Athletics
  - **Michelle Parker**
    General Counsel
  - **Pam Hillman**
    Interim VP for Advancement & Alumni Engagement
  - **Chad Hamill**
    VP for Native American Initiatives
  - **Ashley Chitwood**
    Chief Marketing Officer
  - **Priscilla Mills**
    Asst. VP Equity & Access Office

Financial Section

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2018, 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, 2018, 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 discussed 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, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, for the year ended June 30, 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 22, schedule of University's proportionate share of net pension liability on page 63, schedule of University's pension contributions—Arizona State Retirement System on page 63, and schedule of changes in total OPEB liability 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.

Lindsey Perry, CPA, CFE
Auditor General

October 19, 2018

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, 2018 with comparative information for the fiscal year ended June 30, 2017. While audited financial statements for the 2017 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 2018 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 it's 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.

Condensed Statement of Net Position (dollars in thousands)

A summary of the University's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position on June 30, 2018 and June 30, 2017

		2018		2017 Restated*		% Change
Assets:						
Current assets	$	244,524	$	238,086		2.7%
Non-current assets:						
Endowment, restricted, student loans receivable, and other investments		80,057		64,234		24.6%
Capital assets, net		841,356		845,644		(0.5%)
Other non-current assets		1,309		1,725		(24.1%)
Total Assets	$	1,167,246	$	1,149,689		1.5%
Deferred Outflows of Resources	$	37,959	$	56,200	*	(32.5%)
Liabilities:						
Current liabilities	$	83,300	$	71,673		16.2%
Long-term liabilities		814,243		874,447	*	(6.9%)
Total Liabilities	$	897,543	$	946,120		(5.1%)
Deferred Inflow of Resources	$	64,923	$	22,468		189.0%
Net Position:						
Net investment in capital assets	$	232,568	$	269,240		(13.6%)
Restricted		69,701		63,818		9.2%
Unrestricted		(59,530)		(95,757)	*	(37.8%)
Total Net Position	$	242,739	$	237,301		2.3%

*Note: The University implemented GASB Statement No. 75 in fiscal year 2018; this resulted in a restatement of the University's ending net position from fiscal year 2017, which is reflected in the comparative table shown above.

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.

For the fiscal year ended June 30, 2018, the University implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

Financial Overview

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, and includes all assets and deferred outflows, all liabilities and deferred inflows, and segregates the assets and liabilities into current and non-current components.

Total Assets

When compared to fiscal year 2017, total assets for the University increased $17.6 million. The increase is attributable to increases in investments of $19.2 million, restricted cash for capital projects of $8.0 million, and endowment investments of $2.5 million. These increases were offset by decreases in cash of $3.7 million, construction in progress of $4.5 million, and accounts receivable of $7.9 million.

The increase in investments is a result of the University moving from a defensive cash position to take advantage of more favorable interest rates, attributing to the decrease in cash. The increase in endowment investments is attributable to fair value adjustments made at year end. The increase in restricted cash for capital projects is due to issuance of debt (system revenue bonds 2017A – see note 5) for the Honors Hall and for the expansion of Ardrey Auditorium. The decrease in construction in progress is due to the completion of several large renovations, including South Dining, the University Union, and Tinsley Hall. The decrease in accounts receivable was mainly due to receiving the Stimulus Plan for Economic and Educational Development (SPEED) bond payment in fiscal year 2018.

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, decreased $18.2 million. This decrease is attributed to a $0.7 million decrease in deferred amounts related to debt refunding and $17.5 million decrease in deferred outflows related to pensions and other post-employment benefits due to actuarial adjustments provided by the Arizona State Retirement System (ASRS), Arizona Department of Administration (ADOA), and Public Safety Personnel Retirement System (PSPRS). See notes 9 and 10 for detailed information on deferred inflows and outflows related to pensions and OPEB.

Total Liabilities

Total liabilities decreased $48.6 million compared to fiscal year 2017. Net pension liability decreased $5.4 million, and other postemployment benefit (OPEB) liability decreased $56.6 million. These decreases were offset by an increase in long-term debt of $6.3 million, an increase in accounts payable of $2.5 million, an increase of $2.2 in deposits held for others and an increase of $2.0 million in unearned revenues. The decrease in net pension liability is due to actuarial adjustments provided by ASRS and PSPRS. OPEB liability decreased due to actuarial adjustments provided by the ADOA, ASRS and PSPRS for post-employment benefit plans. The increase in long-term debt was mainly due to the issuance of new System Revenue Bonds and capital leases. The increase in accounts payable is attributable to accrued expenses related to new and ongoing construction on campus. The increase in deposits held for others is mainly due to an increase in agency fund balances and unapplied grant payments. The increase in unearned revenues is due to an increase in summer deferred tuition revenue.

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 $42.5 million due to deferred inflows related to pensions and OPEB due to actuarial adjustments provided by the ASRS, ADOA, and PSPRS. See notes 9 and 10 for detailed information on deferred inflows and outflows related to pensions and OPEB.

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 $242.7 million at June 30, 2018, an increase of $5.4 million over the prior year which is attributed to increases in grant related assets reserved for research and academic use and endowment assets reserved for scholarship use. The deficit in unrestricted net position decreased $36.2 million, primarily due to OPEB adjustments required for the implementation of GASB 75. Net investment in capital assets decreased $36.7 million primarily due to the transfer of debt related to completed construction projects to the investment in plant fund. Net position is reported as follows:

- Net investment in capital assets represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets such amounts are not included.

- Restricted nonexpendable 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.

Statement of Revenues, Expenses and Changes in Net Position

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

Operating Revenues

The operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees reported net of the scholarship allowance, decreased by 0.5 percent due to an increase in scholarship allowances (from $113.1 million in fiscal year 2017 to $128.0 million for fiscal year 2018).

Revenues from operating grants and contracts increased 12.5 percent over the prior year, primarily due to increased grant activity. The funding comes from contracts and grants awarded by federal and state agencies, foundations, non-profit organizations, corporations and associations. Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of large projects and unearned revenues.

Auxiliary enterprises include the revenues from student housing, student health services, dining operations, and parking and shuttle services. Auxiliary revenue increased 10.0 percent over the prior year, primarily due to increased student enrollment and approved housing and dining increases.

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 $556.8 million for the fiscal year ended June 30, 2018. Overall, operating expenses increased 2.2 percent. The programmatic categories of research, institutional support, public service and scholarships and fellowships recorded the highest increases of 12.7, 8.3, 9.7 and 9.5 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.

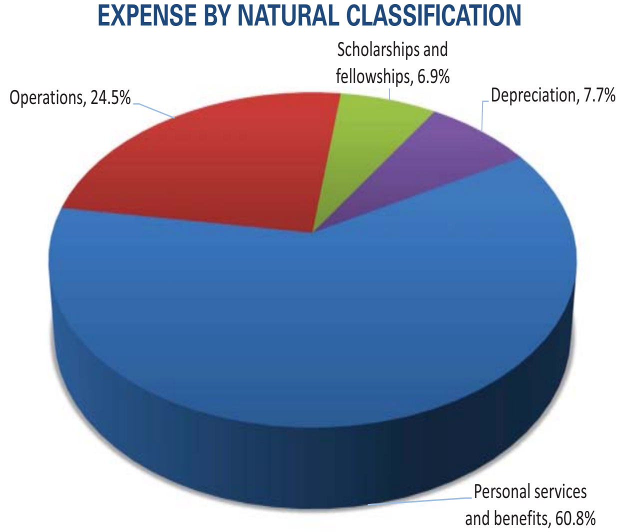
Operating Expenses by Natural Classification (dollars in thousands)

	2018	2017	% Change
Operating:			
Personal services and benefits	$ 338,717	$ 337,450	0.4%
Operations	136,563	130,446	4.7%
Scholarships and fellowships	38,658	35,290	9.5%
Depreciation	42,830	41,538	3.1%
Total operating expenses	$ 556,768	$ 544,724	2.2%

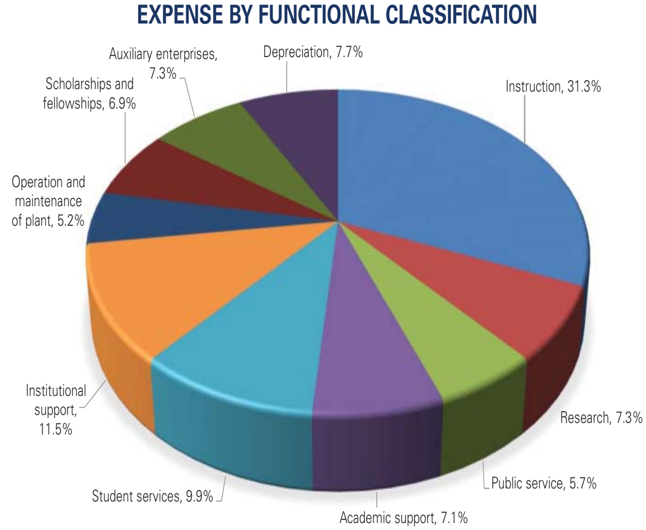
Operating Expenses by Functional Classification (dollars in thousands)

	2018	2017	% Change
Operating:			
Instruction	$ 174,245	$ 176,334	(1.2%)
Research	40,655	36,068	12.7%
Public service	31,665	28,866	9.7%
Academic support	39,483	41,074	(3.9%)
Student services	55,138	54,246	1.6%
Institutional support	64,158	59,238	8.3%
Operation and maintenance of plant	29,031	31,003	(6.4%)
Scholarships and fellowships	38,658	35,290	9.5%
Auxiliary enterprises	40,905	41,067	(0.4%)
Depreciation	42,830	41,538	3.1%
Total operating expenses	$ 556,768	$ 544,724	2.2%

EXPENSE BY NATURAL CLASSIFICATION



EXPENSE BY FUNCTIONAL CLASSIFICATION



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, 2018 and for the year ended June 30, 2017 is as follows:

		2018		2017 Restated*	% Change
Operating revenues:					
Student tuition and fees, net	$	236,790	$	237,930	(0.5%)
Grants and contracts		33,945		30,174	12.5%
Auxiliary enterprises, net		66,479		60,447	10.0%
Other		22,362		23,110	(3.2%)
Total operating revenues	$	359,576	$	351,661	2.3%
Operating expenses:					
Educational and general	$	473,033	$	462,119	2.4%
Auxiliary enterprises		40,905		41,067	(0.4%)
Depreciation		42,830		41,538	3.1%
Total operating expenses	$	556,768	$	544,724	2.2%
Operating loss	$	(197,192)	$	(193,063)	2.1%
Nonoperating revenues (expenses):					
State appropriations	$	99,716	$	100,106	(0.4%)
Share of state sales tax revenues		14,339		13,752	4.3%
Grants and gifts		86,072		82,583	4.2%
Net investment income		4,298		3,863	11.3%
Interest expense on debt		(28,061)		(28,144)	(0.3%)
Other nonoperating revenues		16,126		15,488	4.1%
Net nonoperating revenues	$	192,490	$	187,648	2.6%
Income (loss) before capital and endowment additions	$	(4,702)	$	(5,415)	(13.2%)
Capital appropriations		5,897		4,247	38.9%
Other capital and endowment additions		4,243		6,380	(33.5%)
Increase in net position	$	5,438	$	5,212	4.3%
Net position, end of year	$	242,739	$	237,301 *	2.3%

*Note: The University implemented GASB Statement No. 75 in fiscal year 2018; this resulted in a restatement of the University's ending net position from fiscal year 2017, which is reflected in the comparative table shown above.

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 $99.7 million for fiscal year 2018, a decrease of 0.4 percent from the $100.1 million received during the prior year.

Noncapital gifts and grants increased $3.5 million or 4.2 percent and include expendable gifts, and federal government and other awards that are not considered to be operating revenues. Net investment income increased 11.3% due to increased interest earnings and endowment market appreciation.

Combined Sources and Uses (Dollars in millions)

		2018			2017		% Change
Sources							
Tuition and fees, net	$	236.8	40.1%	$	237.9	41.2%	(0.5%)
State appropriations		99.7	16.9%		100.1	17.3%	(0.4%)
Grants and contracts		101.4	17.2%		94.3	16.3%	7.5%
Auxiliary enterprises, net		66.5	11.3%		60.4	10.4%	10.1%
Other sources		48.7	8.3%		49.3	8.5%	(1.2%)
Private gifts, grants and contracts		18.6	3.2%		18.4	3.2%	1.1%
Share of state sales tax (TRIF)		14.3	2.4%		13.8	2.4%	3.6%
Net investment income		4.3	0.7%		3.9	0.7%	10.3%
Total sources	$	590.3	100.0%	$	578.1	100.0%	2.1%
Uses							
Instruction and academic support	$	213.8	36.6%	$	217.4	37.9%	(1.7%)
Student services & institutional support		119.3	20.4%		113.5	19.8%	5.1%
Research and public service		72.3	12.4%		64.9	11.3%	11.4%
Auxiliary enterprises		40.9	7.0%		41.1	7.2%	(0.5%)
Depreciation		42.8	7.3%		41.5	7.3%	3.1%
Scholarships and fellowships		38.7	6.6%		35.3	6.2%	9.6%
Other uses		28.1	4.8%		28.2	4.9%	(0.4%)
Operation & maintenance of plant		29.0	5.0%		31.0	5.4%	(6.5%)
Total uses	$	584.9	100.0%	$	572.9	100.0%	2.1%

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities present the net cash generated or used by the operating activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major 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 2018, the University completed work on the south dining facilities renovation, renovations on several residence halls, and started work on a new recital hall. In addition to these projects, the University issued $24.3 million in system revenue 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, 2018, the University's debt ratio was 4.6 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 $5.9 million in state appropriations for lease-purchase capital financing for 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

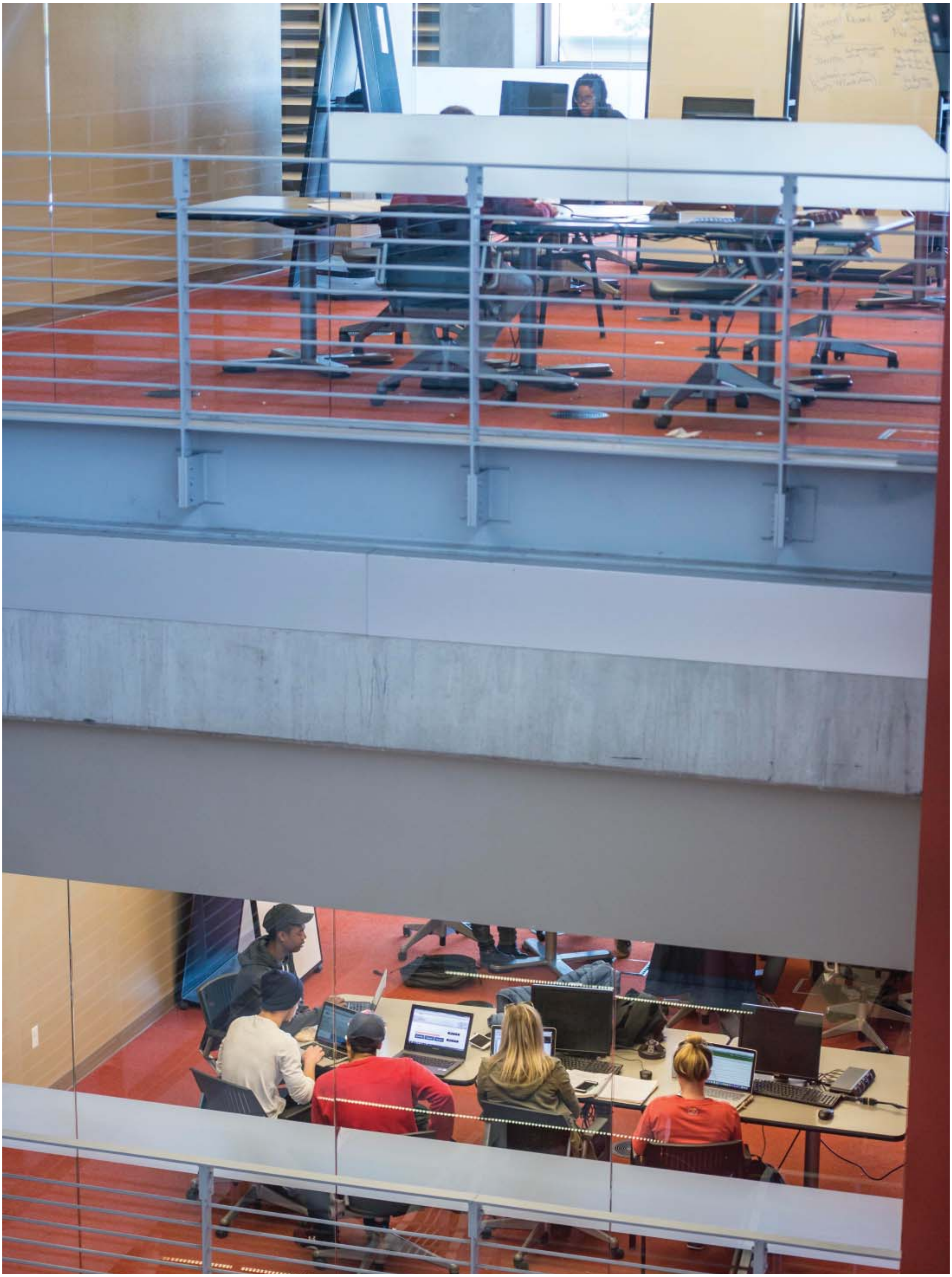
Tuition rates for the ensuing fiscal year 2019 increased 4.6 percent for incoming undergraduate residents and 4.0 percent for undergraduate nonresidents. For graduate resident tuition, rates increased 6.9 percent, and for graduate nonresidents there was an increase of 6.4 percent. The University continues to return a portion of tuition revenue to students in the form of need-based aid and, combined with other sources, continues to provide financial aid to meet 100 percent of documented need for undergraduate students.

The University's state appropriations budget for fiscal year 2019 is $109.1 million, a net increase of $0.7 million from the prior year budget of $108.4 million, increasing slightly 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.

Per IHS Markit, a global macroeconomic forecasting firm, Arizona and the U.S. will continue to grow during the next decade. Growth initially accelerates, driven in part by the recent fiscal stimulus, but then slows as demographic forces reassert themselves. Real Gross Domestic Product (GDP) is expected to accelerate from 2.3 percent this year to 2.7 percent in 2019 and then to 2.9 percent in 2020. The acceleration is driven in part by stronger gains in household consumption, reflecting increased disposable income as tax cuts and low unemployment rates translate into increased purchasing power. Corporate tax cuts, coupled with stronger growth, contribute to increased investment spending on structures and equipment.

Arizona job growth is expected to rise slightly during the next two years, reflecting stronger national growth. Arizona jobs are forecast to increase by 2.5 percent in 2018, 2.6 percent in 2019 and 2.3 percent in 2020. Those gains are expected to significantly outpace national growth. Continued steady job gains, and a gradually declining state unemployment rate, translate into faster wage gains during the forecast. That, in turn, spurs improved personal income growth, which is forecast to accelerate from 4.3 percent last year to 5.2 percent this year.

The University faces significant pressure on its ability to manage expenses while maintaining the competitive salaries and benefits needed to attract top faculty. Continued effective leadership and commitment to financial health will fortify the University as it continues to thrive. While it is not possible to predict future results, management believes that the University's financial position will remain strong. The University will continue working diligently to provide quality instruction, research and public service to the State of Arizona.



Statement of Net Position

June 30, 2018

Assets

Current assets:		
Cash and cash equivalents (Note 3)	$	138,856,528
Short term investments (Note 3)		63,779,613
Receivables (net of allowance for uncollectible):		
Accounts receivable		19,536,121
Accrued interest		1,144,677
Endowment		9,387
Government grants and contracts		16,892,996
Student loans, current portion		1,892,217
Other assets		2,025,845
Inventories		387,019
Total Current Assets	$	244,524,403
Noncurrent assets:		
Restricted cash and cash equivalents held by trustee for capital projects (Note 3)	$	24,363,731
Long term investments (Note 3)		18,720,090
Student loans receivable, net of allowance		3,975,692
Endowment investments (Note 3)		32,997,495
Other noncurrent assets		1,308,591
Capital assets, not being depreciated (Note 4)		21,996,040
Depreciable capital assets, net of depreciation (Note 4)		819,359,463
Total Noncurrent Assets	$	922,721,102
Total Assets	$	1,167,245,505

Deferred Outflows of Resources

Deferred charge on debt refunding	$	11,723,776
Deferred outflows related to pensions (Note 9)		24,962,081
Deferred outflows related to OPEB (Note 10)		1,273,231
Total Deferred Outflows of Resources	$	37,959,088

Statement of Net Position (continued)

Liabilities

Current liabilities:		
Accounts payable	$	14,870,896
Accrued payroll and employee benefits		12,853,026
Interest payable		5,538,122
Unearned revenues		20,558,260
Accrued compensated absences, current portion (Note 7)		815,573
Pension liability, current portion (Note 9)		865,204
Deposits held in custody for others		3,961,128
Current portion of long-term debt funded by:		
University operating revenues (Note 5)		16,063,686
State appropriations and other State monies (Note 5)		7,774,000
Total Current Liabilities	$	83,299,895
Noncurrent liabilities:		
Accrued compensated absences (Note 7)	$	6,351,995
OPEB liability (Note 10)		8,001,700
Net pension liability (Note 9)		187,634,512
Long-term debt funded by:		
University operating revenues (Note 5)		465,202,509
State appropriations and other State monies (Note 5)		147,052,000
Total Noncurrent Liabilities	$	814,242,716
Total Liabilities	$	897,542,611

Deferred Inflow of Resources

Deferred inflows related to pensions (Note 9)		10,746,855
Deferred inflows related to OPEB (Note 10)	$	54,175,828
Total Deferred Inflows of Resources	$	64,922,683

Net Position

Net investment in capital assets	$	232,568,007
Restricted:		
Nonexpendable:		
Scholarships and fellowships		18,005,371
Student loans		7,101,688
Expendable:		
Scholarships and fellowships		15,455,170
Academic department uses		29,138,791
Unrestricted (deficit)		(59,529,728)
Total Net Position	$	242,739,299

See Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2018

Operating Revenues

Tuition and fees (net of scholarship allowances of $128,015,296)	$	236,789,625
Government grants and contracts		29,818,184
Private grants and contracts		4,126,519
Auxiliary enterprises		
Residence life (net of scholarship allowances of $9,100,626)		32,437,161
Other auxiliaries		34,041,962
Other		22,362,150
Total operating revenues	$	359,575,601

Operating Expenses

Operating expenses (Note 8)		
Educational and general:		
Instruction	$	174,244,601
Research		40,654,755
Public service		31,665,232
Academic support		39,482,493
Student services		55,138,441
Institutional support		64,157,695
Operation and maintenance of plant		29,031,450
Scholarships and fellowships		38,658,557
Auxiliary enterprises		40,904,798
Depreciation (Note 4)		42,830,015
Total operating expenses	$	556,768,037
Operating loss	$	(197,192,436)

Nonoperating Revenues (Expenses)

State appropriations	$	99,716,300
Share of state sales tax- technology and research initiative funding		14,339,175
Government grants		71,611,386
Private grants and gifts		14,460,359
Net investment income		4,297,937
Interest expense on capital asset related debt		(28,060,967)
Net loss on disposal of capital assets		(28,238)
Other nonoperating revenues, net		16,154,695
Total nonoperating revenues and expenses	$	192,490,647
Loss before capital and endowment additions	$	(4,701,789)

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

Capital appropriations	$	5,896,500
Capital grants and gifts		3,321,415
Additions to permanent endowments		921,844
Total other revenues	$	10,139,759
Increase in net position	$	5,437,970

Net Position

Total net position, beginning of year, as restated	$	237,301,329
Total net position, end of year	$	242,739,299

See Notes to Financial Statements

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash Flows from Operating Activities:

Tuition and fees	$	230,434,662
Grants and contracts		32,314,453
Payments to vendors and suppliers		(134,032,369)
Payments for employee wages and benefits		(333,771,733)
Payments for scholarships and fellowships		(38,658,557)
Loans issued to students		(659,047)
Collection on loans to students		1,067,600
Auxiliary enterprise receipts		66,295,924
Other receipts		30,000,430
Net cash used for operating activities	$	(147,008,637)

Cash Flows from Noncapital Financing Activities:

State appropriations	$	99,716,300
Share of state sales tax receipts		14,339,175
Gifts and grants for other than capital purposes		86,071,744
Federal direct lending received		168,738,669
Federal direct lending disbursed		(168,118,656)
Deposits held in custody for others received		29,813,949
Deposits held in custody for others disbursed		(28,247,036)
Other non-operating receipts		3,930,565
Financial aid trust funds		921,844
Net cash provided by noncapital financing activities	$	207,166,554

Cash Flows from Capital Financing Activities:

Capital appropriations	$	5,896,500
Proceeds from issuance of capital debt		24,097,240
Build America Bonds- federal subsidy		12,224,131
Proceeds from sale of capital assets		50,203
Capital grants and gifts received		3,321,415
Purchases of capital assets		(38,619,909)
Principal paid on capital debt and leases		(17,102,864)
Interest paid on capital debt and leases		(28,164,794)
Net cash used for capital financing activities	$	(38,298,078)

Statement of Cash Flows (continued)

Cash Flows from Investing Activities:

Proceeds from sales and maturities of investments	$	594,768
Interest on investments		2,699,019
Purchase of investments		(20,834,357)
Net cash used for investing activities	$	(17,540,570)
Net increase in cash and cash equivalents	$	4,319,269

Cash and Cash Equivalents

Cash and cash equivalents- July 1, 2017		158,900,990
Cash and cash equivalents- June 30, 2018	$	163,220,259

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

Operating loss	$	(197,192,436)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		42,830,015
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables:		
Accounts receivable		7,906,283
Government grants and contracts		(3,664,111)
Student loans and accrued interest from student loans		408,554
Inventories		4,832
Other assets		(342,538)
Accounts payable		2,525,434
Accrued payroll and employee benefits		247,581
Net pension and other postemployment benefits liability		(62,010,874)
Deferred outflows of resources related to pensions and other postemployment benefits		17,525,723
Deferred inflows of resources related to pensions and other postemployment benefits		42,454,671
Unearned revenues		2,032,398
Accrued compensated absences		265,831
Net cash used for operating activities	$	(147,008,637)

See Notes to Financial Statements

Statement of Financial Position - Component Unit

Northern Arizona University Foundation, Inc.

June 30, 2018

Assets		
Cash and cash equivalents	$	2,064,188
Promises to give, net		9,812,827
Bequests receivable		1,524,262
Other receivables		104,667
Net investment in direct financing leases		4,649,181
Investments		183,227,568
Cash surrender value of life insurance		6,624,467
EBS licenses, net		233,322
Donated assets held for sale		301,942
Assets held under split-interest agreements		4,320,322
Beneficial interest in perpetual trusts		3,388,459
Other assets		95,000
Total assets	$	216,346,205
Liabilities		
Accounts payable and accrued liabilities	$	272,614
Assets held in custody for others		34,235,324
Due to Northern Arizona University		319,355
Deferred revenue		5,341,005
Liabilities under split-interest agreements		2,770,980
Total liabilities	$	42,939,278
Net Assets		
Unrestricted	$	8,813,902
Temporarily restricted		81,573,399
Permanently restricted		83,019,626
Total net assets	$	173,406,927
Total Liabilities and Net Assets	$	216,346,205

See Notes to Financial Statements

Statement of Activities - Component Unit

Northern Arizona University Foundation, Inc.

For the Year Ended June 30, 2018

Revenue, Support, and Gains	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public contributions	$ 34,848	$ 9,318,280	$ 4,450,104	$ 13,803,232
EBS revenue	1,721,836			1,721,836
Net investment return	761,657	12,532,845	139,827	13,434,329
Interest income on direct financing leases	248,737			248,737
Change in beneficial interest in perpetual trusts			57,026	57,026
Change in value of split-interest agreements	(496,784)			(496,784)
Change in cash surrender value of life insurance		660,693		660,693
Other income and support	16,500	558,913	114,901	690,314
Reclassification of donor intent	(222,883)	(4,253)	227,136	-
Net assets released from restrictions	10,567,193	(10,567,193)		-
Total revenue, support, and gains	$ 12,631,104	$ 12,499,285	$ 4,988,994	$ 30,119,383
Expenses and Losses				
Program expenses:				
Disbursements for educational purposes	$ 3,479,142			$ 3,479,142
Scholarships	3,603,708			3,603,708
Facilities	323,513			323,513
Other University programs	1,076,172			1,076,172
Total program expenses	$ 8,482,535			$ 8,482,535
Supporting services expense:				
Fundraising and development	$ 5,037,594			$ 5,037,594
Management and general	588,478			588,478
Amortization of EBS licenses	111,581			111,581
Total supporting services expenses	5,737,653			5,737,653
Total expenses and losses	$ 14,220,188			$ 14,220,188
Change in net assets	$ (1,589,084)	$ 12,499,285	$ 4,988,994	$ 15,899,195
Net assets, Beginning of year	$ 10,402,986	$ 69,074,114	$ 78,030,632	$ 157,507,732
Net assets, End of year	$ 8,813,902	$ 81,573,399	$ 83,019,626	$ 173,406,927

See Notes to Financial Statements

Notes to Financial Statements

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

Summary of Significant Accounting Policies

As required by generally accepted accounting principles (GAAP) in the United States of America, 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.

For the year ended June 30, 2018, the University implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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.

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*.

Net Position- June 30, 2017, as previously reported	$ 287,650,406
Prior Period Adjustment- Implementation of GASB 75	
OPEB liability (measurement date as of June 30, 2016)	(64,635,816)
Net OPEB obligation- June 30, 2017	11,961,288
Deferred outflow- University contributions made during fiscal year 2017	2,325,451
Total prior period adjustment	(50,349,077)
Net Position as of July 1, 2017 as restated	$ 237,301,329

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 the end of the year. 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 nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses are those that generally result from exchange transactions. Accordingly, revenues such as tuition and fees, sales and services of auxiliary enterprises, and most government and nongovernment research grants and contracts are considered operating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, nonexchange grants, gifts and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

- The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either 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. 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, if probable of collection. All significant transactions resulting from internal activity have been eliminated.

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 consist primarily of expendable supplies, postage, fuel held for consumption, and other merchandise for resale. Items held for resale are stated at the lower of cost (determined by the first-in, first-out or weighted average method) or market. Supplies are stated at cost.

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, for deferred pension amounts as detailed in Note 9, and for deferred OPEB amounts as outlined in Note 10.

Deferred inflows of resources represent an acquisition of net position that is applicable to future periods and will be recognized as a revenue in future periods. The University is reporting deferred inflows resulting from pension amounts as described in Note 9, and deferred inflows related to OPEB amounts as detailed in Note 10.

Postemployment Benefits

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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 scholarship allowances.

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.

Capital Assets and Special Collections

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value. The University maintains special collections for educational purposes and public exhibition. These special collections are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes. Interest incurred during the construction phase of projects is capitalized, net of interest earned, on the invested proceeds over the same period. Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight line method. The capitalization thresholds and estimated useful lives for capital assets of the University are as follows:

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

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, 2018, the Foundation distributed $8.5 million to the University for educational purposes, scholarships, facilities and other University programs.

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, 2018, the carrying amount of the University's deposits was $36,684,128 and the bank balance was $41,247,520. Beyond the requirements established by A.R.S. and ABOR, the University does not have a policy that specifically addresses custodial credit risk.

Investments

U.S. agency securities include Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corp, 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, 2018 the Foundation held $33,867,251 in custody for the University, including funds for the University's Arizona Financial Aid Trust Fund (AFAT) described below.

The 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, 2018 was $25,381,827.

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, and Baa (Investment Grade) or better rating from Moody's Investors 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, 2018, 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		$	101,936,121
U.S. agency securities	AA+	Standard and Poor's		81,849,613
Government Money Market Mutual Funds	AAAm	Standard and Poor's		24,363,731
			$	208,149,465

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, 2018, the University had $81,849,613 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 5 percent or more of the University's investments at June 30, 2018: Federal Home Loan Bank 8.2 percent, Federal Farm Credit Bank 5.5 percent, and Federal National Mortgage Association 16.1 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, 2018, utilizing the segmented time distribution method:

				Maturity		
Investment Type		Fair Value		< 1 Year		1 - 5 Years
State Treasurer Investment Pool 4	$	101,936,121			$	101,936,121
U.S. agency securities*		81,849,613	$	63,779,613		18,070,000
Government Money Market Mutual Funds		24,363,731		24,363,731		
Total	$	208,149,465	$	88,143,344	$	120,006,121

*At June 30, 2018, the University held $81,849,613 or 33.8 percent of investments in U.S. agency securities, including the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corp and Federal National Mortgage Association, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary. Although the majority 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.

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, 2018, 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	$ 81,849,613		$ 81,849,613	
Government Money Market Mutual Funds	24,363,731	$ 11,510,745	12,852,986	
Total investments by fair value level	$ 106,213,344	$ 11,510,745	$ 94,702,599	
External investment pools measured at fair value				
State Treasurer's Investment Pool 4	$ 101,936,121			
NAU Foundation investment pool	33,867,251			
Total external investment pools measured at fair value	$ 135,803,372			
Total investments measured at fair value	242,016,716			
Total investments	$ 242,016,716			

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	$	16,613
Cash in bank		36,684,128
Total investments		242,016,716
	$	278,717,457

Statement of Net Position		
Cash and cash equivalents	$	138,856,528
Short term investments		63,779,613
Restricted cash and cash equivalents held by trustee for capital projects		24,363,731
Long term investments		18,720,090
Endowment investments		32,997,495
	$	278,717,457

Note 4 - Capital Assets

A summary of changes in capital assets for year ended June 30, 2018, is presented as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Land	$ 8,513,009	$ 50,000			$ 8,563,009
Construction in progress:					
Real property	17,908,683	23,070,851		$ (27,546,503)	13,433,031
Total non-depreciable/non-amortizable capital assets	$ 26,421,692	$ 23,120,851		$ (27,546,503)	$ 21,996,040
Infrastructure	$ 152,929,798	$ 957,459		$ 936,455	$ 154,823,712
Buildings and improvements	1,035,637,667	5,153,241		24,964,904	1,065,755,812
Equipment	76,424,902	9,053,951	$ 2,286,654	1,645,144	84,837,343
Intangible assets	10,384,600				10,384,600
Library materials	45,343,973	334,407	70,808		45,607,572
Total depreciable/ amortizable capital assets	$ 1,320,720,940	$ 15,499,058	$ 2,357,462	$ 27,546,503	$ 1,361,409,039
Less accumulated depreciation/ amortization					
Infrastructure	$ 59,152,339	$ 4,901,872			$ 64,054,211
Buildings and improvements	337,075,958	29,837,920			366,913,878
Equipment	54,265,531	6,549,323	$ 2,208,213		58,606,641
Intangible assets	7,184,457	1,177,158			8,361,615
Library materials	43,820,297	363,742	70,808		44,113,231
Total accumulated depreciation/ amortization	$ 501,498,582	$ 42,830,015	$ 2,279,021		$ 542,049,576
Depreciable/ amortizable capital assets, net	$ 819,222,358	$ (27,330,957)	$ 78,441	$ 27,546,503	$ 819,359,463
Capital assets, net	**$ 845,644,050**	**$ (4,210,106)**	**$ 78,441**		**$ 841,355,503**

In addition to expenditures through June 30, 2018, it is estimated that $36.1 million will be required to complete projects under construction, including a renovation of the 3rd and 4th floor of the Science Annex and several residence halls, and a construction of a recital facility. Of that amount, $15.1 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 Debt and Lease Obligations

A summary of changes in the long-term debt activity for the year ended June 30, 2018 is presented as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Revenue bonds payable	$ 526,925,000	$ 24,260,000	$ 13,205,000	$ 537,980,000	$ 17,055,000
Certificates of participation	53,040,000		3,490,000	49,550,000	3,610,000
Discounts/premiums	35,119,836		1,695,458	33,424,378	1,695,458
Total bonds and COP's payable	$ 615,084,836	$ 24,260,000	$ 18,390,458	$ 620,954,378	$ 22,360,458
Capital leases	$ 14,728,652	$ 1,907,608	$ 1,498,443	$ 15,137,817	$ 1,477,228
Total long-term debt	$ 629,813,488	$ 26,167,608	$ 19,888,901	$ 636,092,195	$ 23,837,686

Revenue Bonds Payable and Certificates of Participation

On November 15, 2017, the University sold $24,260,000 of System Revenue Bonds Series 2017A with an interest rate of 2.58 percent. The purpose of the sale is for the construction and improvements of the Honors Community Academic and Student Support Space Project and Utility Infrastructure. The projects are located in the center of the NAU campus at the northeast intersection of Knoles Drive and University Avenue. The sale was a private placement with the purchaser being Compass Mortgage Corporation.

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 2018, the Federal government reduced federal direct payment claims filed between October 1, 2017 and September 30, 2018 by 6.6 percent due to the federal budget sequestration resulting in a $241,618 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, 2018. 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

Revenue Bonds Payable and Certificates of Participation at June 30, 2018
(dollars in thousands)

	Average Interest Rate	Final Maturity	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018
Revenue Bonds:						
2008 System Revenue	5.04%	6/1/2018	$ 950		$ (950)	$ 0
2009A System Revenue	6.49%	6/1/2039	105,825		(3,130)	102,695
2012 System Revenue	4.46%	6/1/2041	21,340		(565)	20,775
2014 System Revenue and Refunding	4.98%	6/1/2044	63,745		(2,050)	61,695
2015 System Revenue Refunding	5.00%	6/1/2037	45,415			45,415
2016 System Revenue and Refunding	5.00%	6/1/2038	33,385		(445)	32,940
2017 System Revenue Refunding	2.91%	6/1/2034	42,970			42,970
2017A System Revenue	2.58%	6/1/2038		$ 24,260		24,260
Subtotal - System Revenue Bonds			$ 313,630	$ 24,260	$ (7,140)	$ 330,750
2010 SPEED Revenue	6.16%	8/1/2030	$ 61,440		$ (3,440)	$ 58,000
2013 SPEED Revenue	4.71%	8/1/2043	75,190		(1,595)	73,595
Subtotal - SPEED Revenue Bonds			$ 136,630		$ (5,035)	$ 131,595
2014 Lease Revenue	4.99%	6/1/2044	$ 33,090		$ (610)	$ 32,480
2016 Lease Refunding	2.61%	6/1/2036	10,235		(420)	9,815
2017 Lease Refunding	2.90%	6/1/2033	33,340			33,340
Subtotal - Lease Revenue Bonds			$ 76,665	$	$ (1,030)	$ 75,635
Subtotal: Revenue Bonds			$ 526,925	$ 24,260	$ (13,205)	$ 537,980
Certificates of Participation (COP's):						
2013 Refunding COP's	4.78%	9/1/2030	$ 35,990		$ (1,420)	$ 34,570
2015 Refunding COP's	4.92%	9/1/2030	17,050		(2,070)	14,980
Subtotal: COP's			$ 53,040		$ (3,490)	$ 49,550
Total Par Amount of Bonds and COP's			$ 579,965	$ 24,260	$ (16,695)	$ 587,530
Discounts/Premiums on Sale of Bonds and COP's			$ 35,120		$ (1,696)	$ 33,424
Total Bonds and COP's Payable			$ 615,085	$ 24,260	$ (18,391)	$ 620,954

revenues. Pledged revenues have averaged $290 million for the prior five years. For fiscal year 2018 pledged revenues totaled $323 million of which 10.0 percent ($32.2 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 $741.4 million.

The following schedule details debt service requirements to maturity for System, Lease, and SPEED Revenue Bonds payable at June 30, 2018.

Year		Principal		Interest
2019	$	17,055,000	$	25,901,641
2020		20,190,000		25,137,633
2021		20,100,000		24,237,572
2022		20,910,000		23,306,436
2023		22,715,000		22,320,977
2024-2028		125,405,000		94,435,951
2029-2033		141,720,000		61,731,171
2034-2038		109,020,000		31,001,446
2039-2043		51,900,000		7,996,373
2044		8,965,000		230,269
Total	$	537,980,000	$	316,299,469

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2018.

Year		Principal		Interest
2019	$	3,610,000	$	2,247,750
2020		3,730,000		2,130,175
2021		2,840,000		1,992,167
2022		3,150,000		1,837,250
2023		3,580,000		1,661,833
2024-2028		19,015,000		5,519,208
2029-2031		13,625,000		817,542
Total	$	49,550,000	$	16,205,925

Capital Leases

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 3.53 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.

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.

In spring of 2018, the University entered into a Computer Lease-Purchase Agreement with Dell Financial Services, for the acquisition of computer equipment with a 3.85 percent interest rate and a final payment date of March 1, 2022.

Capital Lease Commitments to Lessors at June 30, 2018

	Average Interest Rate	Final Maturity	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Energy Conservation Equipment Lease Purchase	3.53%	6/1/2027	$ 10,033,652		$ 852,868	$ 9,180,784	$ 883,240
Northern Arizona Real Estate Holdings, LLC	5.50%	9/30/2030	4,695,000		230,000	4,465,000	245,000
Dell Financial Services, LLC	3.85%	3/1/2022		$ 1,907,608	415,575	1,492,033	348,988
Total			$ 14,728,652	$ 1,907,608	$ 1,498,443	$ 15,137,817	$ 1,477,228

Capital Lease Debt Service Requirements - The following schedule details debt service requirements to maturity for the University's capital leases payable at June 30, 2018:

Year Ending	
2019	$ 2,105,745
2020	2,102,270
2021	2,106,245
2022	2,105,230
2023	1,686,870
2024-2028	7,246,906
2029-2031	1,473,226
Total minimum lease payments	$ 18,826,492
Less amount representing interest	(3,688,675)
Present value of net minimum lease payments	$ 15,137,817

Capital Lease Financing- Following is a summary of capital assets financed by capital leases at June 30, 2018:

Buildings	$ 9,780,185
Building Improvements*	17,051,207
Equipment	1,907,608
Total cost of assets	28,739,000
Less: accumulated depreciation	(11,345,350)
Carrying value of assets	$ 17,393,650

* 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 $2.8 million for the year ended June 30, 2018. The operating leases have remaining terms from one to seven years and provide renewal options. The future minimum payments required under the operating leases at June 30, 2018 are as noted.

Year ending June 30,	
2019	$ 1,938,140
2020	1,861,009
2021	1,568,628
2022	1,455,754
2023	1,455,754
2024-2026	1,819,693
Total minimum lease payments	$ 10,098,978

Note 6 – Self-Insurance Program

Pursuant to A.R.S. §41-621, Northern Arizona 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's 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, 2018 was as follows:

Beginning balance	$	6,901,737
Additions		10,277,876
Reductions		(10,012,045)
Ending balance	$	7,167,568
Current portion	$	815,573

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, 2018

	Personal Services and Benefits	Operations	Scholarships	Depreciation	Total
Functional Classification:					
Educational and general					
Instruction	$ 155,711,608	$ 18,532,993			$ 174,244,601
Research	28,840,393	11,814,362			40,654,755
Public service	13,259,894	18,405,338			31,665,232
Academic support	29,086,573	10,395,920			39,482,493
Student services	34,624,095	20,514,346			55,138,441
Institutional support	41,885,701	22,271,994			64,157,695
Operation and maintenance of plant	1,014,143	28,017,307			29,031,450
Scholarships and fellowships			$ 38,658,557		38,658,557
Auxiliary enterprises	34,294,423	6,610,375			40,904,798
Depreciation				$ 42,830,015	42,830,015
Total	**$ 338,716,830**	**$ 136,562,635**	**$ 38,658,557**	**$ 42,830,015**	**$ 556,768,037**

Note 9 – Pension Plans

The University participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The University also contributes to the Public Safety Personnel Retirement System (PSPRS), a state administered agent multiple-employer defined benefit pension plan. Although a PSPRS net pension liability has been recorded at June 30, 2018, 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, 2018, was comprised of the following:

ASRS	$	177,603,799
PSPRS		7,850,745
Defined Contribution Pension Plans		3,045,172
Total net pension liability	$	188,499,716

Changes in the University's net pension liability during the fiscal year ended June 30, 2018, were as follows:

Beginning balance	$	193,876,474
Increases		47,610,807
Decreases		(52,987,565)
Ending balance	$	188,499,716
Current portion	$	865,204

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	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

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

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the University to contribute at the actuarially determined rate of 10.9 percent of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.26 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, 2018, were $12,679,186.

Pension Liability

At June 30, 2018, the University reported a liability of $177,603,799 for its proportionate share of the ASRS's net pension liability. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes 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, 2017. The University's proportion measure as of June 30, 2017, was 1.14 percent, which was the same as its proportion measure as of June 30, 2016.

Pension Expense and Deferred Outflows/ Inflows of Resources

For the year ended June 30, 2018, the University recognized pension expense for ASRS of $11,162,231. At June 30, 2018, 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		$ 5,325,544
Changes in assumptions or other inputs	$ 7,713,741	5,310,672
Net difference between projected and actual earnings on pension plan investments	1,275,073	
Changes in proportion and differences between university contributions and proportionate share of contributions	1,507,775	
University contributions subsequent to the measurement date	12,679,186	
Total	$ 23,175,775	$ 10,636,216

The $12,679,186 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, 2019. 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 Ending June 30		
2019	$	(5,801,191)
2020		7,559,436
2021		2,187,545
2022		(4,085,417)

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.00 - 6.75%
Inflation	3.00%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016 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 8.7 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 8.7 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%)	$	227,957,562
Current discount rate (8%)		177,603,799
1% increase (9%)		135,528,918

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 $485,923 for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2018.

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, 2018, 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, 2018, 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, 2018, the University reported a liability of $3,045,172 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, 2018, the University recognized pension expense for Defined Contribution Plans of $6,360,296. For the year ended June 30, 2018, forfeitures reduced the University's pension expense by $293,944.

Pension Contributions Payable

The University's accrued payroll and employee benefits included $244,719 of outstanding pension contribution amounts payable to TIAA/CREF and Fidelity for the year ended June 30, 2018.

Note 10 - Other Post-Employment Benefits (OPEB)

Other post-employment benefits (OPEB) provided as part of University employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit post-employment plan, the PSPRS state administered agent multiple-employer defined benefit post-employment plan, as well as the ASRS sponsored cost-sharing plans for the Long-Term Disability (LTD) Fund and the Health Benefit Supplement (HBS) Fund. Although an ASRS and PSPRS OPEB liability has been recorded at June 30, 2018, these plans have not been further disclosed due to the relative insignificance to the University's financial statements.

Changes in the University's OPEB liability during the fiscal year ended June 30, 2018, were as follows:

Beginning balance, as restated*	$	64,635,816
Increases		585,129
Decreases		(57,219,245)
Ending balance	$	8,001,700

**Due to the implementation of GASB Statement No. 75, the University's beginning OPEB liability balance and net position were restated from fiscal year 2017.*

Single-Employer Plan

The ADOA administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired state employees, including University employees and their dependents. Management of the OPEB plan is governed by the University for the BCBS of Arizona option and the ADOA for State plan options. 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 University 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 the blended plan participants. The University does not cover any explicit subsidies. Any Arizona State Retirement System premium supplements are included in that system's pension valuation.

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, publicly available financial report.

At June 30, 2017, plan membership consisted of the following:

Retired employees currently receiving health benefits	307
Active employees*	2,886
Total	3,193

*Excludes 222 active employees currently waiving medical coverage.

Benefits Provided

The University provides medical and accident benefits to retired University employees and their dependents. Dental and vision benefits are also available, but are not valued as there is no implicit subsidization in the retiree rates.

Funding Policy

The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the OPEB liability.

OPEB Liability

At June 30, 2018 the University reported an OPEB liability of $8,225,587 for the single-employer plan. The total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. The total OPEB liability as of June 30, 2017, reflects the following changes of benefit terms and actuarial assumptions for the NAU PPO plan:

- The in-network deductibles increased per person and per family.

- The out-of-network deductibles increased per person and per family.
- The out-of-pocket maximum decreased per person and per family.
- Some co-pays were increased.
- Per capita contributions were updated to reflect actual 2018 monthly premiums.
- Trend rates on per capita costs and contributions were updated.
- Assumed turnover rates, disability incidence rates and mortality rates for healthy and disabled lives were updated to be the same as used in the Arizona State Retirements System Annual Actuarial Valuation as of June 30, 2017.

Arizona Department of Administration		Total OPEB Liability
Balance at 6/30/2017	$	63,886,336
Service cost		5,002,684
Interest		1,798,612
Change of benefit terms		(185,220)
Differences between expected and actual experience		(3,326,316)
Changes of assumptions		(57,396,230)
Expected benefit payments		(1,554,279)
Net change in total OPEB liability	$	(55,660,749)
Balance at 6/30/2018	$	8,225,587

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the University recognized negative OPEB expense of $708,718. The following chart reflects the deferred outflows and inflows of resources related to OPEB.

		Deferred Outflows of Resources		Deferred Inflows of Resources
Changes in assumptions or other inputs			$	50,472,680
Difference between expected and actual experience in the Total OPEB Liability				2,925,072
University contributions subsequent to the measurement date		593,682		
Total	$	593,682	$	53,397,752

The $593,682 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		OPEB Expense Amount
2019	$	(7,324,794)
2020		(7,324,794)
2021		(7,324,794)
2022		(7,324,794)
2023		(7,324,794)
Thereafter		(16,773,782)

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:

Actuarial Assumptions		
Actuarial valuation date	June 30, 2017	
Actuarial cost method	Entry age normal	
Salary increases	Wage inflation rate of 2.7% plus a merit component	
Discount rate	3.58% as of June 30, 2017	
Healthcare cost trend rates	7.0% graded to 4.5% over 5 years	
Contribution trend rates	7.0% graded to 4.5% over 5 years	
Mortality rates	*Employees*	RP-2014 Employee Mortality Table projected generationally from 2014 with 1% improvement per year
	Healthy Retirees and Spouses	2017 State Retirees of Arizona (SRA) Mortality Table projected generationally from 2017 with 1% improvement per year
	Disabled Retirees	RP-2014 Disabled Retiree Mortality Table projected generationally from 2014 with 1% improvement per year

Benefit projections assume the specified premium amount will follow the current practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Discount Rate

The discount rate for OPEB funded entirely on a pay-as-you-go basis is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For this purpose, the Bond Buyer 20-Bond General Obligation Municipal Bond Index was used.

Sensitivity Analysis

The following table presents the impact of the OPEB liability calculated using the discount rate of 3.58 percent, as well as what the University's liability would be if the discount rate is 1 percentage point less than and 1 percentage point greater than the current rate:

		Total OPEB Liability
1% decrease (2.58%)	$	8,800,454
Current discount rate (3.58%)		8,225,587
1% increase (4.58%)		7,687,218

The following table presents the OPEB liability calculated using the healthcare cost and contribution trend rates, as well as what the OPEB liability would be if it were calculated using healthcare cost and contribution trend rates that are 1 percentage point lower and 1 percentage point higher than the current rates:

		Total OPEB Liability
1% decrease in trend rates	$	7,398,312
Current trend rates		8,225,587
1% increase in trend rates		9,202,826

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, 2018, 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, 2018, the allowance was $235,047.

In October 2011, the Foundation received a conditional promise to give that matches funds raised and deposited for a specific endowment fund at a ratio of 3:1, with a maximum matching annual contribution totaling $133,333 per year for a period of five years. The agreement is based upon fiscal years ending on October 31. The agreement was amended in April 2016 to change the maximum matching annual contribution total to $97,910 per year for a period of three years, extending the original promise to give by two years ending October 31, 2018. For the year ended June 30, 2018, the Foundation had raised approximately $54,000 towards the match and as such, has recorded contribution revenue of approximately $18,000. Any remaining matching contribution will be recognized if and when the Foundation raises the necessary amount to meet the conditions of this promise.

Investment in Direct Financing Lease

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

The carrying amount of the net investment in direct financing leases is reduced by a valuation allowance for uncollectible lease payments. The allowance for uncollectible lease payments is established as losses are estimated to have occurred through a provision for lease losses charged to 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, 2018, 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, 2018:

Interest and dividends	$ 2,395,403
Net realized and unrealized gain (loss)	11,118,642
Less investment management and custodial fees	(79,716)
	$ 13,434,329

C. 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, 2018:

		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	$ 13,925,631		$ 13,925,631	
Corporate Bond Mutual Fund	13,663,553	$ 13,663,553		
Exchange Traded Funds	357,212	357,212		
Equity Mutual Funds	69,544,262	69,544,262		
International Bond Mutual Funds	6,837,116	6,837,116		
International Equity Mutual Funds	69,737,587	69,737,587		
Common Stock	3,419,494	3,419,494		
Money Market Funds	1,946,664	1,946,664		
Corporate Bonds	3,796,049		3,796,049	
	$ 183,227,568	$ 165,505,888	$ 17,721,680	
Assets held under split-interest agreements				
Mutual Fund				
Corporate Bond Mutual Fund	$ 1,113,632		$ 1,113,632	
Equity Mutual Funds	2,387,445	$ 2,387,445		
Alternative Investment Mutual Funds	398,437	398,437		
Money Market Funds	82,346	82,346		
Real Estate	338,462			$ 338,462
	$ 4,320,322	$ 2,868,228	$ 1,113,632	$ 338,462
Beneficial interests in				
Perpetual trusts	$ 3,388,459			$ 3,388,459
Liabilities				
Assets held in custody for others	$ 34,235,324		$ 34,235,324	
Liabilities under split-interest agreements	$ 2,770,980			$ 2,770,980

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, 2018:

	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, 2018			
Balance at June 30, 2017	$ 338,462	$ 3,327,839	$ 2,370,728
Change in value of assets held by third party		60,620	
Distributions			(89,191)
Change in actuarial valuation			489,443
Balance at June 30, 2018	$ 338,462	$ 3,388,459	$ 2,770,980
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		$ 60,620	

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.

D. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2018:

Within one year	$ 3,294,890
In one to five years	6,704,696
Over five years	172,142
	$ 10,171,728
Less discount to present value at rates ranging from 0.1% - 2.42%	(123,854)
Less allowance for uncollectible promises to give	(235,047)
	$ 9,812,827

At June 30, 2018, two donors accounted for approximately 47% of gross promises to give.

E. 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, 2018:

Cash	$ 1,779,868	Assets held on behalf of:	
Pledges receivable	100		
Investments	31,779,875	Northern Arizona University	$ 33,896,468
Beneficial interest in perpetual trust	675,481	NAU Parents' Association	338,856
	$ 34,235,324		$ 34,235,324

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, 2018, 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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated quasi-endowment	$ 10,815,925			$ 10,815,925
Donor-restricted quasi-endowment		$ 5,951,442		5,951,442
Donor-restricted for permanent endowment	(27,262)	29,633,332	$ 76,680,017	106,286,087
	$ 10,788,663	$ 35,584,774	$ 76,680,017	$ 123,053,454

At June 30, 2018, 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 $27,262 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% 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 2018, the spending rate maximum was 4.5%. In establishing this policy, the Foundation considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

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

Changes in Endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 10,321,763	$ 30,484,136	$ 72,395,223	$ 113,201,122
Investment return				
Investment income, net of fees	99,913	896,597		996,510
Net realized and unrealized gain	458,874	6,944,220	139,827	7,542,921
	558,787	7,840,817	139,827	8,539,431
Contributions		64,905	3,254,014	3,318,919
Reclassification of donor intent	2,176	363,906	890,953	1,257,035
Recovery of deficiency in original gift value of permanently restricted funds below fair value	46,413			46,413
Appropriation of endowment assets pursuant to spending-rate policy	(140,476)	(3,168,990)		(3,309,466)
Endowment net assets, end of year	$ 10,788,663	$ 35,584,774	$ 76,680,017	$ 123,053,454

Required Supplementary Information

Schedule of University's Proportionate Share of Net Pension Liability

Year Ended June 30,

Arizona State Retirement System - Pension	Reporting Fiscal Year (Measurement Date) 2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
University's proportion of the net pension liability	1.14%	1.14%	1.13%	1.06%	
University's proportionate share of the net pension liability	$ 177,603,799	$ 183,823,445	$ 175,686,559	$ 156,806,397	Information
University's covered payroll	$ 111,651,187	$ 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	159%	172%	168%	162%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	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
2018	$ 12,679,186	$ 12,679,186	$ -	$ 116,750,466	10.86%
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%

Schedule of Changes in Total OPEB Liability

Arizona Department of Administration Other Postemplyment Benefits		Reporting Fiscal Year (Measurement Date) 2018 (2017)	2017 2009
Service cost	$	5,002,684	
Interest		1,798,612	Information
Change of benefit terms		(185,220)	not available
Differences between expected and actual experience		(3,326,316)	
Changes of assumptions		(57,396,230)	
Expected benefit payments		(1,554,279)	
Net change in total OPEB liability	$	(55,660,749)	
Total OPEB liability- beginning		63,886,336	
Total OPEB liability- ending	$	8,225,587	
Covered employee payroll*		184,515,630	
Plan total OPEB liability as a percentage of covered employee payroll		4.46%	

*Annualized pay of active employees not waiving coverage as of the measurement date.

Statistical Section

Narrative to the Statistical Section

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Net Position by Component

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009
(Dollars in thousands)										
Invested in Capital Assets	$232,568	$269,240	$265,882	$268,007	$234,187	$215,847	$218,676	$200,274	$157,565	$150,766
Restricted, Non-expendable	25,107	24,625	23,593	22,540	21,770	20,430	19,517	19,047	18,253	17,504
Restricted, Expendable	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919
Unrestricted	(59,530)	(45,408)	(39,221)	(32,051)	154,120	172,284	178,600	182,210	173,639	124,781
Total Net Position	**$242,739**	**$287,650**	**$282,438**	**$291,094**	**$439,539**	**$435,219**	**$434,364**	**$417,897**	**$368,830**	**$311,970**

Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	95.8	93.6	94.1	92.1	53.3	49.6	50.3	47.9	42.7	48.3
Restricted, Non-expendable	10.3	8.6	8.4	7.7	4.9	4.7	4.5	4.6	4.9	5.6
Restricted, Expendable	18.4	13.6	11.4	11.2	6.7	6.1	4.0	3.9	5.3	6.1
Unrestricted	(24.5)	(15.8)	(13.9)	(11.0)	35.1	39.6	41.2	43.6	47.1	40.0
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	(13.6)	1.3	(0.8)	14.4	8.5	(1.3)	9.2	27.1	4.5	(1.3)
Restricted, Non-expendable	2.0	4.4	4.7	3.5	6.6	4.7	2.5	4.3	4.3	6.1
Restricted, Expendable	13.8	21.8	(1.3)	10.6	10.5	51.7	7.4	(15.5)	2.4	(17.6)
Unrestricted	(31.1)	(15.8)	(22.4)	(120.8)	(10.5)	(3.5)	(2.0)	4.9	39.2	55.7
Total Net Position	**(15.6)**	**1.8**	**(3.0)**	**(33.8)**	**1.0**	**0.2**	**3.9**	**13.3**	**18.2**	**14.5**

Note: The University implemented GASB 65 in FY 2014, balances prior to FY 2014 have not been adjusted in the statistical section

The University implemented GASB 68 and GASB 71 in FY 2015, historical data has not been restated in the statistical section.

The University implemented GASB 75 in FY 2018, historical data has not been restated in the statistical section.

Change in Net Position

Fiscal Year Ended June 30, (Dollars in thousands)	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009
Revenues										
Operating Revenues										
Student tuition and fees, net	$236,790	$237,930	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075
Governmental grants and contracts	29,818	25,802	22,772	22,288	19,594	19,521	18,461	26,185	17,706	14,690
Private grants and contracts	4,127	4,372	3,438	2,793	2,865	3,518	2,119	1,437	1,977	3,518
Residence Life	32,437	32,791	32,141	31,602	29,870	30,541	29,534	29,480	27,841	25,448
Other auxiliaries	34,042	27,656	24,745	23,443	21,424	20,096	16,272	17,692	14,903	13,520
Other revenues	22,362	23,110	21,577	23,215	20,246	17,410	17,190	10,603	10,124	8,826
Total Operating Revenues	**$359,576**	**$351,661**	**$321,720**	**$308,891**	**$282,815**	**$263,651**	**$241,440**	**$232,621**	**$198,965**	**$178,077**
Expenses										
Operating Expenses										
Instruction	$174,245	$176,334	$169,385	$167,080	$156,021	$142,282	$134,272	$132,117	$123,077	$127,717
Research	40,655	36,068	30,142	25,461	23,584	19,886	21,766	23,178	22,306	21,463
Public Service	31,665	28,866	28,163	27,009	25,699	26,935	28,352	27,301	26,878	28,794
Academic support	39,482	41,074	40,506	36,182	33,877	32,164	28,858	30,321	27,194	27,064
Student services	55,138	54,246	53,834	50,335	50,504	42,145	36,274	32,995	25,312	28,228
Institutional support	64,158	59,238	52,447	57,141	53,702	47,265	41,789	40,909	37,627	35,789
Operation & maintenance of plant	29,031	31,003	29,790	25,779	26,693	23,259	21,781	17,426	16,591	19,658
Scholarship and fellowship	38,659	35,290	31,485	29,068	25,412	24,211	25,576	29,218	23,431	16,644
Auxiliary enterprises	40,905	41,067	38,071	37,706	32,759	44,386	37,035	34,351	29,339	28,716
Depreciation	42,830	41,538	37,964	35,123	33,256	31,388	27,260	21,990	21,605	20,731
Total Operating Expenses	**$556,768**	**$544,724**	**$511,787**	**$490,884**	**$461,507**	**$433,921**	**$402,963**	**$389,806**	**$353,360**	**$354,804**
Operating loss	**$(197,192)**	**$(193,063)**	**$(190,067)**	**$(181,993)**	**$(178,692)**	**$(170,270)**	**$(161,523)**	**$(157,185)**	**$(154,395)**	**$(176,727)**
Nonoperating Revenues (Expenses)										
State operating appropriations	$99,716	$100,106	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600
Federal fiscal stabilization funds	-	-	-	-	-	-	-	291	10,935	23,492
Share of state tax-TRIF	14,339	13,752	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246
Government grants	71,612	68,533	66,142	59,658	56,413	57,569	60,200	56,324	53,514	43,468
Private gifts and grants	14,460	14,050	13,093	13,032	10,920	9,925	10,367	8,003	10,873	8,880
Net investment return (loss)	4,298	3,863	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)
Interest on debt	(28,061)	(28,144)	(27,187)	(22,723)	(23,696)	(23,456)	(22,852)	(14,023)	(14,450)	(13,422)
Other revenues (expenses)	16,126	15,488	10,578	8,271	8,987	5,703	4,229	3,642	171	(117)
Net Nonoperating Revenues	**$192,490**	**$187,648**	**$172,045**	**$185,302**	**$176,223**	**$165,876**	**$169,449**	**$196,938**	**$204,582**	**$208,955**
Income/(loss) before other revenues, expenses, gains, or losses	**$(4,702)**	**$(5,415)**	**$(18,022)**	**$3,309**	**$(2,469)**	**$(4,394)**	**$7,926**	**$39,753**	**$50,187**	**$32,228**

Change in Net Position (continued)

Fiscal Year Ended June 30, (Dollars in thousands)	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009
Capital appropriations	$5,897	$4,247	$5,493	$5,827	$5,900	$5,900	$5,900	$5,900	$5,900	$5,900
Capital grants and gifts	3,321	5,474	3,010	60	63	63	455	2,582	46	770
Additions to permanent endowments	922	906	863	858	826	882	852	831	727	651
Increase/(Decrease) in Net Position	**$5,438**	**$5,212**	**$(8,656)**	**$10,054**	**$4,320**	**$2,451**	**$15,133**	**$49,066**	**$56,860**	**$39,549**
Total Revenues	$590,267	$578,080	$530,318	$523,661	$489,523	$459,828	$440,948	$452,895	$424,670	$409,084
Total Expenses	584,829	572,868	538,974	513,607	485,203	457,377	425,815	403,829	367,810	369,535
Increase/(Decrease) in Net Position	**$5,438**	**$5,212**	**$(8,656)**	**$10,054**	**$4,320**	**$2,451**	**$15,133**	**$49,066**	**$56,860**	**$39,549**

Change in Net Position (Continued)

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net	40.1	41.2	40.9	39.3	38.6	37.5	35.8	32.5	29.8	27.4
Governmental grants and contracts	5.1	4.5	4.3	4.3	4.0	4.2	4.2	5.8	4.2	3.6
Private grants and contracts	0.7	0.8	0.6	0.5	0.6	0.8	0.5	0.3	0.5	0.9
Residence Life	5.5	5.7	6.1	6.0	6.1	6.6	6.7	6.5	6.6	6.2
Other Auxiliaries	5.8	4.8	4.7	4.5	4.4	4.4	3.7	3.9	3.5	3.3
Other revenues (1)	3.8	4.0	4.1	4.4	4.1	3.8	3.9	2.3	2.4	2.2
Total Operating Revenues	**61.0**	**61.0**	**60.7**	**59.0**	**57.8**	**57.3**	**54.8**	**51.3**	**47.0**	**43.6**
Expenses										
Operating Expenses										
Instruction	29.8	30.8	31.4	32.5	32.2	31.1	31.5	32.7	33.5	34.6
Research	7.0	6.3	5.6	5.0	4.9	4.3	5.1	5.7	6.1	5.8
Public Service	5.4	5.0	5.2	5.3	5.3	5.9	6.7	6.8	7.3	7.8
Academic support	6.8	7.2	7.5	7.0	7.0	7.0	6.8	7.5	7.4	7.3
Student services	9.4	9.5	10.0	9.8	10.4	9.2	8.5	8.2	6.9	7.6
Institutional support	11.0	10.3	9.7	11.1	11.1	10.3	9.8	10.1	10.2	9.7
Operation & maintenance of plant	5.0	5.4	5.5	5.0	5.5	5.1	5.1	4.3	4.5	5.3
Scholarships and fellowships	6.6	6.2	5.8	5.7	5.2	5.3	6.0	7.2	6.4	4.5
Auxiliary enterprises	7.0	7.2	7.1	7.3	6.8	9.7	8.7	8.5	8.0	7.8
Depreciation	7.3	7.3	7.0	6.8	6.9	6.9	6.4	5.4	5.9	5.6
Total Operating Expenses	**95.3**	**95.2**	**94.9**	**95.5**	**95.3**	**94.8**	**94.6**	**96.4**	**96.2**	**96.0**
Operating loss	**(33.4)**	**(33.4)**	**(35.8)**	**(34.8)**	**(36.5)**	**(37.0)**	**(36.6)**	**(34.7)**	**(36.4)**	**(43.2)**
Nonoperating Revenues (Expenses)										
State operating appropriations	16.9	17.3	17.8	21.4	21.6	22.1	23.5	28.4	30.2	33.1
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	2.6	5.7
Share of state tax-TRIF	2.4	2.4	2.6	2.5	2.5	2.5	2.5	2.5	2.6	3.0
Government Grants	12.1	11.9	12.5	11.4	11.5	12.5	13.7	12.4	12.6	10.6
Private gifts	2.4	2.4	2.5	2.5	2.2	2.2	2.4	1.8	2.6	2.2
Net investment return (loss)	0.7	0.7	0.2	0.3	1.2	0.7	0.6	0.7	1.0	(0.3)
Interest on debt	(4.8)	(4.9)	(5.0)	(4.4)	(4.9)	(5.1)	(5.4)	(3.5)	(3.9)	(3.6)
Other revenues (expenses)	2.7	2.7	2.0	1.6	1.8	1.2	1.0	0.8	0.0	(0.0)
Net Nonoperating Revenues	**32.6**	**32.5**	**32.5**	**35.3**	**35.9**	**36.1**	**38.3**	**43.2**	**47.7**	**50.7**
Income/(loss) before other revenues, expenses, gains, or losses	**(0.8)**	**(0.9)**	**(3.3)**	**0.5**	**(0.6)**	**(0.9)**	**1.7**	**8.5**	**11.3**	**7.5**
Capital appropriations	1.0	0.7	1.0	1.1	1.2	1.3	1.3	1.3	1.4	1.4
Capital grants	0.6	0.9	0.6	0.0	0.0	0.0	0.1	0.6	0.0	0.2
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**	**0.9**	**(1.5)**	**1.8**	**0.8**	**0.6**	**3.3**	**10.6**	**12.9**	**9.3**

(1) In compliance with Arizona Revised Statutes §35-391, for FY2018, the University received a rebate in the amount of $581,450 from JP Morgan for Pcard purchases.

Change in Net Position (Continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013 Restated	2012 Restated	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	(0.5)	9.6	5.6	8.9	9.4	9.3	7.2	16.5	12.8	13.0
Governmental grants and contracts	15.6	13.3	2.2	13.7	0.4	5.7	(29.5)	47.9	20.5	0.4
Private grants and contracts	(5.6)	27.2	23.1	(2.5)	(18.6)	66.0	47.5	(27.3)	(43.8)	(0.3)
Residence Life	(1.1)	2.0	1.7	5.8	(2.2)	3.4	0.2	5.9	9.4	11.6
Other Auxiliaries	23.1	11.8	5.6	9.4	6.6	23.5	(8.0)	18.7	10.2	3.6
Other revenues	(3.2)	7.1	(7.1)	14.7	16.3	1.3	62.1	4.7	14.7	(3.9)
Total Operating Revenues	**2.3**	**9.3**	**4.2**	**9.2**	**7.3**	**9.2**	**3.8**	**16.9**	**11.7**	**9.7**
Expenses										
Operating Expenses										
Instruction	(1.2)	4.1	1.4	7.1	9.7	6.0	1.6	7.3	(3.6)	0.5
Research	12.7	19.7	18.4	8.0	18.6	(8.6)	(6.1)	3.9	3.9	0.1
Public Service	9.7	2.5	4.3	5.1	(4.6)	(5.0)	3.8	1.6	(6.7)	(1.8)
Academic support	(3.9)	1.4	12.0	6.8	5.3	11.5	(4.8)	11.5	0.5	(7.3)
Student services	1.6	0.8	7.0	(0.3)	19.8	16.2	9.9	30.4	(10.3)	1.4
Institutional support	8.3	12.9	(8.2)	6.4	13.6	13.1	2.2	8.7	5.1	(2.4)
Operation & maintenance of plant	(6.4)	4.1	15.6	(3.4)	14.8	6.8	25.0	5.0	(15.6)	(13.1)
Scholarships and fellowships	9.5	12.1	8.3	14.4	5.0	(5.3)	(12.5)	24.7	40.8	20.2
Auxiliary enterprises	(0.4)	7.9	1.0	15.1	(26.2)	19.8	7.8	17.1	2.2	0.2
Depreciation	3.1	9.4	8.1	5.6	6.0	15.1	24.0	1.8	4.2	9.5
Total Operating Expenses	**2.2**	**6.4**	**4.3**	**6.4**	**6.4**	**7.7**	**3.4**	**10.3**	**(0.4)**	**(0.2)**
Operating loss	**2.1**	**1.6**	**4.4**	**1.8**	**4.9**	**5.4**	**2.8**	**1.8**	**(12.6)**	**(8.5)**
Nonoperating Revenues (Expenses)										
State operating appropriations	(0.4)	5.8	(15.5)	6.1	4.1	(2.1)	(19.3)	0.1	(5.3)	(11.7)
Federal fiscal stabilization funds	n/a	n/a	n/a	n/a	n/a	n/a	(100.0)	(97.3)	(53.5)	n/a
Share of state tax-TRIF	4.3	(0.5)	4.2	7.8	7.1	3.0	(0.3)	2.5	(10.9)	(25.4)
Government grants & contracts	4.5	3.6	10.9	5.8	(2.0)	(4.4)	6.9	5.3	23.1	1.5
Private gifts	2.9	7.3	0.5	19.3	10.0	(4.3)	29.5	(26.4)	22.4	(15.2)
Net investment return (loss)	11.3	302.8	(45.8)	(68.9)	79.7	18.5	(10.2)	(28.6)	(450.5)	(125.4)
Interest on indebtedness	(0.3)	3.5	19.6	(4.1)	1.0	2.6	63.0	(3.0)	7.7	10.0
Other revenues (expenses)	4.1	46.4	27.9	(8.0)	57.6	34.9	16.1	2,029.8	(246.2)	(93.0)
Net Nonoperating Revenues	**2.6**	**9.1**	**(7.2)**	**5.2**	**6.2**	**(2.1)**	**(14.0)**	**(3.7)**	**(2.1)**	**(2.4)**
Income/(loss) before other revenues, expenses, gains, or losses	**13.2**	**70.0**	**(644.6)**	**234.0**	**43.8**	**(155.4)**	**(80.1)**	**(20.8)**	**55.7**	**54.1**
Capital appropriations	38.9	(22.7)	(5.7)	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	(39.3)	81.9	4,916.7	(4.8)	0.0	(86.2)	(82.4)	5,513.0	(94.0)	(74.3)
Additions to permanent endowments	1.8	5.0	0.6	3.9	(6.3)	3.5	2.5	14.3	11.7	0.2
Increase/(Decrease) in Net Position	**4.3**	**160.2**	**(186.1)**	**132.7**	**76.3**	**(83.8)**	**(69.2)**	**(13.7)**	**43.8**	**29.8**

Operating Expenses by Natural Classification

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
Personal Services	$254,688	$243,537	$233,543	$233,110	$222,481	$205,196	$190,541	$184,352	$174,164	$175,714
Benefits	86,550	82,172	78,687	77,386	71,173	63,691	63,855	63,691	57,449	61,877
Pensions and OPEB (1)	(2,521)	11,741	10,926	3,149						
Personal Services and Benefits	338,717	337,450	323,156	313,645	293,654	268,887	254,396	248,043	231,613	237,591
Operations	136,563	130,446	119,182	113,048	109,185	109,435	95,731	90,555	76,711	79,838
Scholarships	38,658	35,290	31,485	29,068	25,412	24,211	25,576	29,218	23,431	16,644
Depreciation	42,830	41,538	37,964	35,123	33,256	31,388	27,260	21,990	21,605	20,731
Total Operating Expenses by Natural Classification	**$556,768**	**$544,724**	**$511,787**	**$490,884**	**$461,507**	**$433,921**	**$402,963**	**$389,806**	**$353,360**	**$354,804**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services	45.7	44.7	45.6	47.5	48.2	47.3	47.3	47.3	49.3	49.5
Benefits	15.5	15.1	15.4	15.8	15.4	14.7	15.8	16.3	16.3	17.4
Pensions and OPEB (1)	(0.5)	2.2	2.1	0.6						
Personal Services and Benefits	60.8	61.9	63.1	63.9	63.6	62.0	63.1	63.6	65.5	67.0
Supplies and Services	24.5	23.9	23.3	23.0	23.7	25.2	23.8	23.3	21.8	22.5
Student Aid	6.9	6.5	6.2	5.9	5.5	5.6	6.3	7.5	6.6	4.7
Depreciation	7.7	7.6	7.4	7.2	7.2	7.2	6.8	5.6	6.1	5.8
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	4.6	4.3	0.2	4.8	8.4	7.7	3.4	5.8	(0.9)	2.2
Benefits	5.3	4.4	1.7	8.7	11.7	(0.3)	0.3	10.9	(7.2)	3.8
Pensions and OPEB (1)	(121.5)	7.5	247.0							
Personal Services and Benefits	0.4	4.4	3.0	6.8	9.2	5.7	2.6	7.1	(2.5)	2.6
Supplies and Services	4.7	9.5	5.4	3.5	(0.2)	14.3	5.7	18.0	(3.9)	(12.5)
Student Aid	9.5	12.1	8.3	14.4	5.0	(5.3)	(12.5)	24.7	40.8	20.2
Depreciation	3.1	9.4	8.1	5.6	6.0	15.1	24.0	1.8	4.2	9.5
Total Operating Expenses by Natural Classification	**2.2**	**6.4**	**4.3**	**6.4**	**6.4**	**7.7**	**3.4**	**10.3**	**(0.4)**	**(0.2)**

(1) Implementation of GASB 75 (OPEB) and GASB 68 (Pensions) resulted in recognition of benefit-related operating expenses/revenue each year. The impact of the implementation has been presented separately for comparability purposes.

Academic Year Tuition and Required Fees

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
PLEDGE* Resident Undergraduate										
Northern Arizona University	$11,059	$10,764	$10,358	$9,989	$9,745	$9,271	$8,824	$7,667	$6,627	$5,446
percent increase from prior year	2.7%	3.9%	3.7%	2.5%	5.1%	5.1%	15.1%	15.7%	21.7%	12.5%
ABOR Peers with a 4 year guarantee	$13,103	$12,228	$12,670	$12,122	$12,197	$11,506	$11,026	$10,411	$9,971	$9,294
percent increase from prior year	7.2%	(3.5%)	4.5%	(0.6%)	6.0%	4.4%	5.9%	4.4%	7.3%	n/a
PLEDGE* Non-Resident Undergraduate										
Northern Arizona University	$24,841	$24,144	$23,348	$22,509	$22,099	$21,626	$21,179	$20,067	$17,854	$16,544
percent increase from prior year	2.9%	3.4%	3.7%	1.9%	2.2%	2.1%	5.5%	12.4%	7.9%	14.1%
ABOR Peers with a 4 year guarantee	$22,682	$23,785	$23,816	$23,060	$23,044	$22,079	$21,117	$19,854	$18,832	$16,869
percent increase from prior year	(4.6%)	(0.1%)	3.3%	0.1%	4.4%	4.6%	6.4%	5.4%	11.6%	n/a

* 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.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Resident Graduate										
Northern Arizona University	$10,261	$9,990	$9,606	$9,165	$8,806	$8,378	$8,008	$7,398	$6,546	$5,616
percent increase from prior year	2.7%	4.0%	4.8%	4.1%	5.1%	4.6%	8.2%	13.0%	16.6%	7.7%
Non-Resident Graduate										
Northern Arizona University	$22,609	$21,976	$21,244	$20,249	$19,900	$19,472	$18,910	$18,172	$17,060	$15,976
percent increase from prior year	2.9%	3.4%	4.9%	1.8%	2.2%	3.0%	4.1%	6.5%	6.8%	7.3%

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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
Tuition and Fees, net of scholarship allowance	**$236,790**	**$237,930**	**$217,047**	**$205,550**	**$188,816**	**$172,565**	**$157,864**	**$147,224**	**$126,414**	**$112,075**
percent of total revenue	40%	41%	41%	39%	39%	38%	36%	33%	30%	27%
percent increase/(decrease) from prior year	0%	10%	6%	9%	9%	9%	7%	16%	13%	13%
State of Arizona Government										
State appropriations	$99,716	$100,106	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600
Technology and research initiatives funding	14,339	13,752	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246
Capital appropriations	5,897	4,247	5,493	5,827	5,900	5,900	5,900	5,900	5,900	5,900
State grants and contracts	6,062	6,675	3,591	3,464	3,469	5,649	3,359	3,229	3,796	4,518
Arizona State Government	**$126,014**	**$124,780**	**$117,544**	**$134,584**	**$127,265**	**$124,510**	**$124,086**	**$148,847**	**$149,057**	**$158,264**
percent of total revenue	21%	22%	22%	26%	26%	27%	28%	33%	35%	39%
percent increase (decrease) from prior year	1%	6%	(13%)	6%	2%	0%	(17%)	(0%)	(6%)	(15%)
Federal Government										
Federal grants and contracts	$45,199	$41,508	$39,773	$35,669	$52,981	$53,838	$56,412	$59,255	$57,577	$59,901
Financial aid grants	46,062	42,881	41,587	39,533	36,535	36,091	36,704	34,478	28,107	15,476
Capital grants	321	474	10	60	63	63	455	2,582	46	770
Federal fiscal stabilization funds	-	-	-	-	-	-	-	291	10,935	23,492
Federal Government	**$91,582**	**$84,863**	**$81,370**	**$75,262**	**$89,579**	**$89,992**	**$93,571**	**$96,606**	**$96,665**	**$99,639**
percent of total revenue	16%	15%	15%	14%	18%	20%	21%	21%	23%	24%
percent increase (decrease) from prior year	8%	4%	8%	(16%)	(0%)	(4%)	(3%)	(0%)	(3%)	32%
Total from principal revenue payers	**$454,386**	**$447,573**	**$415,961**	**$415,396**	**$405,660**	**$387,067**	**$375,521**	**$392,677**	**$372,136**	**$369,978**
percent of total revenue	77%	77%	78%	79%	83%	84%	85%	87%	88%	90%
percent increase (decrease) from prior year	2%	8%	0%	2%	5%	3%	(4%)	6%	1%	2%

Long-Term Debt

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
System Revenue Bonds	$537,980	$526,925	$536,420	$533,630	$510,695	$467,425	$353,820	$335,700	$360,010	$187,270
Unamortized Premium	27,435	28,658	30,748	25,906	16,550	9,305	4,283	3,356	4,265	4,601
Deferred amount on Refundings	-	-	-	-	-	(1,200)	(1,325)	(1,455)	(1,847)	(2,007)
Net System Revenue Bonds	**$565,415**	**$555,583**	**$567,168**	**$559,536**	**$527,245**	**$475,530**	**$356,778**	**$337,601**	**$362,428**	**$189,864**
Certificates of Participation (COPs)	$49,550	$53,040	$54,985	$58,285	$62,850	$65,630	$69,540	$80,835	$83,315	$85,705
Unamortized Premium	5,989	6,462	6,935	7,408	5,574	5,911	849	894	938	983
Deferred amount on Refundings*	-	-	-	-	-	(3,502)	-	-	-	-
Net Certificates of Participation	**$55,539**	**$59,502**	**$61,920**	**$65,693**	**$68,424**	**$68,039**	**$70,389**	**$81,729**	**$84,253**	**$86,688**
Net System Revenue Bonds Payable	$565,415	$555,583	$567,168	$559,536	$527,245	$475,530	$356,778	$337,601	$362,428	$189,864
Net COPs Payable	55,539	59,502	61,920	65,693	68,424	68,039	70,389	81,729	84,253	86,688
Capital Leases Payable	15,138	14,729	15,773	16,778	17,746	17,936	58,652	47,217	48,135	49,234
Total	**$636,092**	**$629,814**	**$644,861**	**$642,007**	**$613,415**	**$561,505**	**$485,819**	**$466,547**	**$494,816**	**$325,786**
Long Term Debt (whole dollars)										
per Student FTE	$21,546	$21,937	$23,557	$24,755	$24,719	$23,195	$21,156	$20,511	$23,585	$16,675
per Dollar of State Appropriations and State Aid	$6.02	$6.04	$6.44	$5.45	$5.50	$5.23	$4.43	$3.47	$3.68	$2.30
per Dollar of Total Grants and Contracts	$5.45	$5.72	$6.09	$6.73	$6.85	$6.24	$5.22	$4.98	$5.77	$4.32
Data Used in Above Calculations										
Total Student FTE	29,523	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537
State Appropriations and State Capital Appropriations	$105,613	$104,353	$100,126	$117,853	$111,488	$107,369	$109,570	$134,429	$134,348	$141,500
Grants and Contracts	$116,811	$110,041	$105,915	$95,327	$89,516	$89,929	$93,116	$93,733	$85,684	$75,377

* There will no longer be deferred amounts on refunding reported as liabilities due to the implementation of GASB Statement No. 65 Beginning in FY 2014.

Summary of Ratios

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Summary of Composite Financial Index Ratios										
+ Primary Reserve Ratio	**0.13**	**0.13**	**0.09**	**0.12**	**0.50**	**0.54**	**0.56**	**0.60**	**0.62**	**0.47**
/ 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	0.98	0.68	0.90	3.76	4.06	4.21	4.51	4.66	3.53
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.34	0.34	0.24	0.32	1.32	1.42	1.47	1.58	1.63	1.24
= Ratio 10.00 Cap Subtotal	0.34	0.34	0.24	0.32	1.32	1.42	1.47	1.58	1.63	1.24
+ Return on Net Assets Ratio	**5.4%**	**7.4%**	**(1.5%)**	**3.9%**	**4.8%**	**3.1%**	**2.7%**	**14.4%**	**16.8%**	**8.3%**
/ 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	2.70	3.70	(0.75)	1.95	2.40	1.55	1.35	7.20	8.40	4.15
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.54	0.74	(0.15)	0.39	0.48	0.31	0.27	1.44	1.68	0.83
= Ratio 10.00 Cap Subtotal	0.54	0.74	(0.15)	0.39	0.48	0.31	0.27	1.44	1.68	0.83
+ Net Operating Revenues Ratio	**(1.1%)**	**(0.9%)**	**(3.6%)**	**0.4%**	**0.3%**	**(0.3%)**	**1.9%**	**9.8%**	**13.2%**	**7.2%**
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	(0.85)	(0.69)	(2.77)	0.31	0.23	(0.23)	1.46	7.54	10.00	5.54
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.08)	(0.07)	(0.28)	0.03	0.02	(0.02)	0.15	0.75	1.00	0.55
= Ratio 10.00 Cap Subtotal	(0.08)	(0.07)	(0.28)	0.03	0.02	(0.02)	0.15	0.75	1.00	0.55
+ Viability Ratio	**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**
/ 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	0.24	0.96	1.09	1.20	1.17	1.03	1.14
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.08	0.08	0.08	0.08	0.34	0.38	0.42	0.41	0.36	0.40
= Ratio 10.00 Cap Subtotal	0.08	0.08	0.08	0.08	0.34	0.38	0.42	0.41	0.36	0.40
Composite Financial Index	**0.9**	**1.1**	**(0.1)**	**0.8**	**2.2**	**2.1**	**2.3**	**4.2**	**4.7**	**3.0**
Composite Financial Index w/10.00 Cap	**0.9**	**1.1**	**(0.1)**	**0.8**	**2.2**	**2.1**	**2.3**	**4.2**	**4.7**	**3.0**

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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009

(Dollars in thousands)

PRIMARY RESERVE RATIO

Unrestricted Net Position	$(59,530)	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781
Unrestricted Net Assets- Component Units	8,814	10,403	10,055	10,842	12,286	32,282	29,470	30,222	24,951	17,464
Expendable Restricted Net Position	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919
Temp. Restricted Net Assets- Component Units	81,573	69,074	49,179	51,942	52,378	23,511	18,357	22,263	15,403	17,146
Expendable Net Position/ Assets	**$75,451**	**$73,262**	**$52,197**	**$63,331**	**$248,246**	**$254,735**	**$243,998**	**$251,061**	**$233,366**	**$178,310**
Operating Expenses	$556,768	$544,724	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804
Nonoperating Expenses	28,061	28,144	27,187	22,723	23,696	23,456	22,852	14,023	14,450	14,731
Component Unit Total Expenses	14,220	13,085	13,186	13,214	11,944	10,822	11,363	13,424	11,289	11,506
Total Expenses	**$599,049**	**$585,953**	**$552,160**	**$526,821**	**$497,147**	**$468,199**	**$437,178**	**$417,253**	**$379,099**	**$381,041**
Expendable Net Position/	$75,451	$73,262	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310
Total Expenses	$599,049	$585,953	$552,160	$526,821	$497,147	$468,199	$437,178	$417,253	$379,099	$381,041
Ratio	**0.13**	**0.13**	**0.09**	**0.12**	**0.50**	**0.54**	**0.56**	**0.60**	**0.62**	**0.47**

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

RETURN ON NET ASSETS RATIO

Change in Total Net Position/	$21,337	$30,862	$(6,331)	$15,628	$25,910	$15,925	$13,714	$64,088	$64,204	$29,355
Total Net Position (Beginning of Year)	$394,809	$414,296	$420,627	$404,999	$537,588	$521,663	$509,545	$445,520	$381,316	$351,961
Ratio	**5.4%**	**7.4%**	**(1.5%)**	**3.9%**	**4.8%**	**3.1%**	**2.7%**	**14.4%**	**16.8%**	**8.3%**

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

NET OPERATING REVENUES RATIO

Income/(Loss) Before Capital and Endowment Additions	$(4,702)	$(5,415)	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228
Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	(1,589)	348	(787)	(1,443)	3,834	2,812	646	5,271	7,488	(2,676)
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special items	$(6,291)	$(5,067)	$(18,809)	$1,866	$1,365	$(1,582)	$8,572	$45,024	$57,675	$29,552

Summary of Ratios - (Continued)

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
Total Operating Revenues	$359,576	$351,661	$321,720	$308,891	$282,815	$263,651	$241,440	$232,621	$198,965	$178,077
State Appropriation and State related revenues	114,055	113,858	108,460	125,293	117,896	112,961	114,827	140,009	150,296	171,338
Non-capital Gifts and Grants, net	86,072	82,583	79,235	72,690	67,333	67,494	70,567	64,327	64,387	52,348
Investment Income (Loss), net	4,298	3,863	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)
Component Units Total Unrestricted Revenue	12,631	13,433	12,399	11,771	15,778	13,634	12,009	18,696	18,777	8,830
Adjusted Net Operating Revenues	$576,632	$565,398	$522,773	$520,416	$489,525	$460,914	$441,521	$458,636	$436,603	$409,401
Adjusted Income/(Loss) Before Other Revenues, Expenses, Gains or Losses and Component Unit Change in Unrestricted Net Assets Before Extraordinary or Special Items/	$(6,291)	$(5,067)	$(18,809)	$1,866	$1,365	$(1,582)	$8,572	$45,024	$57,675	$29,552
Adjusted Net Operating Revenues	$576,632	$565,398	$522,773	$520,416	$489,525	$460,914	$441,521	$458,636	$436,603	$409,401
Ratio	**(1.1%)**	**(0.9%)**	**(3.6%)**	**0.36%**	**0.28%**	**(0.3%)**	**1.94%**	**9.82%**	**13.21%**	**7.22%**

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

VIABILITY RATIO

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Unrestricted Net Position	$(59,530)	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781
Unrestricted Net Assets- Component Units	8,814	10,403	10,055	10,842	12,286	32,282	29,470	30,222	24,951	17,464
Expendable Restricted Net Position/Assets	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919
Temporarily Restricted Net Assets- Component Units	81,573	69,074	49,179	51,942	52,378	23,511	18,357	22,263	15,403	17,146
Expendable Net Position	$75,451	$73,262	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310
University LT Debt, net capital leases with CUs	$636,092	$629,813	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786
Component Units Long Term Debt	-	-	-	-	-	-	-	46,894	47,741	48,522
Total Adjusted University Debt	$636,092	$629,813	$644,861	$642,007	$613,415	$561,505	$485,819	$513,441	$542,557	$374,308
Expendable Net Position/	$75,451	$73,262	$52,197	$63,331	$248,246	$254,735	$243,998	$251,061	$233,366	$178,310
Total Adjusted University Debt	$636,092	$629,813	$644,861	$642,007	$613,415	$561,505	$485,819	$513,441	$542,557	$374,308
Ratio	**0.12**	**0.12**	**0.08**	**0.10**	**0.40**	**0.45**	**0.50**	**0.49**	**0.43**	**0.48**

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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
OPERATING MARGIN EXCLUDING GIFTS										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$(4,702)	$(5,415)	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	**$(4,702)**	**$(5,415)**	**$(18,022)**	**$3,309**	**$(2,469)**	**$(4,394)**	**$7,926**	**$39,753**	**$50,187**	**$32,228**
Total Operating Revenues	$359,576	$351,661	$321,720	$308,891	$282,815	$263,651	$241,440	$232,621	$198,965	$178,077
State appropriation and share of sales tax	114,055	113,858	108,460	125,293	117,896	112,961	114,827	139,718	139,361	147,846
Federal fiscal stabilization funds								291	10,935	23,492
Investment Income/(Loss), net	4,298	3,863	959	1,771	5,703	3,174	2,678	2,983	4,178	(1,192)
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	**$477,929**	**$469,382**	**$431,139**	**$435,955**	**$406,414**	**$379,786**	**$358,945**	**$375,613**	**$353,439**	**$348,223**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$(4,702)	$(5,415)	$(18,022)	$3,309	$(2,469)	$(4,394)	$7,926	$39,753	$50,187	$32,228
Adjusted Net Operating Revenues less Non-capital Gifts and Grants	$477,929	$469,382	$431,139	$435,955	$406,414	$379,786	$358,945	$375,613	$353,439	$348,223
Ratio	**(1.0%)**	**(1.2%)**	**(4.2%)**	**0.8%**	**(0.6%)**	**(1.2%)**	**2.2%**	**10.6%**	**14.2%**	**9.3%**

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

RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Expenses	$556,768	$544,724	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804
Scholarships and Fellowships	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)
Interest on Debt	28,061	28,144	27,187	22,723	23,696	23,456	22,852	14,023	14,450	13,422
Total Adjusted Operating Expenses	**$546,170**	**$537,578**	**$507,489**	**$484,539**	**$459,791**	**$433,166**	**$400,239**	**$374,611**	**$344,379**	**$351,582**
Research Expenses	$40,655	$36,068	$30,142	$25,461	$23,584	$19,886	$21,766	$23,178	$22,306	$21,463
Total Adjusted Operating Expenses	$546,170	$537,578	$507,489	$484,539	$459,791	$433,166	$400,239	$374,611	$344,379	$351,582
Ratio	**7.4%**	**6.7%**	**5.9%**	**5.3%**	**5.1%**	**4.6%**	**5.4%**	**6.2%**	**6.5%**	**6.1%**

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

Summary of Ratios - Other Ratios (Continued)

Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$236,790	$237,930	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224	$126,414	$112,075
Financial Aid Grants	46,062	42,881	41,587	39,533	36,535	36,091	36,704	34,478	28,107	15,476
Scholarships and Fellowships	(38,659)	(35,290)	(31,485)	(29,068)	(25,412)	(24,211)	(25,576)	(29,218)	(23,431)	(16,644)
Net Tuition and Fees	$244,193	$245,521	$227,149	$216,015	$199,939	$184,445	$168,992	$152,484	$131,090	$110,907
Student FTE	29,523	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537
Net Tuition per Student (whole dollars)	**$8,271**	**$8,552**	**$8,298**	**$8,329**	**$8,057**	**$7,619**	**$7,359**	**$6,704**	**$6,248**	**$5,677**

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

STATE APPROPRIATIONS PER STUDENT

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
State Appropriations	$99,716	$100,106	$94,633	$112,026	$105,588	$101,469	$103,670	$128,529	$128,448	$135,600
Capital State Appropriations	5,897	4,247	5,493	5,827	5,900	5,900	5,900	5,900	5,900	5,900
Adjusted State Appropriations	$105,613	$104,353	$100,126	$117,853	$111,488	$107,369	$109,570	$134,429	$134,348	$141,500
Student FTE	29,523	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537
Adjusted State Appropriation per Student (whole dollars)	**$3,577**	**$3,635**	**$3,658**	**$4,544**	**$4,493**	**$4,435**	**$4,771**	**$5,910**	**$6,404**	**$7,243**

Measures the institution's dependency on state appropriations.

Summary of Ratios - Debt Related Ratios

Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	$(59,530)	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781
Expendable Restricted Net Position	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919
Expendable Net Position	$(14,936)	$(6,215)	$(7,037)	$547	$183,582	$198,942	$196,171	$198,576	$193,012	$143,700
Total Bonds, COPS, and Capital Leases	$636,092	$629,814	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786
Ratio	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Unrestricted Net Position	$(59,530)	$(45,408)	$(39,221)	$(32,051)	$154,120	$172,284	$178,600	$182,210	$173,639	$124,781
Expendable Restricted Net Position	44,594	39,193	32,184	32,598	29,462	26,658	17,571	16,366	19,373	18,919
Non-expendable Restricted Net Position	25,107	24,625	23,593	22,540	21,770	20,430	19,517	19,047	18,253	17,504
Total Financial Resources	$10,171	$18,410	$16,556	$23,087	$205,352	$219,372	$215,688	$217,623	$211,265	$161,204
Total Bonds, COPS, and Capital Leases	$636,092	$629,814	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786
Ratio	**0.0**	**0.03**	**0.0**	**0.0**	**0.3**	**0.4**	**0.4**	**0.5**	**0.4**	**0.5**

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Cash Used by Operating Activities	$(147,009)	$(135,026)	$(150,773)	$(133,504)	$(144,325)	$(143,659)	$(147,552)	$(137,184)	$(126,391)	$(151,474)
State Appropriations and Federal Stabilization Funds	99,716	100,106	94,633	112,026	105,588	101,469	103,670	128,820	139,383	159,092
Share of State Sales Tax- TRIF	14,339	13,752	13,827	13,267	12,308	11,492	11,157	11,189	10,913	12,246
Non-capital Grants and Contracts, Gifts, Other	86,072	82,583	79,235	72,690	67,333	67,494	70,567	64,327	64,387	52,348
Adjusted Cash Flow from Operations	**$53,118**	**$61,415**	**$36,922**	**$64,479**	**$40,904**	**$36,796**	**$37,842**	**$67,152**	**$88,292**	**$72,212**
Total Bonds, COPS, and Capital Leases	$636,092	$629,814	$644,861	$642,007	$613,415	$561,505	$485,819	$466,547	$494,816	$325,786
Adjusted Cash Flow from Operations	53,118	61,415	36,922	64,479	40,904	36,796	37,842	67,152	88,292	72,212
Ratio	**12.0**	**10.3**	**17.5**	**10.0**	**15.0**	**15.3**	**12.8**	**6.9**	**5.6**	**4.5**

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

Summary of Ratios - Debt Related Ratios (Continued)

Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
(Dollars in thousands)										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$28,061	$28,144	$27,187	$22,723	$23,696	$23,456	$22,851	$14,023	$14,450	$13,422
Principal Paid on Debt and Leases	18,193	88,795	46,400	81,103	26,959	51,997	18,115	27,708	10,034	9,863
Principal Paid from Refinancing Activities (1)	-	(73,005)	(33,680)	(68,095)	(16,315)	(37,245)	(8,720)	(18,700)	-	-
Debt Service	$46,254	$43,934	$39,907	$35,731	$34,340	$38,208	$32,246	$23,031	$24,484	$23,285
Operating Expenses	$556,768	$544,724	$511,787	$490,884	$461,507	$433,921	$402,963	$389,806	$353,360	$354,804
Ratio	**8.3%**	**8.1%**	**7.8%**	**7.3%**	**7.4%**	**8.8%**	**8.0%**	**5.9%**	**6.9%**	**6.6%**

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,	2018	2017	2016	2015	2014	2013	2012	2011
(Dollars in thousands)								
Tuition and Fees, net of scholarship allowance	$236,790	$237,930	$217,047	$205,550	$188,816	$172,565	$157,864	$147,224
Receipts from Other Major Revenue Sources (Facilities Revenues)	85,874	75,144	68,525	67,452	63,383	61,277	56,355	46,770
Net Revenues Available for Debt Service	**$322,664**	**$313,074**	**$285,572**	**$273,002**	**$252,199**	**$233,842**	**$214,219**	**$193,994**
Senior Lien Bonds Debt Service								
Interest on Debt	$15,599	$15,738	$15,926	$15,824	$14,990	$15,248	$15,112	$15,133
Principal Paid on Debt	7,140	8,445	6,500	8,015	6,615	6,610	5,835	5,610
Direct Payment- Build America Bonds	(2,204)	(2,245)	(2,247)	(2,235)	(2,237)	(2,306)	(2,411)	(2,411)
Senior Lien Bonds Debt Service Requirements	**$20,535**	**$21,938**	**$20,179**	**$21,604**	**$19,368**	**$19,552**	**$18,536**	**$18,332**
Coverage	**15.71**	**14.27**	**14.15**	**12.64**	**13.02**	**11.96**	**11.56**	**10.58**

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.

Subordinate Lien Bonds Debt Service								
Interest on Debt	$6,871	$7,093	$7,223	$7,224	$7,315	$3,859	$3,859	$3,870
Principal Paid on Debt	5,035	3,345						
Direct Payment- Build America Bonds	(1,186)	(1,235)	(1,255)	(1,253)	(1,243)	(1,351)	(1,351)	(1,024)
Direct Payment- State Lottery Revenue	(8,866)	(7,590)	(4,900)	(5,241)	(2,489)	(2,007)	(2,006)	(2,426)
Subordinate Lien Bonds Debt Service Requirements	**$1,854**	**$1,613**	**$1,068**	**$730**	**$3,583**	**$501**	**$502**	**$420**
Combined Senior/Subordinate Lien Debt Service	**$22,389**	**$23,551**	**$21,247**	**$22,334**	**$22,951**	**$20,053**	**$19,038**	**$18,752**
Coverage	**14.41**	**13.29**	**13.44**	**12.22**	**10.99**	**11.66**	**11.25**	**10.35**

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
ADMISSIONS - FRESHMEN										
Applications	36,875	36,511	29,583	27,780	33,435	29,108	24,482	22,845	21,035	16,492
Accepted	29,812	28,495	22,739	25,159	30,561	26,010	20,620	20,562	19,076	14,745
Enrolled	5,900	5,607	5,218	4,890	4,772	4,254	3,872	4,132	3,702	3,588
Accepted as Percentage of Application	81%	78%	77%	91%	91%	89%	84%	90%	91%	89%
Enrolled as Percentage of Accepted	20%	20%	23%	19%	16%	16%	19%	20%	19%	24%
Average SAT scores- Total	1124	1045	1050	1050	1053	1059	1065	1062	1050	1051
Verbal	568	523	520	524	525	526	522	523	518	518
Math	557	522	520	520	528	529	526	525	521	523
ENROLLMENT										
Student FTE	29,523	28,710	27,375	25,934	24,816	24,208	22,964	22,746	20,980	19,537
Student Headcount	31,057	30,368	29,031	27,715	26,606	26,002	25,364	25,204	23,600	22,507
Men (Headcount)	12,064	12,016	11,622	11,393	10,802	10,534	10,165	9,906	8,999	8,432
Percentage of Total	38.8%	39.6%	40.0%	41.1%	40.6%	40.5%	40.1%	39.3%	38.1%	37.5%
Women (Headcount)	18,993	18,352	17,409	16,322	15,804	15,468	15,199	15,298	14,601	14,075
Percentage of Total	61.2%	60.4%	60.0%	58.9%	59.4%	59.5%	59.9%	60.7%	61.9%	62.5%
African American (Headcount)	1,067	1,007	946	888	839	831	842	823	795	723
Percentage of Total	3.4%	3.3%	3.3%	3.2%	3.2%	3.2%	3.3%	3.3%	3.4%	3.2%
White (Headcount)	17,957	17,982	17,645	17,289	17,023	16,917	16,848	17,030	16,497	16,053
Percentage of Total	57.8%	59.2%	60.8%	62.4%	64.0%	65.1%	66.4%	67.6%	69.9%	71.3%
Other (Headcount)	12,033	11,379	10,440	9,538	8,744	8,254	7,674	7,351	6,308	5,731
Percentage of Total	38.7%	37.5%	36.0%	34.4%	32.9%	31.7%	30.3%	29.2%	26.7%	25.5%
DEGREES EARNED										
Bachelor's	6,032	5,824	5,105	5,063	5,009	4,513	4,497	4,020	3,635	3,277
Master's	1,190	1,201	1,267	1,234	1,348	1,424	1,546	1,707	1,699	1,719
Doctoral	174	123	132	127	116	100	109	95	91	103
Total Degrees Earned	7,396	7,148	6,504	6,424	6,473	6,037	6,152	5,822	5,425	5,099

Source: Northern Arizona University- Institutional Research and Analysis

Demographic Data

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Arizona Population	7,016,270	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
Arizona Personal Income (in millions)	$292,108	$278,925	$266,756	$255,089	$244,011	$235,781	$227,287	$216,590	$212,873	$226,465
Arizona Per Capita Personal Income	$41,633	$40,243	$39,060	$37,895	$36,823	$35,979	$35,062	$33,773	$33,560	$36,059
Arizona Unemployment Rate	4.90%	5.40%	6.00%	6.80%	7.70%	8.30%	9.50%	10.50%	9.90%	6.00%

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

Principal Employers

	Calendar Year Ended December 31, 2017			Calendar Year Ended December 31, 2008		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of Arizona	36,310	1	1.10%	50,936	1	1.72%
Banner Health	34,776	2	1.05%	23,100	2	0.78%
Wal-Mart Stores, Inc.	34,090	3	1.03%	32,814	3	1.11%
Wells Fargo	14,818	4	0.45%	14,000	4	0.47%
City of Phoenix	13,776	5	0.42%	17,068	5	0.58%
Maricopa County	12,939	6	0.39%	14,014	6	0.47%
Arizona State University	12,715	7	0.38%	13,005	7	0.44%
Honor Health	11,296	8	0.34%			
Dignity Health	11,182	9	0.34%			
Intel Corp.	11,000	10	0.33%			
Honeywell Aerospace				12,600	8	0.43%
Raytheon Missile Systems				11,539	9	0.39%
University of Arizona				10,575	10	0.36%
Total	**192,902**		**5.83%**	**199,651**		**6.75%**

Sources: Phoenix Business Journal, Book of Lists 2017 Sources: Phoenix Business Journal, Book of Lists 2017 and Arizona Department of Transportation CAFR 2009 for employers: Arizona Department of Administration-Employment and Population Statistics website, https://laborstats.az.gov/local-area-unemployment-statistics for annual state employment. and 2008 for employers: Arizona Department of Administration - Employment and Population Statistics website, ttps://laborstats.az.gov/local-area-unemployment-statistics for annual state employment.

Faculty and Staff

Fall employment of fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FACULTY										
Full-time	1,151	1,094	1,068	1,055	973	900	864	836	813	809
Part-time	593	569	553	589	616	639	632	665	601	706
Total Faculty	**1,744**	**1,663**	**1,621**	**1,644**	**1,589**	**1,539**	**1,496**	**1,501**	**1,414**	**1,515**
Percentage Tenured	47%	49%	49%	50%	53%	52%	60%	63%	69%	71%
STAFF										
Full-time	1,987	1,952	1,883	1,892	1,842	1,779	1,707	1,651	1,608	1,710
Part-time*	751	737	753	756	715	651	661	606	682	674
Total Staff	**2,738**	**2,689**	**2,636**	**2,648**	**2,557**	**2,430**	**2,368**	**2,257**	**2,290**	**2,384**
Total Faculty and Staff	**4,482**	**4,352**	**4,257**	**4,292**	**4,146**	**3,969**	**3,864**	**3,758**	**3,704**	**3,899**

*Part-time staff counts do not include temporary employees

Source: Northern Arizona University Institutional Research and Analysis

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic/Support Facilities	87	88	87	85	84	83	81	80	81	79
Auxiliary Facilities	39	38	38	36	33	31	28	28	27	27
Total	**126**	**126**	**125**	**121**	**117**	**114**	**109**	**108**	**108**	**106**

Does not include leased facilities.

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


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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 Vadasz and Twila Gleason. The 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.

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

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Associate Vice President and Comptroller's Office

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