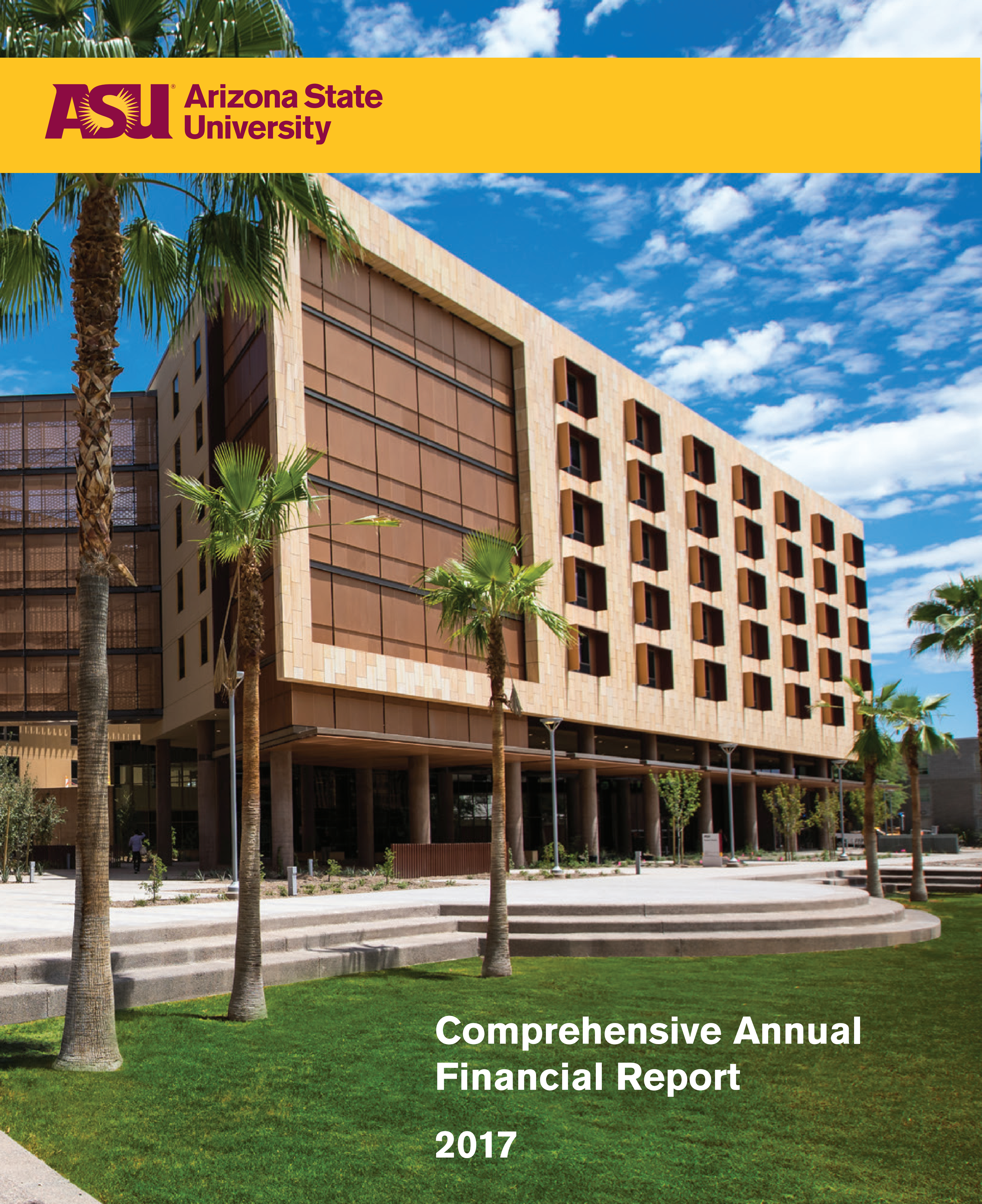
Arizona State University



Comprehensive Annual Financial Report

2017

Year Ended June 30, 2017 | An Enterprise Fund of the State of Arizona

Front Cover. Tooker House is a seven-story learning community designed specifically for undergraduate students in ASU's Ira A. Fulton Schools of Engineering.

The "dorm built for engineers" features on-site digital classrooms, state-of-the-art makerspaces complete with 3D printers, and laser cutters and soldering tools needed for a broad range of engineering courses and projects. Engineers like to see how things work. That's why much of the building's infrastructure has been purposefully exposed so that students may study the electrical, plumbing, HVAC and other primary systems within the building.

Outside, students can learn from the building's most striking feature, hundreds of vertical perforated louvers on the south façade. Each is positioned according to a sophisticated algorithm, ensures daytime sunlight control unique to each window's location.

Comprehensive Annual Financial Report

Year Ended June 30, 2017

An Enterprise Fund of the State of Arizona
Prepared by the ASU Financial Services Office


ASU
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Arizona State University

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THUNDERBIRD
AzLoop
ARIZONA UNIVERSITY
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NATIONAL INSTRUMENTS
SAFECRAFT

Introductory Section

Message from President Michael Crow

The last year has been one of dramatic change both at ASU and across the nation and the world, so it was appropriate that our spring 2017 commencement speaker, Howard Schultz, used his speech to encourage our newest graduates to summon their compassion and give back to others. It was a powerful message that underscored the important role we have in fulfilling our teaching, learning and discovery goals.

Our New American University model continues to transform the established ideals of higher education. We have reformatted how students gain access to collaborate with faculty to discover solutions-based strategies for social, economic and technological growth.

In our third consecutive year as #1 in the U.S. for innovation by U.S. News and World Report – ahead of Stanford and MIT – I am pleased to note ASU and its constituents continued to thrive this past academic year.

Our most recent achievement was the official opening of the Mayo Clinic School of Medicine in Arizona. The school's opening was the culmination of a 15-year collaboration between ASU and the Mayo Clinic and puts us closer to transforming the future of healthcare. The curriculum is jointly created and taught by Mayo Clinic and ASU specialists and expands upon a traditional medical education. The four-year track on the science of health care delivery centers on the quality of patients experience, their care, outcomes and cost. Fifty students were selected from 3,000 applicants to become the school's first cohort.

ASU was one of only four institutions to produce prestigious Rhodes, Marshall and Churchill scholarship winners. ASU's first-ever Churchill Scholarship winner was chemical engineer Christopher Balzer. The Churchill scholarship funds graduate students at the University of Cambridge. ASU also maintained its status as a top producer of Fulbright scholars in 2016-2017 with six faculty and 15 student achievers. Our students have high expectations and energized dreams. It is important that we provide them the necessary care as they evolve into scholars and researchers who will be responsible for the next generation of change.

Positive change was evident in our research facilities, as ASU Biodesign Institute researchers developed a potentially safer plant-based Zika vaccine. The new formula may improve safety and reduce production costs more than any current alternatives, with equal effectiveness. ASU has produced plant-based vaccines for more than a decade to fight infectious diseases in the developing world. Biodesign Institute research is possible through generous federal, state and public support, including Arizona sales tax generated from a voter-approved proposition. ASU research remains at the forefront of knowledge-based solutions that impact our future.

This year also saw a new long-term commitment to Arizona's public universities in the form of a $1-billion investment in research and development infrastructure. Championed by the governor and approved by the legislature, ASU will advance state-of-the-art research facilities in support of groundbreaking problem solving being conducted by our faculty and students. It will also help us to attract the best and brightest researchers and students. With this new support, ASU is positioned to build on its legacy of innovation and service.

All great universities are built around philanthropy, and ASU is no exception. I want to thank the many individuals and corporations in Arizona and worldwide who accepted the challenge of showing support of ASU through donations. Donors contributed approximately $220 million in the last year to support our institutional commitment to increased excellence, broader access and meaningful impact. The funds will allow us to continue to provide unique learning opportunities to our students and the communities we serve.

I see each ASU achievement as a beacon to curious and talented students to join us on their academic journeys. I am inspired by the hard work of our dedicated and talented faculty and staff who effectively manage our resources to evolve my vision for a New American University and ensure our students' success for decades to come.

October 26, 2017

Dear President Crow, Members of the Arizona Board of Regents, and University Stakeholders:

We are pleased to present the *Arizona State University Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2017. The report includes the annual financial statements, Management's Discussion and Analysis (MD&A) and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. We believe our system of internal controls is robust and sufficient to disclose material deficiencies in controls 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 material misstatements.

The University's internal auditors also perform fiscal, compliance and performance audits. University Audit and Advisory Services prepares an annual audit plan based on ASU's Enterprise Risk Assessment Model. The audit plan is approved by the University President and submitted to the Arizona Board of Regents Audit Committee.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. The University's annual audit is performed by the State of Arizona Office of the Auditor General. The reports resulting from the audit are shared with University management and the Arizona Board of Regents. The audit of the University's federal assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. For the year ended June 30, 2017, the State of Arizona Office of the Auditor General has issued an unmodified opinion on Arizona State University's financial statements, the most favorable outcome possible. The independent auditors' report is displayed in the front of the financial section of the Report.

ASU remains committed to effective budgetary planning and sound financial management as it pursues excellence in teaching, research and public service. We have prepared the Management's Discussion and Analysis (MD&A) to provide a narrative introduction, overview and analysis of the basic financial statements, as well as information regarding the University's financial position and the results of operations for the year ended June 30, 2017. The MD&A is located immediately following the independent auditors' report, complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

ASU's charter, mission and goals demonstrate leadership in both academic outcomes and accessibility to our programs. ASU strives to establish national standing in academic quality and impact of all ASU colleges and schools; to establish ASU as a global center for interdisciplinary research, discovery and development; and to enhance our local impact and social embeddedness. These aspirations provide the framework for ASU's continued development as a leading, global research university.

ASU offers more than 600 undergraduate and graduate degree programs led by expert faculty from highly-ranked colleges and schools. Each distinctive academic program exemplifies the hallmark of ASU-- an exceptional education inspired by vision, scholarship and creativity. All ASU graduate and undergraduate academic programs are fully accredited by the North Central Association's Higher Learning Commission. Many programs also maintain additional accreditation through specialized accrediting agencies.

ASU was founded as the Territorial Normal School in 1885 by an act of the Thirteenth Territorial Legislature, in response to the growing demand for teachers and leaders in the region. In 1915, agriculture was added to the curriculum in response to the completion of the Roosevelt Dam and subsequent expansion of irrigated farming in the area. In 1958, after a series of name changes, the citizens of Arizona voted in favor of a ballot proposition to change the name of the institution to Arizona State University. ASU today is composed of five campuses in the metropolitan Phoenix area, ASU Online, and programs available across Arizona and around the world.

The Arizona Board of Regents (ABOR) governs Arizona State University, as well as the state's other two public universities. ABOR is composed of twelve members, including appointed, ex-officio, and student regents. The Governor of Arizona 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 serve staggered two-year terms, the first year as a nonvoting board member and the second year as a voting member.

The University is considered a part of the reporting entity for the State of Arizona's financial reporting purposes and is included in the State's *Comprehensive Annual Financial Report*. The financial reporting entity for ASU's financial statements is comprised of the University and eight component units. The University's financial statements and the financial statements for the University's two blended component units, the Thunderbird School of Global Management and the ASU Athletic Facilities District, are prepared in accordance with Governmental Accounting Standards Board (GASB) reporting requirements. Separate financial statements for the University's six discretely presented component units are compiled in accordance with GASB Statement Nos. 39 and 61, and include ASU Enterprise Partners; Arizona Capital Facilities Finance Corporation; ASU Alumni Association; Arizona State University Research Park, Inc.; ASU Preparatory Academy, Inc. and Sun Angel Foundation. These component units are non-profit, tax-exempt organizations and are discretely presented based on the nature and significance of their relationship to the University.

The University is responsible for using its resources to fulfill its educational, research and public service mission. It also is responsible for planning, developing and controlling budgets within authorized allocations in accordance with University, Arizona Board of Regents, state and federal policies. The University submits its annual operating budget, which includes revenue from state investment, student tuition and fees, auxiliary enterprises, grants and contracts, private gifts and other income, to ABOR for approval. The state legislature reviews the University's local funds budget and adopts and appropriates the general purpose funds budget through legislation. The University monitors budgets with controls incorporated into its enterprise financial system. In addition, colleges and departments utilize financial reports to review financial transactions and monitor budgets. The University also provides periodic financial reporting to the Arizona Board of Regents. The report includes a comparison of budget to actual, projections for revenues, expenses and net position for the fiscal year end, and variance explanations.

Arizona Economy

The following economic summary is based on the Arizona Office of Economic Opportunity Employment Projections, released on April 13, 2017 and data compiled by the JPMorgan Chase Economic Outlook Center at the ASU W.P. Carey School of Business.

The Arizona Office of Economic Opportunity within the Arizona Department of Administration is forecasting gradual gains in Arizona nonfarm employment for the 2016-2018 projection time period. A gain of 138,600 nonfarm jobs is expected from 2016 through 2018. In the current forecast, the rate of growth projected for total nonfarm employment is 2.4 percent annually, as the overall employment situation in Arizona continues to improve. Arizona continues to outpace the U.S. averages for growth in population, nonfarm employment and real personal income.

Growth in real GDP, real personal income, employment, retail sales and continued drops in the U.S. and Arizona unemployment rates are economic factors that will continue to impact the economy's growth rate positively. Labor force participation rates have increased and unemployment levels state-wide continue to decline. Residential and commercial real estate markets in Arizona and the Phoenix metropolitan area have shown continued signs of improvement and new home construction has shown significant signs of recovery since the low point of the economic recession.

Despite increases in disposable income, constrained budgets persist for state and local governments as well as for a large number of households. Long-term structural issues in the state economy continue to include low national rankings in per capita income, wages per job metrics, and the ratio of employment to population. Additionally, the state continues to lag in overall unemployment rates; however, continued job growth has led to a full recovery of jobs lost since the economic recession. Incremental rises in interest rates is expected to constrict new lending.

Planning and Initiatives

As part of the Arizona Board of Regents' strategic plan, *Impact Arizona*, key performance metrics are used to measure the success of ASU 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. Overarching ASU goals as part of this strategic plan include demonstrating leadership in academic excellence and accessibility; achieving national standing in academic quality and impactful colleges and schools in every field; obtaining recognition as a global center for interdisciplinary research, discovery and development; and enhancing local impact and social embeddedness.

With our Charter as the guiding principle, Arizona State University continues to thrive and make progress toward the challenging goals set by the Arizona Board of Regents.

FY 2017 was another successful year for ASU, with research playing an increasing role in ASU's global engagement. ASU continues to reimagine what higher education could be and is redesigning the public research university, leaving an indelible mark on the communities we serve. The State of Arizona, the nation and the world at large all share the economic and societal benefits of purpose-based research. Major milestones of the past year include:

- *U.S. News & World Report* has ranked ASU as the nation's most innovative school for the third year in a row from among over 1,500 institutions. The honor is a testament to ASU's reputation among its peers. College presidents, provosts and admissions officers around the U.S. nominated ASU for its leadership in innovation. Criteria used to evaluate schools included innovations in curriculum, technology, students, faculty, campus life and facilities. Other notable rankings on the list include: #2 Stanford University, #3 Massachusetts Institute of Technology, #7 University of Maryland and #8 University of Michigan.
- ASU's Psyche Mission will mark the first time ASU will lead a deep-space NASA mission. The mission's spacecraft is expected to launch in 2023 and arrive at Psyche, an asteroid orbiting the sun between Mars and Jupiter, in 2030 where it will spend almost two years in orbit, mapping and studying the properties of the asteroid. The Psyche Mission is part of NASA's Discovery Program, a series of highly focused robotic space missions to explore the solar system.
- ASU faculty earned 14 National Science Foundation early career awards, ranking second among all university recipients for 2017 and setting an ASU record. The Ira A. Fulton Schools of Engineering earned ten awards, placing it in the top three engineering schools nationally. The awards identify the nation's most promising junior faculty members and provides funding to pursue outstanding research, excellence in teaching and the integration of education and research.
- The U.S. Department of Homeland Security Science (DHS) announced the selection of ASU to lead a consortium of U.S. academic institutions and other partners for a new Center of Excellence for Accelerating Operational Efficiency (CAOE). CAOE's quantitative analytics research portfolio will focus on four major theme areas: data analytics, operations research and systems analysis, economics, and homeland security risk analysis. The Center will work closely with the DHS operational components to develop tools and technologies that could be expected to yield significant and measurable efficiency gains. In addition, the Center will provide education and training to extend analytical capabilities and diversity across the homeland security workforce, leveraging ASU's success in enrolling and graduating increasing numbers of minorities in the science, technology, engineering and mathematics (STEM) disciplines.

- Opening in Fall 2017, the Tooker House residential college for Ira A. Fulton Schools of Engineering students includes fully furnished rooms with 1,600 student beds, a dining facility, recreation and fitness centers, student lounges and academic success space. The $120 million, 450,000 gross-square foot, state-of-the art, fully wi-fi accessible facility also includes a new Amazon Echo Dot in each room, representing the first voice-enabled, learning-enhanced residential community on a university campus. Other valuable features include Bluetooth-connected washers and dryers that notify students when cycles are complete, and collaborative learning space environments, with access to 3-D printers.
- Investing in research infrastructure continues to be a strategic initiative for ASU. For FY 2018, the State of Arizona has authorized a long-term investment commitment in the State of Arizona Budget of $1 billion in research infrastructure for Arizona's public universities to support the construction of multiple buildings that will serve as major hubs for research, innovation and technology transfer. The investment will contribute to the advancement of ASU as a world-class status research university, generate substantial increases in research activity and help launch more than 200 start-ups in the next several years.
- ASU now as more than 50 megawatts (dc) equivalent of renewable energy via on- and off-side component through an Arizona Public Service agreement. To help offset our carbon emissions, ASU purchases 29 megawatts from APS's newly constructed Red Rock solar plant in southern Arizona.

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 the University for its CAFR for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To receive a Certificate of Achievement, a report issuer must publish an easily readable and efficiently organized CAFR, and must satisfy both generally accepted accounting principles and applicable legal requirements. The University will submit its CAFR for the fiscal year ended June 30, 2017 to the GFOA and anticipates this year's report will continue to meet the requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts of the Financial Services Office and other University administrators, faculty and staff. In addition, the State of Arizona Office of the Auditor General provided invaluable assistance.

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona State University

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

ASU Organizational Chart

As of June 30, 2017

Michael M. Crow
President

Mark Searle
Executive Vice President and University Provost

Morgan R. Olsen
Executive Vice President, Treasurer and Chief Financial Officer

Sethuraman Panchanathan
Executive Vice President for ASU Knowledge Enterprise Development and Chief Research and Innovation Officer

José A. Cárdenas
Senior Vice President and General Counsel

Daniel P. Dillon, Jr
Senior Vice President for Enterprise Marketing and Chief Marketing Officer

James W. O’Brien
Senior Vice President for University Affairs and Chief of Staff

James A. Rund
Senior Vice President for Educational Outreach and Student Services

Richard H. Stanley
Senior Vice President and University Planner

Christine K. Wilkinson
Senior Vice President and Secretary of the University

Raymond E. Anderson
Vice President for University Athletics

Ex-Officio

Doug Ducey, *Governor of Arizona*

Diane Douglas, *Arizona Superintendent of Public Instruction*

Appointed

William Ridenour, *Vice Chair*
Paradise Valley

Ram Krishna, *Secretary*
Yuma

Jay Heiler, *Treasurer*
Paradise Valley

Lyndel Manson
Flagstaff

Rick Myers
Tucson

Larry Penley
Phoenix

Ron Shoopman
Tucson

Karrin Taylor Robson
Phoenix

Vianney Careaga, *Student Regent*
University of Arizona

Jared Gorshe, *Student Regent*
Northern Arizona University

Financial Section

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Arizona State University as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Thunderbird School of Global Management (TSGM) and the aggregate discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenses of the opinion units affected:

Opinion unit	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses
Primary government				
TSGM	0.79%	0.15%	0.76%	0.87%
Discretely presented component units	100%	100%	100%	100%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for TSGM or the aggregate discretely presented component units, are based solely on the other auditors' reports. 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

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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 units' financial statements, except for the ASU Preparatory Academy, Inc., 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.

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 reports 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 units of Arizona State University as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in Note A 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 University's transactions. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

As described in Notes A and B to the financial statements, the University's reporting entity changed for the year ended June 30, 2017, because of four entities that were previously reported as discretely presented component units. Specifically, the Thunderbird School of Global Management is now reported as a blended component unit of the University; the ASU Foundation for a New American University is now reported as an affiliate of ASU Enterprise Partners, a new discretely presented component unit of the University; and the Sun Angel Endowment and Downtown Phoenix Student Housing, LLC, are no longer component units of the University. Our opinions are 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 20 through 27, schedule of the University's proportionate share of the net pension liability on page 66, and schedule of university contributions on page 67 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.

Supplementary and 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 combining statements on pages 70 and 71 and 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 combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

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

Other reporting required by *Government Auditing Standards*

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

Debbie Davenport
Auditor General

October 26, 2017

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The Management's Discussion and Analysis (MD&A) provides readers of Arizona State University's financial statements an understanding of the financial position and revenue and expense activities for the year ended June 30, 2017. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes to the financial statements.

Arizona State University Reporting Entity

Arizona State University (ASU, University) is a knowledge enterprise committed to knowledge creation, innovation, meaningful impact to our community and global engagement. The University is comprised of an educational network of more than 600 accredited undergraduate and graduate programs and majors across its campuses and online program. ASU's fall 2016 enrollment was over 98,000 students comprised of 79,000 undergraduate students and 19,000 graduate students, including over 25,000 students participating in ASU's renowned online degree programs. ASU is an agency of the State of Arizona and is included in the *State's Comprehensive Annual Financial Report (CAFR)*.

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. Financial information for FY 2016 is included in Management's Discussion and Analysis (MD&A) in order to illustrate increases and decreases with FY 2017 data. The financial statements and notes along with MD&A have been prepared in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

The University's financial statements encompass the University and its two blended component units and six discretely presented component units. MD&A focuses only on the University and blended component units, unless otherwise stated. Information on the component units can be found in the component units' Statement of Financial Position and Statement of Activities, as well as *Note B – ASU Component Units, Note P – Summary Financial Information for ASU Component Units*, and Combining Statements of the nonmajor discretely presented component units. The University's relationship with the Thunderbird School of Global Management (TSGM), an Arizona nonprofit corporation, was re-examined during FY 2017 and determined that it should be presented as a blended component unit. For FY 2015 and FY 2016 TSGM was reported as a discrete component unit. Also during FY 2017, the reporting status of Downtown Phoenix Student Housing, LLC, was re-examined and determined to not meet criteria for inclusion as a component unit.

Effective for FY 2017 the University implemented the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans;* GASB Statement No. 77, *Tax Abatement Disclosures*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefits plans that are administered through trusts or equivalent arrangements. GASB Statement No. 77 establishes standards for disclosing tax abatement agreements entered into by the reporting entity or other governments that reduced the reporting entity's tax revenues. GASB Statement No. 80 provides guidance to improve financial reporting by establishing additional criteria for blending certain component units. The implementation of these three GASB standards did not impact the University's financial statements. More information on the implementation can be found in *Note A – Basis of Presentation and Significant Accounting Policies*.

Financial Highlights for FY 2017

The University strengthened its financial foundation in FY 2017 with a $99 million increase in net position, compared to a $109 million increase in FY 2016. This represents the 12th straight year in which ASU reported an increase in net position. At June 30, 2017 the University had total assets of almost $4.0 billion and net position of over $1.3 billion. Overall, FY 2017 funding sources and uses increased seven percent from FY 2016. Tuition and fees are ASU's primary revenue source (51 percent), with grants and contracts, state appropriations, and auxiliary enterprise activities also providing significant resources. Over $1.1 billion was spent on instruction related expenses in FY 2017, representing almost one-half of the University's total expenses. Scholarships and fellowships combined with student services was the second largest expense category with over $310 million in FY 2017 expenses.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and reports all assets, deferred outflows, liabilities and deferred inflows, and segregates assets and liabilities into current and non-current categories. Assets are resources controlled by ASU that can be used to support its mission and goals. A deferred outflow of resources is a use of net position that is applicable to future reporting periods. Liabilities are obligations of the university. A deferred inflow of resources is the acquisition of net position in future periods. The change in net position (assets plus deferred outflows of resources less liabilities plus deferred inflows of resources) between years is one indicator of whether the overall financial condition of the University has improved or worsened during the fiscal year.

A summary comparison of the University's financial position as of June 30, 2017 and June 30, 2016 follows.

Condensed Summary of Net Position *(Dollars in millions)*

	FY 2017	FY 2016
Assets		
Current assets	$ 360.8	$ 264.7
Noncurrent assets	1,172.5	1,108.2
Noncurrent capital assets, net	2,433.8	2,226.8
Total assets	**$ 3,967.1**	**$ 3,599.7**
Deferred outflows of resources	**$ 184.0**	**$ 141.3**
Liabilities		
Current liabilities	$ 372.4	$ 374.6
Noncurrent liabilities	678.7	613.3
Noncurrent long-term debt	1,697.6	1,489.5
Total liabilities	**$ 2,748.7**	**$ 2,477.4**
Deferred inflows of resources	**$ 68.6**	**$ 42.5**
Net position		
Net investment in capital assets	$ 852.3	$ 778.9
Restricted:		
Nonexpendable	74.1	70.5
Expendable	124.7	118.0
Unrestricted	282.7	253.7
Total net position	**$ 1,333.8**	**$ 1,221.1**

Total assets at June 30, 2017 of almost $4 billion reflect a ten percent increase from June 30, 2016. Current assets are used to support operations and include cash and cash equivalents, short-term investments and accounts receivables. Current assets increased 36 percent between years primarily due to increased cash and cash equivalents invested to provide liquidity for operations.

Noncurrent assets increased $271 million primarily due to restricted cash and cash equivalents increasing by $62 million and net capital assets increasing by $207 million. The increase in restricted cash and cash equivalents relates to capital projects funding received during FY 2017 due to issuance of the 2016B/C System Revenue Bonds, with related expenses to be incurred in future years. The increase in net capital assets was largely due to construction costs for improvements to Sun Devil Stadium and construction of the ASU Student Pavilion and Biodesign Institute Building C.

Deferred outflows of resources increased $43 million between years including a $61 million increase related to pension plans, offset by decreases to outflows related to the unamortized loss of refunding debt and the University's interest rate swap. See, *Note K – Retirement Plans* for more information on the University's pension plans, *Note F - Long-Term Debt and Lease Obligations* for information regarding the economic gain from refundings and *Note G – Interest Rate Swap Agreement* for more information on the increased interest rate swap value. Deferred outflows increased as investment returns for retirement plan assets underperformed relative to actuarial assumptions creating a deferred outflow of resources to be recognized in subsequent periods.

Total liabilities increased $271 million for the year ended June 30, 2017 to $2.7 billion. Current liabilities decreased slightly between years primarily due to decreased accounts payable and funds held for others, largely offset by increased unearned revenue. Noncurrent liabilities increased $273 million, with the noncurrent portion of long-term debt accounting for $208 million of the increase due to the issuance of the 2016B/C System Revenue Bonds. ASU's allocated portion of pension plan liability and OPEB liability contributed $73 million to the increase, slightly offset by a decrease in interest rate swap liability. Deferred inflows of resources increased $26 million between years primarily due to changes in actuarial assumptions for plan participants.

Net position increased $113 million between years to over $1.3 billion. ASU's increase in net position over the last ten years has averaged $85 million reflecting the University's steady increase in net position allowing the University to accumulate unrestricted net position sufficient to absorb the reduction in net position related to impact of GASB pension plan and OPEB liability standards and still retain positive unrestricted net position to support strategic initiatives. Net position is reported as follows:

- Net investment in capital assets represents the University's investment in capital assets such as equipment, buildings, land and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- Restricted-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 is the resources which the University is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or other external parties.
- Unrestricted net position is composed of all other funds available to ASU 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 operating results for the fiscal year. A positive increase in net position would typically indicate the financial condition of the University has improved over the prior year. In accordance with GASB, the University recognizes certain essential revenues such as state appropriations, financial aid grants, and private gifts, as nonoperating revenues even though those revenues are used to support the University's core instructional mission.

A summary comparison of the University's activities for FY 2017 and FY 2016 follows.

Condensed Summary of Revenues, Expenses, and Changes in Net Position *(Dollars in millions)*

	FY 2017	FY 2016
Operating revenues		
Tuition and fees, net	$ 1,250.8	$ 1,157.5
Research grants and contracts	271.7	253.2
Auxiliary enterprises, net	161.8	149.7
Other operating revenues	97.9	83.9
Total operating revenues	$ 1,782.2	$ 1,644.3
Operating expenses	2,265.7	2,104.5
Operating loss	**$ (483.5)**	**$ (460.2)**
Net nonoperating revenues (expenses)		
State appropriations	$ 296.9	$ 281.4
Other nonoperating revenues	329.4	335.8
Nonoperating expenses	(76.7)	(76.0)
Income before other revenues, expenses, gains, or losses	$ 66.1	$ 81.0
Capital appropriations and other revenues	33.3	27.5
Increase in net position	**$ 99.4**	**$ 108.5**
Net position at beginning of year	1,234.4	1,112.6
Net position at end of year	**$ 1,333.8**	**$ 1,221.1**

The difference between FY 2016 ending net position and FY 2017 beginning net position is due to the restatement of net position as a result of blending TSGM. For additional information, refer to *Note A - Basis of Presentation and Significant Accounting Policies.*

Operating Revenues

Operating revenues represent resources generated by the University to fulfill its instruction, research, and public service missions. Student tuition and fees, research grants and contracts, and auxiliary enterprise activities are the primary operating revenues of the University.

Operating revenues increased $138 million, or eight percent, to almost $1.8 billion in FY 2017 with the most significant increase occurring in net tuition and fees, research grants and contracts and auxiliary enterprises revenues. The eight percent growth in tuition and fee revenues is primarily the result of a seven percent increase in enrollment, including a 14 percent rise in nonresident enrollment, and a modest increase in tuition and fee rates. Grants and contracts revenue, primarily funded by federal agencies, reflected a six percent increase between years. Grants and contracts revenue varies from year to year for many reasons, including availability of funding from specific sponsors, the close-out of particularly large projects and the start-up process for new projects. The eight percent increase between years in auxiliary enterprises revenues was primarily due to increases in several Sun Devil Athletics revenue streams, including the Pac-12 and NCAA revenue shares.

Operating Expenses

Expenses are also categorized as operating or nonoperating per GASB. The University reports operating expenses by functional category (instruction, research, etc.) in the statement of revenues, expenses, and changes in net position and displays expenses by their natural classification (personal services and benefits, supplies and services, etc.) in *Note J – Operating Expenses by Natural Classification.*

Operating expenses increased $161 million or eight percent in FY 2017 with the increase largely reflecting the growth in enrollment. Instruction and academic support expenses experienced the largest increase, $90 million, spread across most academic areas of the University. Scholarship and fellowship and student services had the largest percentage increase, 18 percent, a $47 million increase. Fall 2016 enrollment showed a significant increase in students who qualified for financial assistance and included a first time resident cohort where approximately half of the students came from historically underrepresented populations.

Nonoperating Revenues and Expenses

Due to the required classification of key revenue sources such as state appropriations, financial aid grants, and private gifts as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Total nonoperating revenues increased $9 million between years. State appropriations increased $16 million and net investment income increased $14 million, with these increases being partially offset by a decrease in private gifts. The increase in state appropriations was primarily the result of $7 million in one-time funding and

$3 million in start-up funding for the School of Civic and Economic Thought and Leadership. The increase in net investment income is the result of increased cash available for investments as well as improved market conditions. The decrease in gifts was largely the result of ASU receiving a one-time $21 million gift in FY 2016 to support the integration of the Thunderbird School of Global Management.

Combined Sources and Uses *(Dollars in millions)*

	FY 2017		FY 2016		Percentage Change
Sources					
Tuition and fees, net	$ 1,250.8	51%	$ 1,157.5	50%	8%
Grants and contracts	328.3	14%	309.9	14%	6%
State appropriations (includes capital appropriations)	308.1	13%	292.8	13%	5%
Financial aid grants	128.5	5%	124.2	5%	3%
Auxiliary enterprises, net	161.8	7%	149.7	7%	8%
Private and capital gifts	80.7	3%	106.2	5%	(24%)
Sales and services	81.5	3%	69.5	3%	17%
Share of state sales tax (TRIF)	31.3	1%	31.1	1%	1%
Other sources	70.8	3%	48.1	2%	47%
Total sources	**$ 2,441.8**	**100%**	**$ 2,289.0**	**100%**	**7%**
Uses					
Instruction and academic support	$ 1,105.3	47%	$ 1,015.2	46%	9%
Research and public service	302.7	13%	297.9	14%	2%
Scholarships and fellowships and student services	310.5	13%	263.8	12%	18%
Institutional support and operation of plant	268.7	12%	263.6	12%	2%
Auxiliary enterprises	154.8	7%	147.6	7%	5%
Depreciation	123.7	5%	116.4	5%	6%
Interest on debt and other expenses	76.7	3%	76.0	4%	1%
Total uses	**$ 2,342.4**	**100%**	**$ 2,180.5**	**100%**	**7%**

Statement of Cash Flows

A summary comparison of cash flows for the University's FY 2017 and FY 2016 activities follows.

Condensed Summary of Cash Flows *(Dollars in millions)*		
	FY 2017	FY 2016
Cash provided by/(used for):		
Operating activities	$ (320.9)	$ (315.8)
Noncapital financing activities	595.4	702.8
Capital and related financing activities	(149.6)	(241.4)
Investing activities	26.4	(130.9)
Net increase in cash and cash equivalents	**$ 151.3**	**$ 14.7**
Cash and cash equivalents at beginning of year	314.6	294.6
Cash and cash equivalents at end of year	**$ 465.9**	**$ 309.3**

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, research grants and contracts, and auxiliary enterprises revenues. Operating expenses include employee salaries and benefits and vendor payments for services and supplies. Net cash flows from noncapital financing 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 Assets and Debt Administration

The University is required by state statute and Arizona Board of Regents policy to prepare an annual Capital Improvement Plan (CIP). The CIP details the University's three-year strategic plan of space use and capital investments to enable the success of current and future students and maintain the University's commitment to the people of Arizona regarding research discovery and economic development. The CIP also outlines any plans to issue debt to finance capital acquisitions or construction to address space deficiencies in academic, research and student programs.

ASU's capital assets continue to grow in order to provide facilities to support the University's instruction, research and public service missions. Overall the university's capital assets, net of accumulated depreciation and deletions, increased by $207 million in FY 2017, a nine percent increase over FY 2016. Growth in FY 2017 primarily resulted from construction and renovation of research and student facilities, as well as the second phase of a multi-year construction project to renovate and structurally reinforce ASU's landmark football stadium, Sun Devil Stadium. Key FY 2017 capital asset projects included the following:

- **Sun Devil Stadium.** Construction concluded this summer on the new Student Athletic Facility embedded in the stadium's north end and equipped with offices, training facilities, locker rooms, counseling space, a player's lounge, meeting rooms and other amenities to support Sun Devil athletics. A new video board was installed on the north end of the stadium and is among the ten largest video boards in college football. The board will showcase replays, statistical updates, graphics and videos. Phase 3 work on the stadium begins immediately following the 2017 football season and will lay the groundwork for a facility capable of hosting sporting, academic, and community events and programs throughout the year.
- **Biodesign Institute Building C (Biodesign C).** With completion scheduled for summer of 2018, Biodesign C will house 80 lead researchers and 300 support staff from the Biodesign Institute, College of Liberal Arts and Sciences, and Ira A. Fulton Schools of Engineering. The building will be 189,000 square feet including 60,000 square feet in flexible lab space and a custom-designed vault in the basement which will house the world's first compact X-ray free-electron laser, a super X-ray that will peer deep inside proteins to better understand both the action of molecules critical to cancer and other diseases and to better understand how plants convert sunlight into renewable energy. The facility is expected to house the new ASU-Banner Neurodegenerative Disease Research Center which is expected to be one of the world's largest basic science centers for the study of Alzheimer's and other neurodegenerative diseases.
- **Student Pavilion.** Located in the center of student life on the ASU Tempe campus, the hub of the Student Pavilion is an event space for guest lecturers, musicals and student productions, with seating for 1,200. The student centric facility was designed as a Net Zero Energy building and will deliver green qualities including renewable energy, energy efficiency and Zero Waste. Offices for University Student Government, cultural coalitions

and the student programs and activities board are located on the second floor. The third floor of the building includes academic classrooms and University Academic Success programs.

The bonds used to construct the Student Pavilion and Biodesign C are 'green' bonds. These bonds are a relatively new finance instrument that allows investors to invest directly in projects identified as promoting environmental sustainability on ASU's campuses. Green bonds were also used to fund the Beus Center for Law and Society, which opened in summer 2016 in downtown Phoenix and houses the Sandra Day O'Connor College of Law and other organizations.

Additional information about the University's capital assets is presented in *Note D – Capital Assets.*

A summary of the University's outstanding debt including average interest rates, final maturity and outstanding balances for its bonds, certificates of participation and capital leases, is presented in *Note F – Long-Term Debt and Lease Obligations*. In August 2016 the University issued $226 million in system revenue bonds to fund the Sun Devil Stadium Phase 3 renovations, construction of Biodesign C and the Student Pavilion, as well as various infrastructure and research related projects. ASU continues to maintain its long-term bond ratings of Aa3 from Moody's Investor Services and AA from Standard & Poor's.

ASU's Component Units

As noted above, in FY 2017 ASU blended financial activity for two of its component units, TSGM and the ASU Athletic Facilities District. There was no financial activity for the ASU Athletic Facilities District during FY 2017.

For FY 2017 the nature and significance of the financial relationship between the Downtown Phoenix Student Housing, LLC (DPSH) and the University was re-evaluated and it was determined the entity no longer met the criteria for inclusion as a component unit of the University.

For its discretely presented component units, the University presents the financial statements on separate pages from the University's basic financial statements. These component units are reported in distinct financial statements due to their use of different financial reporting models than the University and to emphasize their separation from the University. ASU component units discretely presented in these statements are the ASU Enterprise Partners (ASUEP), Arizona Capital Facilities Finance Corporation (ACFFC), ASU Alumni Association, Arizona State University Research Park, Inc., Sun Angel Foundation, and ASU Preparatory Academy, Inc. Even though the component units support the University, they are not subsidiaries of the University.

ASU Enterprise Partners, the parent and holding company of the ASU Foundation and four other affiliated organizations, began operations on July 1, 2016 as an Arizona non-profit corporation and a 501(c)3 tax-exempt organization. In conjunction with a corporate entity restructure, effective July 1, 2016 the ASU Foundation assigned its interest in various assets and liabilities to ASUEP. This corporate restructure did not add or remove any net assets from the consolidated view.

The decreases shown below in net capital assets and long-term debt are the result of the removal of the DPSH financial activity from the FY 2017 component units reporting model. For more information on these component units, please refer to *Note B – ASU Component Units* and *Note P – Summary Financial Information for ASU Component Units.*

Condensed Summary of Financial Position for ASU Discretely Presented Component Units *(Dollars in millions)*

	FY 2017	FY 2016
Assets		
Cash and investments	$ 939.1	$ 872.5
Capital assets, net	153.2	277.7
Receivables, net	219.1	223.8
Other assets	92.9	111.0
Total assets	**$ 1,404.3**	**$ 1,485.0**
Liabilities		
Long-term debt	$ 340.6	$ 499.8
Other liabilities	194.0	212.5
Total liabilities	**$ 534.6**	**$ 712.3**
Net assets		
Unrestricted	$ 55.0	$ (2.9)
Temporarily restricted	363.6	341.5
Permanently restricted	451.1	434.1
Total net assets	**$ 869.7**	**$ 772.7**

Condensed Summary of Activities for ASU Discretely Presented Component Units *(Dollars in millions)*

	FY 2017	FY 2016
Revenues		
Contributions	$ 151.1	$ 164.7
Other revenues	163.6	116.2
Total revenues	**$ 314.7**	**$ 280.9**
Expenses		
Payments to the benefit of ASU	$ 120.7	$ 128.4
Other expenses	107.3	152.0
Total expenses	**$ 228.0**	**$ 280.4**
Transfers, interest, gains and losses	745.4	
Increase in net assets	$ 832.1	$ 0.5
Net assets at beginning of year [1]	37.6	772.2
Net assets at end of year	**$ 869.7**	**$ 772.7**

[1] For further information regarding the restatement of net assets, refer to *Note A - Basis of Presentation and Significant Accounting Policies*.

Combined ASU and ASU Component Units

ASU and its component units combined for an increase in net position/net assets of $210 million in FY 2017, including a $113 million increase for the University and its blended component units and a $97 million increase for the discretely presented component units. The most notable change in revenues for the component units between years was $67 million in net investment income for the ASUEP, compared to a $16 million net investment loss reported by the ASU Foundation in FY 2016. Overall, restricted net assets of the component units increased by $39 million between years and unrestricted net assets increased by $58 million. Restricted net position/net assets must be spent in compliance with donor directions, and are typically restricted for use by a specific academic department or program.

End of the Year Net Position of ASU and Net Assets of ASU Component Units on a Combined Basis *(Dollars in millions)*

	FY 2017			FY 2016		
	ASU	ASU Component Units	Combined	ASU	ASU Component Units	Combined
Net investment in capital assets	$ 852.3		$ 852.3	$ 778.9		$ 778.9
Unrestricted net position/net assets	282.7	$ 55.0	337.7	253.7	$ (2.9)	250.8
Restricted net position/net assets:						
Expendable/Temporarily	124.7	363.6	488.3	118.0	341.5	459.5
Nonexpendable/Permanently	74.1	451.1	525.2	70.5	434.1	504.6
Net position/net assets at end of year	**$ 1,333.8**	**$ 869.7**	**$ 2,203.5**	**$ 1,221.1**	**$ 772.7**	**$ 1,993.8**

Economic Outlook

ASU has once again been named the most innovative university in the country by *U.S. News and World Report*. ASU has received this accolade all three years it has been awarded, a tribute to the ingenuity of our faculty, staff and students. The ranking isn't the result of any one specific program, but rather the holistic approach to inventing a new kind of university ASU has undertaken.

Students and their parents continue to be the largest investors in ASU. The quality and reputation of an ASU degree attracts students from all sectors, including Arizona residents, residents of other states, and international students. The market value of a degree from ASU is well established, with nonresident and international students paying market value for their education, while Arizona residents greatly benefit from the public investment made by the citizens of Arizona through access to the same degree at significantly less cost, especially after financial aid is considered. ASU has strong university funded scholarship programs focused on providing both merit-based and need-based aid to residents of Arizona, with an emphasis of the need-based aid going to talented first-generation students who come from low-income backgrounds.

ASU's FY 2018 budget supports progress toward achieving the University's goals. Financial planning continues to focus on our goals: access for all Arizona residents qualified to attend ASU; world-class instructional opportunities for students; support for student engagement, success and degree attainment; and growth in research productivity.

Progress towards meeting student success goals include:

- ASU's student enrollment has increased each of the last 10 years reported in this financial report. This trend continues into FY 2018 with ASU's fall 2017 enrollment expected to exceed 103,000 students, indicating the quality and reputation of an ASU degree continues to attract students from all sectors.
- ASU, Harvard, Stanford and the University of Chicago are the only four institutions in the nation with elite Rhodes, Marshall and Churchill scholarship winners. ASU's six faculty and 15 student Fulbright scholars in the U.S. government's flagship international exchange program are yet another testament to the breadth and excellence of the university's programs.
- ASU ranks 5th on a list of the top universities favored by employers for job recruiting, according to the *Wall Street Journal* in a study that aimed to identify "the majors and schools that best prepare students to land jobs that are satisfying, well-paid and have growth potential."
- In the last 15 years ASU has shown an 80 percent improvement in its graduation rate, is recognized as the fastest-growing research university in the country, and through its emphasis on inclusion and student success has more than 50 percent of its in-state freshmen coming from minority backgrounds.

• ASU has been recognized for participating in the four main federal veterans programs and for offering military service members an online option while providing educational support benefits and paths to success for military veterans.

To help maintain its research goals, ASU will receive new support from the State of Arizona. Beginning in FY 2019 and continuing for the next 25 years, the State of Arizona budget will include a long-term commitment to Arizona's three public universities to support a $1 billion bonding package to be equally funded by the State of Arizona and the public universities. For ASU, the research infrastructure support will lead to the construction of multiple buildings that will serve as major hubs for research, innovation and technology transfer. These buildings will attract elite researchers dealing with some of the most pressing issues facing society today, including national defense, advanced manufacturing, neurodegenerative diseases, biomedicine and sustainability. This investment will contribute to the advancement of ASU to world-class status as a research university, joining a premier category of research universities without a medical school, such as the Massachusetts Institute of Technology (MIT).

With this commitment in place, ASU will be able to continue to grow its research programs. For example, the Biodesign C, currently under construction, is expected to increase ASU's annual research expenditures by an estimated $60 million, with the bulk of the funding for this research coming from governmental or private sponsors.

The public phase of ASU's comprehensive, university-wide philanthropic effort, Campaign ASU 2020, was announced in January 2017 to support the University's mission and to raise support for its educational priorities. To date, the campaign, which formally began in FY 2011, has raised $1.2 billion and achieved 79 percent of its goal, based on CASE Campaign counting standards. With a campaign goal of $1.5 billion, the campaign will invite philanthropic support to sustain and advance ASU's reputation as an exceptional world-changing public research university.

Over the past several years ASU has addressed state and national economic difficulties, while continuing to expand student success, as well as academic programs and research outcomes. Students, parents, the State of Arizona, research sponsors and private donors have all participated in ASU's success and we fully anticipate future partnerships will help continue to solidify ASU as a place of innovation, learning and creativity.

Statement of Net Position

June 30, 2017 *(Dollars in thousands)*

Assets	
Current Assets:	
Cash and cash equivalents (Note C)	$ 167,188
Short-term investments (Note C)	45,739
Accounts receivables, net	143,601
Other assets	4,282
Total Current Assets	$ 360,810
Noncurrent Assets:	
Restricted cash and cash equivalents (Note C)	$ 298,730
Endowment investments (Note C)	130,118
Other investments (Note C)	732,745
Student loans receivable, net	10,365
Other assets	526
Capital assets, net (Note D)	2,433,826
Total Noncurrent Assets	$ 3,606,310
Total Assets	**$ 3,967,120**
Deferred Outflows of Resources	
Interest rate swap (Note G)	$ 15,379
Unamortized loss on refunding debt	30,449
Pensions related (Note K)	138,215
Total Deferred Outflows of Resources	**$ 184,043**
Liabilities	
Current Liabilities:	
Accounts payable	$ 127,029
Compensated absences (Note I)	3,286
Unearned revenues	65,619
Funds held for others	23,350
Current portion of long-term debt (Note F) - Funded by:	
University operating revenues	118,910
State appropriations and other State monies	34,222
Total Current Liabilities	$ 372,416
Noncurrent Liabilities:	
Compensated absences (Note I)	$ 28,772
Other liabilities	2,577
Derivative instrument - Interest rate swap (Note G)	15,379
Pension plans payable (Note K)	590,177
Other postemployment benefits liability (Note L)	41,761
Long-term debt (Note F) - Funded by:	
University operating revenues	1,335,986
State appropriations and other State monies	361,636
Total Noncurrent Liabilities	$ 2,376,288
Total Liabilities	**$ 2,748,704**
Deferred Inflows of Resources	
Unamortized gain on refunding debt	$ 1,116
Pensions related (Note K)	67,511
Total Deferred Inflows of Resources	**$ 68,627**
Net Position	
Net investment in capital assets	$ 852,262
Restricted (Total of $198,805):	
Nonexpendable:	
Student aid	67,365
Academic department uses	6,737
Expendable:	
Student aid	40,962
Academic department uses	77,450
Capital projects and debt service	6,291
Unrestricted (Note H)	282,765
Total Net Position	**$ 1,333,832**

See Notes to Financial Statements.

Statement of Financial Position

June 30, 2017 *(Dollars in thousands)*

Assets	
Cash and cash equivalents	$ 32,079
Pledges receivables, net	180,065
Other receivables, net	39,072
Investments in securities	814,936
Other investments	92,054
Net direct financing leases	60,487
Property and equipment, net	153,243
Other assets	32,394
Total Assets	**$ 1,404,330**
Liabilities	
Accounts payable and accrued liabilities	$ 21,665
Deferred revenue	13,025
ASU endowment trust liability	130,118
Other liabilities	29,250
Long-term debt	340,602
Total Liabilities	**$ 534,660**
Net Assets	
Unrestricted	$ 54,955
Temporarily restricted	363,620
Permanently restricted	451,095
Total Net Assets	**$ 869,670**

See Notes to Financial Statements.

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2017 *(Dollars in thousands)*

Operating Revenues	
Student tuition and fees, net of scholarship allowances of $334,623	$ 1,250,828
Research grants and contracts, including $208,205 in federal funding and $58,600 in nongovernmental funding	271,730
Sales and services -	
Auxiliary enterprises, net of scholarship allowances of $15,366	161,797
Educational departments	81,543
Other revenues	16,326
Total Operating Revenues	$ 1,782,224
Operating Expenses (Note J)	
Educational and general -	
Instruction	$ 810,656
Research	267,303
Public service	35,378
Academic support	294,706
Student services	123,377
Institutional support	152,226
Operation and maintenance of plant	116,456
Scholarships and fellowships	187,124
Auxiliary enterprises	154,794
Depreciation	123,705
Total Operating Expenses	$ 2,265,725
Operating Loss	$ (483,501)
Nonoperating Revenues (Expenses)	
State appropriations	$ 296,913
Share of state sales tax - technology and research initiatives fund	31,326
Financial aid grants, including $128,207 in federal funding	128,474
Grants and contracts, including $30,088 in federal funding	56,233
Private gifts	74,282
Financial aid trust funds, including $5,899 in state trust fund appropriations	16,019
Net investment return	23,038
Interest on debt	(69,135)
Other expenses	(7,610)
Net Nonoperating Revenues	$ 549,540
Income Before Other Revenues, Expenses, Gains, or Losses	$ 66,039
Capital appropriations - Research Infrastructure Capital Financing	$ 11,190
Capital commitment, including $9,541 in Arizona Lottery revenues	15,421
Capital private gifts	6,390
Capital grants	320
Additions to permanent endowments	13
Increase in Net Position	$ 99,373
Net Position at Beginning of Year, restated (Note A)	1,234,459
Net Position at End of Year	**$ 1,333,832**

See Notes to Financial Statements.

Year ended June 30, 2017 *(Dollars in thousands)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues				
Contributions	$ 38,765	$ 94,855	$ 17,487	$ 151,107
Rental revenues	25,984			25,984
Sales and services	37,230	14		37,244
Net investment return	22,048	46,449	892	69,389
Net assets released from restrictions	117,916	(118,370)	454	
Grants and aid	17,417			17,417
Other revenues	13,584			13,584
Total Revenues	$ 272,944	$ 22,948	$ 18,833	$ 314,725
Expenses				
Payments to the benefit of ASU -				
Cash donation transfers to ASU	$ 91,420			$ 91,420
Vendor payments	12,788			12,788
Scholarship fund transfers to ASU	8,523			8,523
Rent payments to ASU	8,035			8,035
Management and general	73,888			73,888
Interest expense	10,871			10,871
Depreciation/amortization	12,939			12,939
Other expenses	9,619			9,619
Total Expenses	$ 228,083			$ 228,083
Increase in Net Assets, before Transfers, Gains and Losses	$ 44,861	$ 22,948	$ 18,833	$ 86,642
Restructure Transfer	$ 24,655	$ 289,496	$ 432,262	$ 746,413
Loss on Bond Refunding	(998)			(998)
Increase in Net Assets, after Transfers, Gains and Losses	$ 68,518	$ 312,444	$ 451,095	$ 832,057
Net Assets at Beginning of Year, restated (Note A)	(13,563)	51,176		37,613
Net Assets at End of Year	**$ 54,955**	**$ 363,620**	**$ 451,095**	**$ 869,670**

See Notes to Financial Statements.

Statement of Cash Flows

Year ended June 30, 2017 *(Dollars in thousands)*

Cash Flows from Operating Activities	
Student tuition and fees	$ 1,224,495
Research grants and contracts	274,146
Sales and services of auxiliary enterprises	162,331
Sales and services of educational activities	70,453
Payments for employees' salaries and benefits	(1,232,566)
Payments to vendors for supplies and services	(639,597)
Payments for scholarships and fellowships	(193,420)
Student loans issued	(1,666)
Student loans collected	2,478
Other receipts	12,445
Net cash used for operating activities	$ (320,901)
Cash Flows from Noncapital Financing Activities	
State appropriations	$ 296,913
Share of state sales tax - technology and research initiatives fund	31,210
Grants and contracts	184,492
Private gifts for other than capital purposes	74,241
Financial aid trust funds	15,709
Direct lending program receipts	609,565
Direct lending program disbursements	(611,063)
Funds held for others received	137,562
Funds held for others disbursed	(143,196)
Net cash provided by noncapital financing activities	$ 595,433
Cash Flows from Capital and Related Financing Activities	
Capital appropriations - Research Infrastructure Capital Financing	$ 11,190
Build America Bonds - federal subsidy	3,644
Capital commitments, including Arizona Lottery revenue	15,415
Capital gifts and grants	5,037
Proceeds from issuance of capital debt	279,384
Purchases of capital assets	(333,380)
Principal paid on capital debt and leases	(61,443)
Interest paid on capital debt and leases	(69,502)
Net cash used for capital and related financing activities	$ (149,655)
Cash Flows from Investing Activities	
Purchases of investments, net	$ 13,513
Interest received on investments	12,915
Net cash used for investing activities	$ 26,428
Net increase in cash and cash equivalents	151,305
Cash and cash equivalents at beginning of year (as restated)	314,613
Cash and cash equivalents at end of year	**$ 465,918**
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	$ (483,501)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	123,705
Miscellaneous nonoperating expenses	(7,510)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Net pension plans payable	51,575
Deferred outflows of resources related to pensions	(61,016)
Deferred inflows of resources related to pensions	25,039
Net other postemployment benefits liability	17,860
Receivables, net	(15,393)
Accounts payable and accrued liabilities	17,928
Compensated absences	1,382
Unearned revenues	10,783
Other assets	(1,753)
Net cash used for operating activities	$ (320,901)
Significant Noncash Transactions	
Amortization of bond premium	$ 15,351
Amortization of refunding loss	(10,426)
Loss on disposal of capital assets, net	(5,547)

See Notes to Financial Statements.

June 30, 2017

Note A - Basis of Presentation and Significant Accounting Policies

The accounting policies of Arizona State University (ASU, University) conform to U.S. generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

Arizona State University is one of the largest public research universities in the United States under a single administration. Located on five campuses across metropolitan Phoenix, ASU had fall 2016 enrollment of 98,177 students. The accompanying statements of the University include the activity of the Tempe campus, West campus (located in northwest Phoenix adjacent to Glendale), Polytechnic campus (located in Mesa), the Downtown Phoenix campus, Thunderbird campus (located in Glendale), and the University's online degree programs, as well as its component units. Information on component units can be found in *Note B - ASU Component Units* and *Note P - Summary Financial Information for ASU Component Units*.

For financial reporting purposes, the University's portion of the statements includes those funds directly controlled by the University. Control by the University is determined on the basis of financial accountability. The University is classified as a state instrumentality per Internal Revenue Code Section 115. Since 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.

ASU's Basis of Presentation and Accounting

The accompanying financial statements of the University include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows, each of which provide a comprehensive, entity-wide perspective of the University. The statement of net position provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at the end of the fiscal year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions, or availability of assets to satisfy the University's obligations. The statement of revenues, expenses, and changes in net position provides information about the University's financial activities during the fiscal year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital additions and additions to endowments. The statement of cash flows provides information about the University's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing activities.

The following new GASB Statements were effective for the current year:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, establishes financial reporting standards for state and local governmental Other Postemployment Benefits (OPEB) plans, defined benefit OPEB plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. The implementation of this standard had no effect on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, establishes standards for disclosing tax abatement agreements that reduce the reporting entity's tax revenues. The implementation of this standard had no effect on the financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, provides guidance to improve financial reporting by clarifying the financial statement presentation requirements for certain component units by establishing additional blending requirements. The implementation of this standard had no effect on the financial statements.

For financial reporting purposes under GASB, the University is considered a public institution engaged only in business-type activities. Accordingly, the University's financial statements have been presented under the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus emphasizes the long-term effects of operations on overall net resources (i.e., total assets, total deferred outflows of resources, total liabilities, and total deferred inflows of resources). The statement of revenues, expenses, and changes in net position prepared using the economic resources measurement focus includes only transactions and events that increase or decrease net position during the year. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, or benefit has been received. All significant intra-university transactions have been eliminated.

Changes in Reporting Entity

Thunderbird School of Global Management (TSGM)
TSGM, an Arizona nonprofit corporation and a unit of the ASU Knowledge Enterprise, was acquired by the University in December 2014 and was previously reported as a discrete component unit. For FY 2017, TSGM is reported as a blended component unit and included in the University's financial statements. During

FY 2017, the University evaluated the affiliation between TSGM and the University and determined that TSGM primarily exists to benefit the University by providing a framework for global education programming.

ASU Foundation/ASU Enterprise Partners

In September 2015, the ASU Foundation for a New American University (ASU Foundation) board of directors approved a corporate entity restructure, where a new entity, ASU Enterprise Partners (ASUEP), was created to be a parent and holding company of the ASU Foundation and four other affiliated organizations. ASUEP began operations on July 1, 2016, and is the sole member of each of these five affiliates and their subsidiaries. ASUEP is an Arizona nonprofit corporation and a 501(c)(3) tax-exempt organization.

This corporate restructure did not add or remove any net assets from the consolidated view of the ASU Foundation compared to the consolidated view of ASUEP. Effective July 1, 2016, the ASU Foundation assigned its interest in various assets and liabilities to ASUEP or to an affiliate of ASUEP. For additional information, refer to *Note B - ASU Component Units.*

Downtown Phoenix Student Housing, LLC

For FY 2017, Downtown Phoenix Student Housing, LLC (DPSH), previously reported as a discrete component unit of the University, was removed from the reporting entity. DPSH had previously been incorporated under the misleading to exclude criteria of GASB Statements Nos. 14 and 61. During FY 2017, the relationship was evaluated and determined that the nature and significance of the financial relationship are such that it does not meet the criteria for inclusion as a component unit. For additional information, refer to *Note O – Privatized Student Housing.*

Sun Angel Endowment

In December 2011, the Sun Angel Endowment (SAE) entered into a contingent plan of merger with the Sun Angel Foundation and the Arizona Board of Regents for and on behalf of the University, in which, upon satisfaction of certain conditions, SAE would merge into the Sun Angel Foundation and the Sun Angel Foundation would continue as the surviving corporation. During the fiscal year ended June 30, 2017, all transactions were completed to liquidate and transfer assets from SAE to Sun Angel Foundation and SAE was removed from the reporting entity. The SAE was officially dissolved in July 2016 and removed from the reporting entity.

Restatement of the University's Net Position

The inclusion of the TSGM as a blended component unit of the University resulted in the following restatement to the University's net position reported as of June 30, 2016 (*Dollars in thousands*):

Net position at June 30, 2016, as previously reported	$ 1,221,116
TSGM blending adjustments	13,343
Net position at July 1, 2016, as restated	$ 1,234,459

Included in the restatement of net position is the original TSGM net asset balance of $30.3 million less the elimination of the University's equity interest in TSGM of $17.0 million. The impact of blending TSGM resulted in an increase to the University's net position.

Restatement of Component Units Net Assets

The changes in reporting entity associated with the blending of TSGM, restructuring of the ASU Foundation into ASUEP, and exclusion of DPSH and SAE from the reporting entity resulted in the following restatement to the University's component unit net assets reported as of June 30, 2016 (*Dollars in thousands*):

Net assets at June 30, 2016, as previously reported	$ 772,716
TSGM blending adjustments	(30,343)
ASUEP restructuring	(746,413)
DPSH elimination	46,711
SAE elimination	(5,058)
Net assets at July 1, 2016, as restated	$ 37,613

The blending of TSGM resulted in a decrease to the component units net assets as TSGM is reported with University activity. The restructuring of the ASU Foundation into ASU Enterprise Partners resulted in a decrease to the component units beginning net assets. However, the net impact of the restructuring did not result in any economic gain or loss and did not impact the component units ending net assets as all assets were transferred. Elimination of DPSH from the reporting entity resulted in an increase to net assets. The SAE merger with Sun Angel Foundation resulted in a decrease in beginning net assets. However, it did not result in an economic gain or loss and did not impact component unit ending net assets as all assets were transferred. For additional information refer to *Note B - ASU Component Units.*

Summary of Significant Accounting Policies

Cash and cash equivalents. In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, all highly liquid investments with an original maturity of three months or less, are considered to be cash and cash equivalents. Funds invested in money market funds or through the State Treasurer's Local Government Investment Pool are also considered cash equivalents. In accordance with GASB, all restricted cash and cash equivalents, including funds held by a bond trustee, are shown as noncurrent cash and cash equivalents.

Endowment Spending Rate Policy. Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds, the University administration considers long and short-term needs, total investment return and price level trends, and general economic conditions. For FY 2017, the spending rate utilized the constant growth spending methodology which increases spending distributions by the trailing one-year inflation rate (as measured by CPI-U, Consumer Price Index for all Urban Consumers) annually, as long as distributions do not exceed 4.25 percent or fall below 3.25 percent of the trailing 12 quarter average market value of each endowment fund.

Investments. Short-term, endowment, and other investments are stated at fair value at June 30, 2017. Fair value typically is the quoted market price for investments. Investment returns include realized and unrealized gains and losses on investments.

Receivables. Total receivables at June 30, 2017 were $143.6 million. Included in the receivables balance are $92.8 million related to tuition and fee payments due from students and others making payments on behalf of students. Additionally, there are $7.2 million in receivables from Federal grant sponsors, primarily for the reimbursement of allowable expenses made pursuant to the University's grants and contracts and $9.5 million in receivables for SPEED bonds lottery revenues.

Student loans receivable. Loans receivable from students bear interest primarily at 5 percent and are generally repayable in installments to the University over a ten-year period commencing nine months from date of separation from the University. Student loans receivable is recorded net of an allowance for estimated uncollectible amounts and related collection costs.

Capital assets. Capital assets are recorded at cost at the date of acquisition. Capital assets that are gifted to the University are recorded at acquisition value at the date of donation. The University's capitalization policy includes all equipment and works of art and historical treasures with a unit cost of $5,000 or more. In addition, all equipment under a unit cost of $5,000 purchased in bulk for a newly constructed, acquired, or leased facility to become initially operational is also capitalized on a vintage concept basis and depreciated over five years. All books acquired for use in University libraries are capitalized as a collection. Intangible assets with a unit price of $5,000,000 or more are capitalized. New construction, as well as renovations to buildings, infrastructure, and land improvements that have a project cost of at least $100,000 are capitalized. Interest incurred during the construction phase of projects is capitalized, net of interest earned on the invested proceeds over the same period. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for non-research buildings and infrastructure, 10 to 50 years for research buildings, 10 years for library books, 7 years for intangible assets, and 5 to 12 years for equipment. The University does not depreciate works of art and historical treasures that are considered inexhaustible and are held for exhibition, education, research, and public service.

The University utilizes the componentized depreciation method for its research buildings, which is consistent with the method used for government cost-reimbursement purposes. Under the componentized depreciation method, building costs are segregated into component categories with useful lives ranging from 10 to 50 years, and depreciated on a straight line method basis.

Compensated absences. Compensated absences are employee vacation leave balances earned but not used at fiscal year end. Vacation leave benefits are accrued as a liability on the statement of net position and reported as an expense in the statement of revenues, expenses, and changes in net position.

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

Unearned revenues. Unearned revenues consist primarily of student tuition and fees and athletic ticket sales related to the ensuing year. Also included are amounts received from grant and contract sponsors which have not yet been earned.

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

Investment earnings. Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

Derivative instrument - Interest rate swap. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the University records the hedging derivative instrument on the statement of net position by presenting a liability for the fair value of the derivative instrument at fiscal year end and a deferred outflow of resources.

Net position. The University's net position is classified based on the following three categories:

- Net investment in capital assets: includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted:
    - Nonexpendable – gifts that have been received for endowment purposes, the corpus of which cannot be expended, and the balance in the Perkins Loan program.
    - Expendable – gifts, grants, contracts, earnings on endowments, expendable gifts that have been received for endowment purposes and other resources that have been externally restricted for specific purposes.
- Unrestricted: all other resources, including those designated by management for specific purposes. Substantially all unrestricted resources are designated for academic and research programs and initiatives, and capital projects.

When an expense is incurred that can be paid from either restricted or unrestricted resources, the University's policy is to allow the department incurring the expense to determine the appropriate funding source. Factors used by departments to determine which resources to use include relative priorities of the department in accordance with the University's strategic initiatives, externally imposed matching requirements of certain restricted funds, and any pertinent lapsing provisions of the available restricted or unrestricted funding resources. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

Revenues/Expenses. Revenues and expenses are classified as operating or nonoperating. Operating expenses are those incurred in conducting the primary programs and services of the University. Operating revenues generally result from exchange transactions. Accordingly, revenues such as tuition, and residential life charges are considered to be operating revenues. In addition, grants and contracts for the purposes of providing research are considered operating revenues because of the exchange aspects commonly associated with this type of activity (i.e., financial assistance is provided to acquire property or activity for the government's direct benefit). Other revenues, such as state appropriations, gifts and non-research grants and contracts not generally generated from exchange transactions, are considered to be nonoperating revenues. Nonexchange grants and contracts include those for the purpose of student financial aid, primarily Pell financial aid grants, and those for purposes other than organized research, since the providers of these grants and contracts do not typically receive direct benefits, of equal or significant value, for those grants and contracts. Operating expenses, in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, include salaries, wages, benefits, supplies, services, and depreciation on capital assets, irrespective as to whether the revenues associated with these expenses are operating or nonoperating revenues. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

Scholarship allowances. Student tuition and fee revenues and other student related revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for services provided by the University, and the amount that is paid by the students (and/or third parties making payments on a student's behalf). To the extent that revenues from programs such as Pell grants and University funded scholarships are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.

Not included in scholarship allowances is $23.4 million in faculty and staff tuition waivers that are recorded as program expenses on the statement of revenues, expenses, and changes in net position and as personal services and benefits expenses, in *Note J - Operating Expenses by Natural Classification*.

Share of state sales tax - technology and research initiative fund (TRIF). As the governing board of the three state universities, the Arizona Board of Regents (ABOR) administers the portion of the Education 2000 (Proposition 301) sales tax which funds the universities' TRIF initiatives. ABOR receives funding requests from each university and determines the amount and duration of awards. The Governor and the Legislature receive an annual report from ABOR which includes a detailed set of performance measures used to determine the overall effectiveness of each TRIF funded initiative.

Other Disclosures

The University earned FY 2017 credit card rebates of $1.4 million from JP Morgan, $0.6 million from Commerce Bank, and $0.2 million from U.S. Bank for the University's travel card program.

Note B - ASU Component Units

ASU's component units are separate legal entities controlled and governed by independent boards of directors whose goals are to support the University or have a close affiliation with the University. Even though these organizations support the University or have a close affiliation with the University, they are not subsidiaries of the University, and with the exception of the Thunderbird School of Global Management and the ASU Athletic Facilities District, they are neither directly nor indirectly controlled by the University. The University does not have ownership of the financial and capital resources or assets of the component units and does not have the authority to mortgage, pledge, or encumber the assets of these organizations.

Component units can be defined as legally separate entities for which the University is considered to be financially accountable. GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement Nos. 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. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should also be considered component units, with discrete presentation. These criteria are (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the University, its component units, or its constituents; (2) the University or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the University, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

Financial statements of these component unit organizations are audited by independent auditors. All of the component units have a fiscal year end of June 30, 2017. Because the University's discretely presented component units use a nongovernmental generally accepted accounting principles (GAAP) reporting model, the University has chosen to present the discretely presented component units' aggregated financial information on pages separate from the financial statements of the University. To obtain individual audited financial statements for any of the University's component units, please contact ASU Financial Services at (480) 965-3601.

Blended Component Units

Thunderbird School of Global Management

The Thunderbird School of Global Management (TSGM), an Arizona nonprofit corporation, is reported as a blended component unit and included in the University's financial statements. TSGM primarily exists to benefit the University by providing a framework for global education programming. For additional information on the impact of blending TSGM, refer to *Note A - Basis of Presentation and Significant Accounting Policies.*

ASU Athletic Facilities District

The ASU Athletic Facilities District (AFD), a component unit of the University, is reported as a blended component unit and included in the University's financial statements. The AFD is a university athletic facilities district formed pursant to the provisions of Arizona Revised Statutes (A.R.S.) Title 48, Chapter 26. The AFD supports the University's efforts to construct, reconstruct, finance, furnish, maintain and improve intercollegiate athletic facilities located on ASU's property, including utilities, roads, parking areas or buildings necessary for full use of the athletic facilities. The AFD resides within the Novus Innovation Corridor. For additional information, refer to *Note E - Land Available for Commercial Purposes*. Separate financial statements for the AFD are not available as of June 30, 2017, as there was no financial activity.

Discretely Presented Component Units

Arizona State University's discretely presented component units, all Arizona nonprofit corporations, include two major component units, ASU Enterprise Partners (ASUEP) and the Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units listed below. The University has determined that ASUEP and ACFFC are major component units based on an evaluation of (1) services provided by the component unit to the University are such that separate reporting as a major component unit is considered to be essential to financial statement users, (2) significant transactions with the University, or (3) significant financial benefit or burden relationship with the University.

A description of the University's discretely presented component units and the basis for including each as a component unit in the University's financial report follows.

- ASU Enterprise Partners (ASUEP) - disburses resources at the discretion of its independent board of directors, in accordance with donor directions and ASU Enterprise Partners policy. The majority of assets held by the ASU Enterprise Partners are endowments restricted for donor specified programs and purposes, the principal of which may not be spent. The directors of the ASU Enterprise Partners make all decisions regarding the ASU Enterprise Partners business affairs, including distributions made to the University. Affiliates of ASUEP include: Arizona State University Foundation for a New American University (ASU Foundation), ASU Research Enterprise, Research Collaboratory at ASU, Arizona Science and Technology, LLC, and University Reality LLC.
- ASU Alumni Association - receives funds primarily through donations, dues, and affinity partners, which are used to promote the welfare of the University and its alumni.
- Sun Angel Foundation - receives funds primarily through donations and contributes funds to the University in support of various athletic programs.

The three component units above meet all of the criteria for a legally separate, tax-exempt organization to be reported discretely as a component unit. The economic resources held by these component units are for the direct benefit of the University and the University has the ability to access their economic resources and the economic resources of these component units are significant to the University.

- Arizona Capital Facilities Finance Corporation - provides facilities for use by students of the University or the University itself.
- Arizona State University Research Park, Inc. (Park) - manages a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.

Per GASB Statement No. 14, as amended by GASB Statement No. 61, a fiscal dependency and financial benefit/burden exists between the University and these two component units. ACFFC and the Park do not meet the blending requirements since each component unit has a separate board of directors, services provided by the component units do not exclusively benefit the University and the total debt outstanding of the component units is not expected to be paid entirely or almost entirely with University resources.

- ASU Preparatory Academy, Inc. (ASU Prep) - prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally and contribute to their communities.

A fiscal dependency and financial benefit/burden does not exist between the University and ASU Prep, however, it would be misleading to exclude as a component unit due to the close affiliation between the University and ASU Prep. ASU Prep does not meet the blending requirements in GASB Statement No. 14, as amended by GASB Statement No. 61, since it has a separate board of directors and services provided do not exclusively benefit the University.

For financial reporting purposes at the University level, only the discretely presented component units' statement of financial position and statement of activities are included in the University's financial statements as required by generally accepted accounting principles for public colleges and universities. In FY 2017, the ASU Enterprise Partners distributed $80.7 million in cash donation transfers to the University for both restricted and unrestricted purposes.

Note C - Cash and Investments

General

The University's deposits and investments are discussed below in our analysis of deposit and investment risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*; and fair value of investment assets, as required by GASB Statement No. 72, *Fair Value Measurement and Application.*

Included in the University's deposits and investments are $298.7 million in capital projects and bond debt service funds, which are held in trust and invested by various trustee banks, $167.2 million in cash and cash equivalents, and $778.5 million in short-term and other investments.

In addition, $130.1 million in endowment funds is managed by the ASU Foundation, an Arizona nonprofit corporation, whose sole member is ASU Enterprise Partners. These funds are held in a pooled endowment fund managed under a service contract with the ASU Foundation and invested in the ASU Foundation Endowment Pool (Pool). Investment management of the Pool is delegated by the ASU Foundation to its parent company, ASU Enterprise Partners, through an investment services agreement. ASU Enterprise Partners is responsible for oversight establishing investment policies and management of the Pool. The University's endowment assets are maintained separately on the financial system of the ASU Foundation and receive a proportional share of the Pool activity.

As such, the ASU Foundation owns the assets of the Pool; the University has an interest in the Pool, which is considered an external investment pool to the University. The Pool invests in a variety of asset classes, including common stocks, fixed-income, foreign investments, private equity and hedge funds. The ASU Foundation Endowment Pool is not registered with the Securities and Exchange Commission as an investment company. The ASU Enterprise Partners Board of Directors-appointed Investment Committee, which includes members of the ASU Foundation Board of Directors, is responsible for oversight of the Pool in accordance with ASU Enterprise Partners policies. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool, which is marked-to-market monthly. For additional information refer to *Note P - Summary Financial Information for ASU Component Units*. The University also participates in the Arizona Student Financial Aid Trust, which was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees.

Statutory and Board of Regents' Policies

For nonendowment (operating) funds, Arizona Revised Statutes (Statutes) requires that deposits of the University not covered by federal deposit insurance be secured through participation in the State of Arizona Collateral Pool administered by the State Treasurer's Office which holds pledged collateral of at least 102 percent of uninsured deposits in eligible depositories. Further policy regarding deposits is provided by the Arizona Board of Regents (ABOR).

The Statutes do not specifically address investment policy of the universities, rather ABOR policy governs in this area. ABOR policy requires that each university arrange for the safekeeping of securities by a bank or other financial institutions approved by ABOR. ABOR and University investment policies applicable to University investments are consistent with the Arizona State Treasurer's authorizing statutes and investment policy. Investment of capital project funds are governed by the financing indenture agreements. With regard to endowments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university.

At Arizona State University, the Investment Committee is responsible for advising on the definition, development and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires that the University invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

ABOR policy addresses requirements for concentration of credit risk and interest rate risk, but neither ABOR policy nor the Statutes include any specific requirements on foreign currency risk for investments of the universities.

The State of Arizona Board of Investment provides oversight for the State of Arizona Treasurer's pools. The fair value of a participant's portion in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Deposit and Investment Risk

Custodial Credit Risk. University policy for its operating funds requires collateralization for all certificates of deposit and repurchase agreements. Beyond this requirement and those established by Statute or ABOR, the University does not have a policy that specifically addresses custodial credit risk.

Credit Risk. With regard to credit risk, ABOR policy requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances and State of Arizona bonds carry a minimum BBB or better rating from Standard and Poor's Rating Service or Baa or better rating from Moody's Investors Service; and that commercial paper be rated by at least two nationally recognized statistical rating organizations (NRSROs) and be of the two highest rating categories for short-term obligations of at least two of the NRSROs. Capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit (minimum rating of P-1/A-1), commercial paper (minimum rating of P-1/A-1+), and money market funds rated AAAm or better invested in short-term debt securities.

The University does not have a formal policy that specifically addresses credit risk over endowment funds.

The University's endowment funds are invested in an unrated external investment pool managed by the ASU Foundation, subject to the ASU Enterprise Partners investment policy. For endowment funds, the investment committee that directs the investments held in the Pool manages the credit risk associated with the Pool by following the credit quality and guideline restrictions stated in the investment policy.

Credit Quality Rating for Debt Securities at June 30, 2017 *(Dollars in thousands)*

			Standard and Poor's			
Investment Description	**Fair Value**	**Not Rated**	**AAA / AAAm / AAAf**	**A-1+/ AA**	**A**	**BBB**
Money market mutual funds	$ 441,310		$ 441,310			
Corporate bonds	375,166	$ 603	12,667	$ 91,502	$ 100,129	$ 170,265
Federal agency securities	128,531			128,531		
Vanguard ETF	50,170	50,170				
Asset backed securities	15,468	1,412	11,048	1,313	1,695	
Mortgage backed securities	9,440	8,835	605			
Municipal bonds	7,204		5,599	1,605		
State of Arizona LGIP (Pool 5)	1,490		1,490			
Total	**$ 1,028,779**	**$ 61,020**	**$ 472,719**	**$ 222,951**	**$ 101,824**	**$ 170,265**

Concentration of Credit Risk. Other than United States Treasury securities and other federal agency securities, which can represent greater than five percent of total investments, University policy limits investment in a single issuer to five percent or less of the fair value of the total portfolio. Except for those issuers allowed by policy, the University does not have an investment in any single issuer that exceeds five percent of the overall portfolio. At June 30, 2017, the University had investments in the United States Treasuries, $175.5 million or 12.6 percent of total investments, respectively.

Interest Rate Risk. ABOR and University policies do not limit the overall maturity of the investments held by the operating and endowment funds, however, the operating fund investment policy includes guidelines addressing diversification and liquidity. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

Interest Rate Risk for the University's Debt Investments at June 30, 2017 - utilizing the weighted average maturity method *(Dollars in thousands)*

Investment Description	**Fair Value**	**Weighted Average Maturity (Years)**
Money market mutual funds	$ 441,310	0.1
Corporate bonds	375,166	2.9
Federal agency securities	128,531	2.6
Vanguard ETF	50,170	2.9
Asset backed securities	15,468	3.3
Mortgage backed securities	9,440	28.4
Municipal bonds	7,204	0.3
State of Arizona LGIP (Pool 5)	1,490	0.1
Subtotal, before U.S. Treasury securities	$ 1,028,779	
U.S. Treasury securities	175,535	1.8
Total	**$ 1,204,314**	

Foreign Currency Risk. Non-endowment funds may not be invested in foreign-denominated securities, and the University has no non-endowment investments exposed to foreign currency risk. The University's endowment funds are invested in an external investment pool managed by the ASU Foundation, which include U.S. dollar denominated foreign investments.

Fair Value of Investment Assets

The University measures and categorizes its investments using the 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 in 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.

University Investments Measured at Fair Value *(Dollars in thousands)*

Investments Classified in Fair Value Hierarchy	As of 06/30/2017	Hierarchy Fair Value Level 1	Level 2	Level 3
Money market mutual funds	$ 441,310	$ 273,611	$ 167,699	
Corporate bonds	375,166		374,758	$ 408
U.S. Treasury Securities	175,535	175,535		
Federal agency securities	128,531		128,531	
Real estate	54,963			54,963
Vanguard ETF	50,170	50,170		
Asset backed securities	15,468		15,468	
Mortgage backed securities	9,440		9,440	
Municipal bonds	7,204		7,204	
Total Investments Classified in Fair Value Hierarchy	**$ 1,257,787**	**$ 499,316**	**$ 703,100**	**$ 55,371**
Other Investments at Fair Value				
State of Arizona LGIP (Pool 5)	$ 1,490			
ASU Foundation Endowment Pool (ASU Portion)	130,118			
Total Other Investments at Fair Value	**$ 131,608**			
Total University Investments at Fair Value	**$ 1,389,395**			

Investments Classified in Fair Value Hierarchy. Investments categorized as Level 1 of the fair value hierarchy are valued using unadjusted prices quoted for identical assets in active, exchange and brokered markets for those securities. Investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments categorized as Level 3 of the fair value hierarchy are valued using various methods. Real estate is valued by using the income approach to measuring fair value which discounts future amounts to a single current amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Other Investments at Fair Value. The fair value of a participant's portion in the State of Arizona LGIP (Pool 5) approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. 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 the University's position in the ASU Foundation Endowment Pool is based on the University's proportionate share of the Pool, which is valued at marked-to-market monthly.

Note D - Capital Assets

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

Capital asset activity for the year ended June 30, 2017 *(Dollars in thousands)*	**Balance 07/01/2016 [1] (as restated)**	**Additions/ Increases**	**Retirements/ Decreases**	**Balance 06/30/2017**
Non-depreciated capital assets				
Land -				
University operations	$ 84,789			$ 84,789
Available for commercial purposes	40,756			40,756
Construction in progress -				
Buildings	143,044	$ 142,585	$ (56)	285,573
Software	1,167	9,155		10,322
Works of art and historical treasures	21,311	57		21,368
Total	$ 291,067	$ 151,797	$ (56)	$ 442,808
Depreciated capital assets				
Infrastructure	$ 141,025	$ 9,262	$ (588)	$ 149,699
Buildings	2,662,598	96,938	(8,681)	2,750,855
Equipment	447,099	41,092	(7,227)	480,964
Software	26,894			26,894
Library books	302,657	11,885	(5,813)	308,729
Less accumulated depreciation				
Infrastructure	(59,916)	(3,617)	146	(63,387)
Buildings	(982,458)	(73,781)	4,698	(1,051,541)
Equipment	(311,363)	(33,576)	6,105	(338,834)
Software	(23,040)	(1,185)		(24,225)
Library books	(242,404)	(11,545)	5,813	(248,136)
Total	$ 1,961,092	$ 35,473	$ (5,547)	$ 1,991,018
Capital assets, net	**$ 2,252,159**	**$ 187,270**	**$ (5,603)**	**$ 2,433,826**

[1] Beginning balances were restated as a result of blending financial activity for the Thunderbird School of Global Management.

Construction in progress additions reflected above represent expenses for new projects net of capital assets placed in service. It is estimated $153.0 million in additional expenses will be required to complete projects under construction at June 30, 2017. Construction in progress encumbrances committed through purchase orders at June 30, 2017, totaled $ 98.4 million.

Note E - Land Available for Commercial Purposes

As a part of the campus master planning process, certain land holdings of the University that were originally acquired for other than commercial purposes are available for commercial development by private developers pursuant to either long-term ground leases or sale, under overall coordination by the ASU Real Estate Development Office.

The University's land available for commercial purposes includes the following:

Novus Innovation Corridor. The Novus Innovation Corridor includes 330 acres of real estate located adjacent to ASU, of which approximately 131 acres will be used for commercial development and the remaining acres will be used for ASU athletic or other facilities. The University has selected Catellus as a master developer to provide mixed-use urban development focused on high quality, sustainable development that contributes to the community.

ASU Research Park (Park). The Park consists of 237 leasable acres that are ground leased to the ASU Research Park, Inc., a component unit of the University. The primary purpose of the Park is to acquire interests in real property, develop such property as a research park, and promote and support research activities in coordination with ASU.

ASU at the West campus. The West campus property consists of approximately 64 acres on the northeast perimeter of the West campus available for commercial development. This land is presently vacant and will not be needed for University facilities for the contemplated full build out of this campus. West campus, exclusive of the approximately 64 acres for commercial purposes, consists of 236 acres.

ASU at the Polytechnic campus. Per the Consent to Transfer Agreement dated December 6, 2007 between the federal government and the University, 382 acres located at the Polytechnic campus are effectively available for commercial development. Exclusive of the 382 acres intended for commercial purposes, the Polytechnic campus consists of approximately 210 acres.

Other Investment Property. The University holds other parcels in Tempe totaling 38.7 acres of land for current and future commercial development.

Note F - Long-Term Debt and Lease Obligations

As of June 30, 2017 the University had issued a combination of fixed and variable rate bonds, fixed rate certificates of participation (COPs), and other lease obligations, of which $1.9 billion is outstanding. The University's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds of the University have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the University's financial statements. The principal amount of defeased bonds outstanding at June 30, 2017 totaled $117.6 million.

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2017 *(Dollars in thousands)*	Average Interest Rate	Final Maturity	Balance 07/01/2016	Additions	Reductions	Balance 06/30/2017	Current Portion
Bonds:							
2007A/B System Revenue Bonds	4.46%	07/01/36	$ 9,445		$ (3,480)	$ 5,965	$ 165
2008A/B Variable Rate Demand System Revenue Refunding Bonds	0.88%	07/01/34	88,855		(2,925)	85,930	85,930
2008C System Revenue Bonds	5.89%	07/01/18	7,565		(2,395)	5,170	2,520
2009A System Revenue Bonds	3.76%	07/01/21	9,890		(3,320)	6,570	1,205
2010A/B System Revenue Bonds	5.99% [1]	07/01/39	165,980		(4,485)	161,495	4,600
2010A/B SPEED Revenue Bonds	5.48% [2]	08/01/30	33,820		(1,745)	32,075	1,815
2010C System Revenue Bonds	4.51%	07/01/21	18,915		(2,775)	16,140	2,920
2011 SPEED Revenue Bonds	3.93%	08/01/31	30,915		(1,395)	29,520	1,435
2012A/B System Revenue and Refunding Bonds	3.64%	07/01/42	162,795		(11,730)	151,065	4,310
2013A/B System Revenue and Refunding Bonds	3.47%	07/01/43	107,425		(7,615)	99,810	5,770
2014 SPEED Revenue Bonds	3.72%	08/01/44	77,620		(2,380)	75,240	2,460
2015A/B/C System Revenue and Refunding Bonds	3.34%	07/01/46	359,245		(1,430)	357,815	3,245
2015D System Revenue Bonds	3.67%	07/01/46	102,665			102,665	1,055
2016A System Revenue Refunding Bonds	2.29%	07/01/31	37,105			37,105	915
2016B/C System Revenue Bonds	3.25%	07/01/47		$ 226,230		226,230	415
Subtotal: Par Amount of Bonds			$ 1,212,240	$ 226,230	$ (45,675)	$ 1,392,795	$ 118,760
Certificates of Participation:							
2002 Certificates of Participation	4.76%	07/01/18	$ 230		$ (30)	$ 200	
2006 Certificates of Participation	4.53%	06/01/31	11,425		(580)	10,845	$ 610
2006 Refunding Certificates of Participation	4.15%	07/01/26	55,350		(5,325)	50,025	5,615
2011A Mercado Refunding Certificates of Participation	4.27%	07/01/24	6,225		(595)	5,630	615
2013A/B Refunding Certificates of Participation	3.09%	09/01/26	63,340		(720)	62,620	3,045
2014A/B Refunding Certificates of Participation	3.04%	09/01/30	77,140		(4,170)	72,970	4,285
Subtotal: Par Amount of COPs			$ 213,710		$ (11,420)	$ 202,290	$ 14,170
Capital Leases/Lease Purchases:							
Fulton Center	4.01%	06/15/34	$ 22,820		$ (890)	$ 21,930	$ 925
Flexible Display Center	5.27%	02/15/34	29,083		(1,030)	28,053	1,093
Hassayampa Academic Village	3.24%, 5.36%	06/10/39	11,816		(1,312)	10,504	182
Nursing and Health Innovation	4.84%	01/01/36	9,490		(300)	9,190	310
Washington, D.C. Facility	3.60%	06/15/35	35,000		(1,315)	33,685	1,365
Other Lease Purchases	3.30% - 6%	02/07/22	2,114		(654)	1,460	692
Subtotal: Capital Leases/Other Lease Purchases			$ 110,323		$ (5,501)	$ 104,822	$ 4,567
Total Par Amount of Bonds, COPs, Capital Leases and Other Lease Purchases			$ 1,536,273	$ 226,230	$ (62,596)	$ 1,699,907	$ 137,497
Premium/(Discount) on Sale of Bonds and COPs			113,044	53,154	(15,351)	150,847	15,635
Total Bonds Payable/COPs/ Capital Leases/ Other Lease Purchases			**$ 1,649,317**	**$ 279,384**	**$ (77,947)**	**$ 1,850,754**	**$ 153,132**

[1] The average interest rate net of the Build America bonds federal direct payment subsidy is 3.94%.
[2] The average interest rate net of the Build America bonds federal direct payment subsidy is 3.74%.

System Revenue Bonds

The University has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds and subordinated bonds outstanding at June 30, 2017. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include state appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2017, pledged revenues totaled $1.56 billion of which 5.6 percent ($86.1 million, net of federal direct payments) was required to cover current year debt service.

In August 2016, the University issued $226.2 million of system revenue bonds, Series 2016B/C with an average maturity of 18.7 years and an average interest rate of 3.25 percent. The bonds were issued to fund Phase 3 of the Sun Devil Stadium Renovation project, the construction of Biodesign C and Student Pavilion buildings, and various infrastructure and research projects.

SPEED Revenue Bonds

In June 2008, the State of Arizona Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED) which provides Arizona universities with capital improvement funds for critical construction and deferred maintenance projects. SPEED projects are debt financed with revenue bonds and repaid primarily with Arizona Lottery revenues. Specifically, up to 80 percent of SPEED debt service is paid from Arizona Lottery revenues, with the balance being the responsibility of the University as evidenced by the subordinated pledge of University revenues.

Variable Rate Bonds

The University has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling $85.9 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2017 was 0.88 percent for the Series 2008A bonds and 0.88 percent for the Series 2008B bonds.

The University's variable rate demand bonds have remarketing features which allow bondholders to put debt back to the University. In accordance with GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities*, the total outstanding principal balance for variable rate demand bonds is required to be classified as a current liability. As of May 4, 2016 the University executed a self-liquidity facility agreement to provide liquidity if the bonds are put by bondholders. It is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the official statement, however, in the absence of a "take out agreement" the University has classified the total outstanding principal balance of the 2008 bonds as a current liability.

Capital Leases

In October 2003, the University entered into a 30-year lease agreement with ASUF, LLC, an Arizona limited liability company, of which the sole member is the University Realty LLC, an Arizona limited liability company, whose sole member is ASU Enterprise Partners, an Arizona nonprofit corporation and component unit of the University, to lease four floors of office space in the Fulton Center and the related parking structure. In April 2004, the University entered into a 30-year sublease agreement with Nanotechnology Research, LLC, an Arizona limited liability company, whose sole member is Arizona Capital Facilities Finance Corporation (ACFFC), to lease the Flexible Display Center located at the ASU Research Park. In July 2005, the University entered into a 34-year lease with McAllister Academic Village, LLC, an Arizona limited liability company, whose sole member is ACFFC, to lease the nonresidential portion of the McAllister Academic Village (MAV), which operates under the name of Hassayampa Academic Village. ACFFC has overall responsibility for the residential portion, comprising approximately 92 percent of the facility, with the University leasing the nonresidential portion of the facility. In, July 2016, McAllister Academic Village LLC refunded the 2008 Bonds for savings. The issuance of the refunding bonds resulted in a $2.2 million reduction in the University's future lease payments. In November 2008, the University committed to a capital lease with the City of Phoenix related to construction of the fourth and fifth floors of the Nursing and Health Innovation building at ASU's Downtown Phoenix campus. In December 2014, the University entered into a 20-year lease with ASUF DC, LLC, an Arizona limited liability company, whose sole member is the University Realty LLC, an Arizona limited liability company, whose sole member is ASU Enterprise Partners, to lease a multi-use office building in Washington, D.C. Buildings under capital lease are as follows:

Capital lease book value as of June 30, 2017
(Dollars in thousands)

	Book Value	Accumulated Depreciation	Net Book Value
Fulton Center	$ 29,551	$ (9,950)	$ 19,601
Flexible Display Center	37,314	(12,072)	25,242
Hassayampa Academic Village	12,451	(3,344)	9,107
Nursing and Health Innovation	11,788	(2,106)	9,682
Washington, D.C. Facility	35,000	(2,481)	32,519

Future Payments

Future pledged revenues required to pay all remaining debt service for the University's senior and subordinate revenue bonds through final maturity of July 1, 2046 total $2.3 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the University has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2017 totaled $4.2 million with annual debt service payments of approximately $1.2 million through July 1, 2021.

The Taxable Series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the University is eligible to receive Federal Direct Payments from the United States Treasury equal to 35 percent of the interest owed on each interest payment date. The amount paid to the University by the Federal government may be reduced or limited due to such issues as failure by the University to submit the required information, offsets to reflect any amounts owed by the University to the Federal government, or changes in the law that would reduce or eliminate such payments. During FY 2017, ASU received Federal Direct Payments totaling $3.6 million, net of a $0.3 million or 6.9 percent reduction due to the federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

Securities and cash restricted for bonds and COPs debt service held by the trustee at June 30, 2017 totaled $65.2 million and $7.6 million, respectively. Payment commitments to investors, including interest, for bonds, COPs and other lease obligations, using the interest rate in effect at June 30, 2017 for variable rate issues, are shown below:

Bonds Payable, Certificates of Participation and Other Lease Obligations at June 30, 2017 *(Dollars in thousands)*

	System Revenue Bonds				SPEED Revenue Bonds			Certificates of Participation		Capital Leases / Lease Purchases	
FY	Principal	Interest	Net Payments on Swap Agreement	Federal Direct Payments	Principal	Interest	Federal Direct Payments	Principal	Interest	Principal	Interest
2018	$ 30,185	$ 57,740	$ 2,472	$ (3,307)	$ 5,710	$ 6,516	$ (534)	$ 14,170	$ 7,928	$ 4,567	$ 4,542
2019	32,770	56,590	2,376	(3,226)	5,925	6,312	(534)	14,695	7,385	4,786	4,331
2020	42,275	54,927	2,276	(3,141)	6,120	6,051	(534)	15,265	6,734	4,254	4,109
2021	44,745	53,014	2,171	(3,050)	6,395	5,736	(502)	16,000	5,962	4,455	3,915
2022	46,965	50,923	2,060	(2,954)	6,675	5,403	(465)	16,785	5,135	4,674	3,715
2023-2027	280,635	216,630	8,434	(13,106)	38,200	21,314	(1,677)	74,950	15,202	26,506	15,534
2028-2032	235,715	154,571	4,706	(9,642)	44,625	10,345	(384)	50,425	2,812	33,017	9,437
2033-2037	225,735	100,641	617	(5,290)	16,995	2,645				20,855	2,383
2038-2042	173,235	50,568		(683)	3,585	1,042				1,708	126
2043-2047	137,640	13,611			2,605	145					
2048	6,060										
Total	**$ 1,255,960**	**$ 809,215**	**$ 25,112**	**$ (44,399)**	**$ 136,835**	**$ 65,509**	**$ (4,630)**	**$ 202,290**	**$ 51,158**	**$ 104,822**	**$ 48,092**

Funding responsibility for the June 30, 2017 outstanding debt *(Dollars in thousands)*

	Current Portion	Noncurrent Portion	Total
From Arizona State University operating revenues	$ 118,910	$ 1,335,986	$ 1,454,896
From State of Arizona appropriations and other State monies	34,222	361,636	395,858
	$ 153,132	**$ 1,697,622**	**$ 1,850,754**

Subsequent Events

In July 2017, the University issued $44.8 million of refunding Certificate of Participation (COPs) to refund the outstanding 2006 Refunding COPs. The 2017 COPs mature on July 1, 2026.

The University presently plans to issue up to $61.0 million in system revenue bonds before fiscal year end 2018.

Operating Leases

Brickyard. In July 2004, the ASUF Brickyard, LLC, an Arizona limited liability company, of which the sole member is University Reality LLC, an Arizona limited liability company, whose sole member is ASU Enterprise Partners, purchased the Brickyard office building and parking facility in downtown Tempe for $34.5 million, and is master leasing the entire facility to the University pursuant to a 25-year lease. This lease has no purchase options for the University. The majority of the facility is being used by the University for classrooms, offices, and research areas, with the remaining portion being leased by the University to various firms for retail and restaurant operations.

SkySong. In June 2006, the University entered in a 15-year lease, for approximately 80,000 square feet of office space within a development known as SkySong. SkySong is being developed by the ASU Foundation and its partners as a home for activities and organizations that co-mingle and stimulate new forms of global commerce, research, technology, art, education, and economic development. The University's use of the leased space focuses on supporting entrepreneurial activities and interdisciplinary research programs in engineering-related fields and education technology. In July 2013, the University entered into a 12-year lease for an additional 15,000 square feet of office space within the SkySong development. A third lease was entered into in December 2016 for an additional 12,452 square feet of office space within the SkySong development for a 12-year period.

American Campus Communities OP (ACC). The University entered into two operating leases with American Campus Communities, a Delaware limited liability company. In February 2014 the University entered into a sublease agreement with ACC for student housing at Vista del Sol and Villas at Vista. The sublease term is for one year with four options to renew for an additional term of one year. The second lease was entered into in May 2014 for 2,934 square feet of retail space to be used for tutoring, study and meeting space to support the Barrett Honors College.

Other. The University has entered into other operating leases with various entities for classroom, office, research and student activity space.

The future minimum operating lease payments are as follows (Dollars in thousands):

	Operating Lease Payments				
FY	**Brickyard**	**SkySong**	**ACC**	**Other**	**Total**
2018	$ 2,779	$ 3,962	$ 21,492	$ 5,446	$ 33,679
2019	2,783	4,057	9	3,199	10,048
2020	2,783	4,168		2,313	9,264
2021	2,783	4,281		1,999	9,063
2022	2,783	4,397		232	7,412
2023-2027	13,915	22,866		732	37,513
2028-2032	5,566	7,594		1,031	14,191
Total	**$ 33,392**	**$ 51,325**	**$ 21,501**	**$ 14,952**	**$ 121,170**

Note G - Interest Rate Swap Agreement

Effective January 1, 2007, the University entered into a $103 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding $85.4 million notional amount at June 30, 2017 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the University pays the counterparty interest calculated at a fixed rate of 3.91 percent and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2017 was 0.91 percent. At June 30, 2017, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap:	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from the counterparty	SIFMA	(0.91)
Net interest rate swap payments		3.00
Variable rate bond coupon payments	Spread to SIFMA	0.88
Synthetic fixed interest rate on bonds		3.88

The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. If the counterparty defaults or if the swap is terminated, the University will revert to paying a variable rate. A termination of the swap agreement may also result in the University making or receiving a termination payment. The University is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty versus the variable rate paid to bondholders. The swap exposes the University to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds. As of June 30, 2017, the University was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A+ by Fitch, A+ by Standard & Poor's and A1 by Moody's Investor Services as of June 30, 2017.

Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the University's overall exposure exceeds predetermined levels.

Collateral may be held by the University or a third party custodian. As of June 30, 2017, the swap had a fair value of $(15.4) million, which represents the cost to the University to terminate the swap. The June 30, 2016 fair value was $(23.2) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the University's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources and a liability (derivative instrument).

Note H - Unrestricted Net Position

As discussed in the Summary of Significant Accounting Policies, the University follows accounting standards for external reporting purposes that require net position to be classified for accounting and reporting purposes into one of three net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB, is not subject to externally imposed stipulations; however, it is subject to internal designations. For example, unrestricted net position may be designated for specific purposes by actions of management or may otherwise be limited by contractual purchase obligation agreements with outside parties. As of June 30, 2017, substantially all of the University's unrestricted net position was from University-generated revenues and was internally designated for academic and research programs and initiatives, and capital projects.

Note I - Compensated Absences

The University has recorded a liability for accruals of vacation leave earned, but not taken at fiscal year end. At fiscal year end the University accrued up to the maximum 22 days allowed by University policy for which an employee can be paid upon termination of employment. Changes in accrued compensated absences for the year ended June 30, 2017 consisted of the following (Dollars in thousands):

Beginning Balance	$ 30,676
Additions	45,622
Reductions	(44,240)
Ending Balance	$ 32,058
Current Portion	$ 3,286

Note J - Operating Expenses by Natural Classification

Operating expenses by functional and natural classification for the year ended June 30, 2017, are summarized as follows (Dollars in thousands):

	Year ended June 30, 2017				
	Personal Services and Benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	$ 623,279	$ 187,377			$ 810,656
Research	168,651	98,652			267,303
Public service	18,074	17,304			35,378
Academic support	212,666	82,040			294,706
Student services	84,037	39,340			123,377
Institutional support	94,629	57,597			152,226
Operation and maintenance of plant	25,015	91,441			116,456
Scholarships and fellowships			$ 187,124		187,124
Auxiliary enterprises	65,329	89,465			154,794
Depreciation				$ 123,705	123,705
Total Operating Expenses	**$ 1,291,680**	**$ 663,216**	**$ 187,124**	**$ 123,705**	**$ 2,265,725**

Note K - Retirement 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, 2017, PSPRS has not been further disclosed due to its relative insignificance to the University's financial statements.

The University's net pension liability at June 30, 2017, was comprised of the following (Dollars in thousands):

ASRS	$ 546,672
PSPRS	19,204
Defined contribution pension plans	24,301
Total net pension liability	$ 590,177

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

Beginning balance	$ 535,170
Increases	205,343
Decreases	(150,336)
Ending balance	$ 590,177

Defined Benefit Plan

Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. Certain eligible staff categories are required and eligible University faculty and other staff categories 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. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting www.azasrs.gov.

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

*With actuarially reduced benefits

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.34 percent of the members' annual covered payroll, and the University was required by statute to contribute at the actuarially determined rate of 10.78 percent of the active members' annual covered payroll. In addition, the University was required by statute to contribute at the actuarially determined rate of 9.17 percent of annual covered payroll of retired members who worked for the University in positions that would typically be filled by an employee who contributes to the ASRS. The University's contributions to the pension plan for the year ended June 30, 2017, were $36.6 million.

Pension Liability. At June 30, 2017, the University reported a liability of $546.7 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016.

The University's proportion of the total pension liability as of June 30, 2016 reflects a change in actuarial assumptions related to decreased loads for future potential Permanent Benefit Increases.

The University's proportion of the net pension liability was based on the University's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The University's proportion measured as of June 30, 2016 was 3.387 percent which was an increase of 0.194 percent from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2017, the University recognized pension expense for ASRS of $50.4 million. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,322	$ 37,607
Change of assumptions		28,923
Net difference between projected and actual earnings on pension plan investments	59,241	
Changes in proportion and differences between University contributions and proportionate share of contributions	32,407	
University contributions subsequent to the measurement date	36,582	
Total	**$ 131,552**	**$ 66,530**

The $36.6 million 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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows: (Dollars in thousands, positive amount indicates an increase in pension expense):

Year ending June 30,	
2018	$ (6,740)
2019	(7,565)
2020	26,133
2021	16,611

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3.00% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate (Dollars in thousands):

	University's proportionate share of the net pension liability
1% decrease (7%)	$ 697,048
Current discount rate (8%)	546,672
1% increase (9%)	426,103

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 reported accrued payroll and employee benefits of $1.5 million for outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2017.

Defined Contribution Plans

Plan Description. In accordance with A.R.S. section 15-1628, University faculty and most University staff have the option to participate in defined contribution pension plans. For the year ended June 30, 2017, plans offered by TIAA and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. 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; University contributions vest after five years of full-time 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 the contribution rates for active plan members and the University. The Arizona Revised Statutes define the authority under which benefit terms are established or may be amended. For the year ended June 30, 2017, plan members and the University were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability. At June 30, 2017, the University reported a liability of $24.3 million for non-vested defined contributions and pension contributions payable. If individuals terminate employment prior to vesting, any non-vested University contributions are retained by the University.

Pension Expense. For the year ended June 30, 2017, the University recognized pension expense for Defined Contribution Plans of $28.2 million of which forfeitures were $2.2 million.

Pension Contributions Payable. The University's accrued payroll and employee benefits included $1.0 million of outstanding pension contribution amounts payable to TIAA and Fidelity for the year ended June 30, 2017.

Note L - Other Postemployment Benefits (OPEB)

Other postemployment benefits provided as part of University employment include the ASRS sponsored cost-sharing plan for the Long-Term Disability Fund and the Health Benefit Supplement Fund, as well as the Arizona Department of Administration sponsored single-employer defined benefit postemployment plan.

Cost-Sharing Plan

The ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit postemployment plans. A.R.S. Title 38, Chapter 5, Article 2.1 assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publically available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. That report may be obtained by visiting www.azasrs.gov.

Contributions. For the ASRS HBS and LTD plans, contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payments are made.

Funding Policy. The contribution requirements of plan members and the University are established by Title 38, Chapter 5 of the A.R.S. These contribution requirements are established and may be amended by the Arizona State Legislature. For the year ended June 30, 2017, active ASRS members and the University were each required by statute to contribute at the actuarially determined rate of 0.14 percent of the members' annual covered payroll for LTD. The University also contributed 0.56 percent for the HBS. In addition, the University was required to contribute 0.21 percent for the health insurance premium benefit and 0.09 percent for long-term disability based on annual covered payroll for retired members who worked for the University in positions that an employee who contributes to ASRS would typically fill. The University's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows (Dollars in thousands):

FY	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	$ 1,884	$ 478
2016	1,566	381
2015	1,714	352

The cost-sharing plan contributions are currently meeting their contribution requirements, therefore there is no net OPEB liability to disclose for the HBS or LTD plans.

Single-Employer Plan

The Arizona Department of Administration (ADOA) administers a single-employer defined benefit postemployment plan (ADOA Plan) that provides medical and accidental benefits to retired University employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the ADOA Plan to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees, net of related premiums, that are paid entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis that is lower than the expected claim costs for retirees, creating an implicit subsidization of retirees by the ADOA Plan. ADOA does not issue a separate, publically available financial report for the ADOA Plan, however, the State of Arizona Comprehensive Annual Financial Report presents state-wide prior year information, which can be obtained by visiting gao.az.gov. Prior to June 30, 2016, the University's proportionate share of the net OPEB liability was immaterial to the University's financial statements and therefore was not presented.

A portion of the ADOA Plan's implicit rate subsidy, if not fully funded, represents an obligation of the University for its proportionate share of the net OPEB obligation.

Funding Policy. The ADOA's current funding policy is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the actuarial accrued liability. To the extent that the calculated annual required contribution exceeds the annual pay-as-you-go cost of providing OPEB benefits, a net OPEB obligation is created. The University's contributions for the ADOA OPEB for the years ending June 30, 2017 and 2016 were $4.7 million and $3.9 million, respectively. ADOA does not issue a separate, publicly available financial report, therefore, information regarding the University's proportionate share of contributions for the year ended June 30, 2015 is not available.

Annual OPEB Cost and Net OPEB Obligation. The University's proportionate share of annual OPEB costs, OPEB contributions made, and changes in the OPEB obligation of the ADOA Plan for the year ended June 30, 2017, are as follows (Dollars in thousands):

Annual required contribution	$ 22,997
Interest on net OPEB obligation	717
Adjustment to annual required contribution	(1,184)
Annual OPEB cost (expense)	22,530
Proportionate share of contributions made	(4,670)
Increase in net OPEB obligation	17,860
Net OPEB obligation - beginning of year	23,901
Net OPEB obligation - end of year	$ 41,761

The University's proportionate share of annual OPEB costs and net OPEB obligation are presented below, based on the University's proportionate share of 16.98 percent. Only the current and preceding year actuarial valuations of the University's proportionate share of the annual OPEB costs of the ADOA plan are available (Dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2017	$ 22,530	20.73%	$ 41,761
06/30/2016	22,902	16.93%	23,901

Funded Status and Funding Progress. Below is the funded status of the University's proportionate share of the ADOA plan for the most recent actuarial valuation (Dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
06/30/2016	-	$ 189,323	$ (189,323)	0.0%	$ 562,904	(33.6)%

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

Actuarial Methods and Assumptions. Projections of ADOA Plan benefits for financial reporting purposes include the types of benefits provided at the time of each valuation and the pattern of sharing of cost between the employer and the ADOA Plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The ADOA Plan's actuarial methods and significant assumptions for the most recent actuarial valuation are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions:	
Investment rate of return	n/a
Projected salary increases	0%
Discount rate	3%
Cost-of-living adjustments	None
Healthcare cost trend rate	7.0% initial 4.5% ultimate
Amortization method	Level dollar, open
Remaining amortization period	30 years

Note M - ASU at the Downtown Phoenix Campus

In June 2005, the University and the City of Phoenix (City) entered into an intergovernmental agreement related to the development of an ASU campus in downtown Phoenix. Per the terms of the agreement, the City has acquired land, existing buildings and constructed new facilities in support of the Downtown Phoenix Campus. ASU is responsible for all operating costs at the campus as well as maintaining a reserve and replacement fund.

Permanent Financing. In March 2006, Phoenix resident voters approved a bond program which included approximately $188 million in permanent funding for the development of facilities for the ASU at the Downtown Phoenix campus, and approximately $35 million for other investments in the campus districts.

Purchase Option. The University may, prior to the satisfaction of the permanent financing, purchase all or a portion of the Downtown Phoenix campus property from the City for the amount of the indebtedness applicable to the property subject to full defeasance of any outstanding debt. Upon satisfaction of the permanent financing indebtedness, the properties will be transferred to the University at no additional cost, under the condition that the property will be used for the purpose of providing Arizona State University-related post-secondary education.

Mercado Property. The University will transfer property it owns in downtown Phoenix, known as the Mercado property, to the City when final payment of outstanding debt on the property has been made, which is scheduled to occur on July 1, 2024. The City has the option to purchase the Mercado property at any time after the construction of the new Downtown Phoenix campus facilities, and prior to June 15, 2024, subject to certain conditions.

Note N - Insurance Programs and Other Claims

Risk Management Insurance. Pursuant to A.R.S. section 41-621, the University participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the University, subject to certain deductibles, for risks of loss related to such situations as theft, damage and destruction of property, buildings, and equipment; errors and omissions; injuries to employees; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization, except as prescribed in A.R.S. section 41-621. Loss risks not covered by the Risk Management Section and where the University has no insurance coverage are losses arising from contractual breaches and losses that arise out of and are directly attributable to an act or omission determined by a court to be a felony. 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 Section should not have a material effect on the University's financial statements. Also, in accordance with the disclosure requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, all estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona *Comprehensive Annual Financial Report*.

Note O - Privatized Student Housing

American Campus Communities. The University has entered into ground lease agreements with American Campus Communities (ACC) for student housing projects that provide approximately 6,700 beds and are located on land owned by the University that is ground leased to ACC. Upon completion of the projects, ACC transfers title to the facilities to the University, subject to a leasehold interest under which ACC will maintain and operate the facilities. The ground leases are each for a period of 65 years with two ten-year options to renew. The University has no obligation to support the facilities financially or to guarantee occupancy.

- Vista del Sol, opened in August 2008 on the Tempe campus, consists of apartment-style beds, with amenities such as a pool, community center, parking garage and retail space.
- Villas at Vista del Sol, an expansion of the Vista del Sol complex, opened in August 2012 on the Tempe campus and includes a mix of apartment-style housing and townhome units.
- Barrett Honors College, opened in August 2009 on the Tempe campus, provides housing and academic space for the Barrett Honors College including classrooms, faculty office and dining facilities.
- Casa de Oro, opened in August 2012 on the West campus, features double occupancy suite-style beds for first-year students.
- Manzanita, a renovated facility, re-opened in August 2013 on the Tempe campus and consists of double occupancy suite-style beds for first-year students.
- Fulton Schools Residential Community at Tooker House, opened in August 2017 on the Tempe campus features double occupancy suite-style beds for first-year students.
- The Greek Leadership Village, a new facility scheduled to open in August 2018 on the Tempe campus, will provide housing for ASU fraternities and sororities.

University House Mesa, LLC. The University entered into a ground lease with University House Mesa, LLC (UHM) for development of student housing on the Polytechnic campus. During the term of the ground lease, 65 years with two ten-year options to renew, UHM is responsible for all costs and expenses of operating and maintaining the housing project. The University has no obligation to support the facility financially or to guarantee occupancy.

- Century Hall, opened in August 2012 on the Polytechnic campus, features double occupancy suite-style beds for first-year students.

Downtown Phoenix Student Housing, LLC. The University entered into a ground sublease with Capstone Development Corporation and Downtown Phoenix Student Housing, LLC (DPSH) for development of student housing on the Downtown Phoenix campus. During the term of the ground lease, the earlier of 40 years from the issuance of the financing for the project or the date on which the financing and all obligations have been fully repaid, DPSH is responsible for all costs and expenses of operating and maintaining the housing project. The University has no obligation to support the facility financially or to guarantee occupancy.

- Taylor Place, opened in August 2008 (South Tower) and January 2009 (North Tower) on the Downtown Phoenix campus, features double occupancy suite-style beds for first-year and continuing students.

Note P - Summary Financial Information for ASU Component Units

Arizona State University's discretely presented component units are comprised of two major component units, ASU Enterprise Partners (ASUEP), and Arizona Capital Facilities Finance Corporation (ACFFC), and several smaller component units consisting of the ASU Alumni Association, Arizona State University Research Park, Inc., Sun Angel Foundation, and ASU Preparatory Academy, Inc. For additional information refer to *Note B – ASU Component Units.*

Summary of Significant Accounting Policies

Basis of presentation. The component unit financial statements have been prepared on the accrual basis of accounting according to generally accepted accounting principles (GAAP). Information regarding their financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income taxes. All of ASU's component units, except ACFFC, qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. ACFFC is classified as a Section 501(c)(4) organization, a tax-exempt organization but not qualified for the charitable contribution deduction.

Use of estimates. The preparation of the component units' financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Pledges Receivable

ASUEP pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and loss allowance. Pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 1.20 percent to 10.90 percent. An allowance for uncollectible pledges is estimated based on the ASUEP's collection history and is recorded as a reduction to contribution support revenue and an increase in the allowance for uncollectible pledges.

The Sun Angel Foundation's pledges receivable are recorded at their net realizable value using a discount rate determined by management ranging from 1.80 percent to 5.14 percent for the year ended June 30, 2017.

Members of the ASUEP's Board of Directors and Board of Trustees have made contributions and pledges to ASUEP in the current and prior years. At June 30, 2017, net unconditional pledges receivable from these members included approximately $975 thousand. The ASUEP had conditional pledges receivable totaling $46.6 million at June 30, 2017; none are included in pledges receivable. Conditional pledges receivable are recorded when the conditions are substantially met.

Pledges receivable consist of *(Dollars in thousands)*

	ASU Enterprise Partners	Sun Angel Foundation	Other Component Units	Total
Gross pledges receivable	$ 196,284	$ 43,326	$ 6,152	$ 245,762
Present value discount	(15,165)	(2,895)	(73)	(18,133)
Allowance for uncollectible pledges	(43,522)	(3,897)	(145)	(47,564)
Net pledges receivable	**$ 137,597**	**$ 36,534**	**$ 5,934**	**$ 180,065**

Gross pledges are receivable as follows *(Dollars in thousands)*				
	ASU Enterprise Partners	Sun Angel Foundation	Other Component Units	Total
Receivable in one year	$ 47,097	$ 6,980	$ 2,152	$ 56,229
Receivable in two to five years	46,483	19,233	4,000	69,716
Receivable after five years	102,704	17,113		119,817
Total gross pledges to be received	**$ 196,284**	**$ 43,326**	**$ 6,152**	**$ 245,762**

Investments

ASUEP investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs that market participants would use in pricing the asset or liability are based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs included in the determination of fair value are not observable and require significant management judgment or estimation.

ASUEP reports investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair values of nonmarketable securities are based on valuations provided by external investment managers. ASUEP exercises due diligence in assessing the policies, procedures and controls implemented by external investment managers. Investment income is recorded on an accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility.

ASUEP spending policy for the consolidated investment pools follows the objectives of the investment policy and establishes the amount made available for spending in the endowment pools.

- The current spending policy is based on a constant growth formula, in which the amount available for spending is based on the prior year spending amount plus an inflation factor (2.1 percent for 2017), collared by a cap and floor of 4.25 percent and 3.25 percent, respectively, of a 12-quarter moving average calculated mid-fiscal year.
- In the event the current market value of the endowment is less than the historical gift value, spending will continue, unless the gift agreement does not permit spending in this circumstance.

ASUEP has ownership of certain cash and cash equivalents that are not in the possession of ASUEP but are held, along with other marketable securities, by outside investment managers for the benefit of the ASUEP. Although these cash and cash equivalents are readily available to ASUEP, it is the intent of ASUEP to hold these cash and cash equivalents for investment purposes and, accordingly, these cash and cash equivalents are classified as investment assets in the accompanying combined financial statements.

Investments, in general, are exposed to various risks, such as interest rate, credit and market. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Investment Summary

Investments consist of *(Dollars in thousands)*	ASU Enterprise Partners	ACFFC	Other Component Units	Total
Money market funds and cash equivalents	$ 49,965	$ 16,923		$ 66,888
Global equities	344,108			344,108
Domestic equities			$ 146	146
Global fixed income	139,655			139,655
Mutual funds	189,653			189,653
Other securities	57,846		16,640	74,486
Other investments	92,054			92,054
Total investments	**$ 873,281**	**$ 16,923**	**$ 16,786**	**$ 906,990**

ASU Enterprise Partners Fair Value of Financial Instruments and Fair Value Measurements

(Dollars in thousands)	NAV	Level 1	Level 2	Level 3
Assets at fair value (recurring basis)				
Global equities	$ 36,610	$ 218,021		$ 89,477
Global fixed income	5,827	125,896		7,932
Absolute return	76,630	11,103		13,302
Real assets	435	20,150		68,033
Private capital	8,264			49,582
Cash and cash equivalents		49,937		28
Total investments at fair value	$ 127,766	$ 425,107		$ 228,354
Charitable trust receivable				2,485
Land and buildings held for investment				92,054
Assets with limited use		20,945		
Assets held under split-interest agreements		7,310		
Total assets at fair value	$ 127,766	$ 453,362		$ 322,893
Liabilities at fair value (recurring basis)				
Assets held for other entities				$ 146,759
Unrealized swap liability			$ 7,432	
Total liabilities at fair value			$ 7,432	$ 146,759

Direct Financing Lease Agreements

ASU Enterprise Partners. ASUEP leases a portion of the Fulton Center building (ASUEP headquarters) to the University under a direct financing lease. At the end of the lease, ASUEP will gift their portion of the building to the University and the University will receive title to the building. ASUEP net investment in this direct financing lease at June 30, 2017 is $21.9 million.

Arizona Capital Facilities Finance Corporation (ACFFC). Pursuant to a sublease agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC (Nano), a wholly-owned subsidiary of ACFFC, leases its interest in the ASU Research Park to the University. The University will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and

2009B Bonds. The Sublease has successive annual renewals without action from either party through March 31, 2034. The Sublease is subject to early termination by Nano or the University upon the payment in full of the Series 2009A and 2009B Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the University without further consideration. ACFFC's net investment in the Nanotechnology facility direct financing lease is $28.1 million at June 30, 2017.

Pursuant to a University lease agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the University which consists of the academic, tutorial, retail and food service facilities. The lease was amended effective July 7, 2016 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2016 Bonds. Any right, title or interest of Hassayampa in and to the academic portions of the Hassayampa Project will pass to the University without further cost upon the payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 and 2016 Bonds maturity schedules. ACFFC's net investment in the McAllister (HAV) direct financing lease is $10.5 million at June 30, 2017.

Contingent Agreements

The University entered into a contingent agreement which allows the University to contribute funding to the extent a funding shortfall occurs during the fiscal year. The agreement for Hassayampa Academic Village (ACFFC) allows the University to fund deficiencies for debt service and operating expense shortfalls. To date no support has been provided.

Power Plant Agreements

Sun Devil Energy Center. In November 2004, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a co-generation power plant on the University's Tempe campus with the power plant providing to the University a portion of its energy (electrical, chilled water and steam) needs. The contract with ACFFC is for 25 years, along with the related ground lease, and calls for minimum annual energy purchase obligations on the part of the University of approximately $7.5 million to cover ACFFC's fixed management services and capital costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily natural gas.

Polytechnic Central Plant. In December 2008, the University entered into a privatized/third party agreement with ACFFC for the construction and operation by a third party energy management firm of a central plant on the University's Polytechnic campus to provide chilled water and emergency power for certain buildings on that campus. The contract with ACFFC is for 20 years, along with the related ground lease, and calls for minimum annual purchase obligations by the University of approximately $2 million to cover ACFFC's fixed capital and management services costs. Additional billing amounts will be based on a pass through to the University of the service provider's variable costs, primarily electricity.

Foundation Endowment and Net Asset Classification

Management of the ASUEP's endowment is governed by laws in the State of Arizona created under the Arizona Management of Charitable Funds Act (MCFA). The ASUEP has interpreted the statute as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the ASUEP classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets.

ASUEP endowment is invested in the Long Term Investment Pool (LTIP). ASUEP investment policies for the LTIP are reviewed periodically. The long-term financial objectives of the Pool are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve inter-generational equity by achieving growth of the Pool at a rate that at least keeps pace with the general rate of inflation, net of spending.

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level required to be held in perpetuity.

ASU Enterprise Partners Endowment and Net Asset Classifications

ASU Enterprise Partners endowments by net asset category *(Dollars in thousands)*				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowments	$ (7,013)	$ 38,368	$ 397,257	$ 428,612
Quasi-endowments		79,287		79,287
Total funds	**$ (7,013)**	**$ 117,655**	**$ 397,257**	**$ 507,899**

Changes in endowment net assets *(Dollars in thousands)*				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, June 30, 2016				
Restructure transfer, endowment net assets	$ (16,867)	$ 94,776	$ 383,491	$ 461,400
Contributions and other additions		4,506	12,419	16,925
Investment return:				
Interest and dividends		7,085	412	7,497
Net realized and unrealized gains/(losses)	9,854	53,832	923	64,609
Changes in assets due to other entities		(21,667)		(21,667)
Total investment return	9,854	39,250	1,335	50,439
Appropriation for expenditure		(21,413)	(442)	(21,855)
Reclassification of donor intent		536	454	990
Endowment net assets, June 30, 2017	**$ (7,013)**	**$ 117,655**	**$ 397,257**	**$ 507,899**

Property and Equipment

Property and equipment consist of *(Dollars in thousands)*				
	ASU Enterprise Partners	**ACFFC**	**Other Component Units**	**Total**
Cost or donated value:				
Buildings and improvements	$ 17,397	$ 174,046	$ 379	$ 191,822
Furniture, fixtures, and equipment	7,644	79,027	1,774	88,445
Leasehold improvements			16,218	16,218
Library books				
Intangible Assets			573	573
Total cost or donated value	25,041	253,073	18,944	297,058
Accumulated depreciation	(11,519)	(120,739)	(11,557)	(143,815)
Net property and equipment	**$ 13,522**	**$ 132,334**	**$ 7,387**	**$ 153,243**

Bonds and Obligations under Capital lease

Bonds payable consist of *(Dollars in thousands)*	Final Maturity	ASU Enterprise Partners	ACFFC	Other Component Units	Total
Series 2014A Tax-Exempt Lease Revenue Bonds (DC Project)	2035	$ 31,390			$ 31,390
Series 2014B Taxable Lease Revenue Bonds (DC Project)	2019	3,610			3,610
Series 2014A Revenue Refunding Bonds (Fulton)	2034	38,600			38,600
Series 2011 Tax-Exempt Revenue Refunding Bonds (Energy Management Services)	2018		$ 5,830		5,830
Series 2009 Revenue Bonds (Energy Management Services)	2024		26,785		26,785
Series 2009A Lease Revenue Refunding Bonds (Nanotechnology Research)	2034		22,955		22,955
Series 2009B Lease Revenue Refunding Bonds (Nanotechnology Research)	2022		5,455		5,455
Series 2008 Revenue Bonds (ASU Energy Center)	2028		12,030		12,030
Series 2008 Revenue Refunding Bonds (Hassayampa Academic Village)	2019		6,380		6,380
Series 2008 Variable Rate Demand Revenue Refunding Bonds (Sun Devil Energy Center)	2030		32,410		32,410
Series 2016 Tax-Exempt Revenue Refunding Bonds (Hassayampa Academic Village)	2039		118,050		118,050
Series 2006 Development Refunding Bonds (ASU Research Park)	2021			$ 4,245	4,245
Series 2004A Variable Rate Revenue Bonds (Brickyard)	2034	22,420			22,420
Series 2004B Variable Rate Revenue Bonds (Brickyard)	2022	5,200			5,200
Unamortized loan costs			(2,904)		(2,904)
Deferred Cost of Refunding			(16,374)		(16,374)
Unamortized bond premium (discount)		(1,365)	25,985	(100)	24,520
		$ 99,855	**$ 236,602**	**$ 4,145**	**$ 340,602**

The following schedule reflects future principal payment commitments to investors:

Future principal commitments consist of *(Dollars in thousands)* Year Ending June 30,	ASU Enterprise Partners	ACFFC	Other Component Units	Total
2018	$ 3,680	$ 10,985	$ 970	$ 15,635
2019	3,845	11,715	1,015	16,575
2020	4,035	9,345	1,055	14,435
2021	4,215	9,535	1,105	14,855
2022	4,395	10,190		14,585
Thereafter	79,685	184,832		264,517
	$ 99,855	**$ 236,602**	**$ 4,145**	**$ 340,602**

Financial Statement Information

The following represents summary financial information for ASU's two major component units (ASU Enterprise Partners and ACFFC) and all nonmajor component units combined:

Component Units
Statement of Financial Position
June 30, 2017
(Dollars in thousands)

	ASU Enterprise Partners	ACFFC	Nonmajor Component Units	Total
Assets				
Cash and cash equivalents	$ 13,414	$ 2,234	$ 16,431	$ 32,079
Pledges receivables, net	137,597		42,468	180,065
Other receivables, net	7,756	117	31,199	39,072
Investments in securities	781,227	16,923	16,786	814,936
Other investments	92,054			92,054
Net direct financing leases	21,930	38,557		60,487
Property and equipment, net	13,522	132,334	7,387	153,243
Other assets	29,797	10	2,587	32,394
Total assets	$ 1,097,297	$ 190,175	$ 116,858	$ 1,404,330
Liabilities				
Accounts payable and accrued liabilities	$ 11,950	$ 7,715	$ 2,000	$ 21,665
Deferred revenue			13,025	13,025
ASU endowment trust liability	130,118			130,118
Other liabilities	27,445		1,805	29,250
Long-term debt	99,855	236,602	4,145	340,602
Total liabilities	$ 269,368	$ 244,317	$ 20,975	$ 534,660
Net Assets				
Unrestricted	$ 64,824	$ (54,142)	$ 44,273	$ 54,955
Temporarily restricted	312,010		51,610	363,620
Permanently restricted	451,095			451,095
Total net assets (deficit)	**$ 827,929**	**$ (54,142)**	**$ 95,883**	**$ 869,670**

Component Units Statement of Activities Year ended June 30, 2017 *(Dollars in thousands)*				
	ASU Enterprise Partners	**ACFFC**	**Nonmajor Component Units**	**Total**
Revenues				
Contributions	$ 128,720		$ 22,387	$ 151,107
Rental revenues	1,560	$ 14,189	10,235	25,984
Sales and services	23,759	9,789	3,696	37,244
Net investment return	67,407	50	1,932	69,389
Grants and aid			17,417	17,417
Other revenues	4,699	8,003	882	13,584
Total revenues	$ 226,145	$ 32,031	$ 56,549	$ 314,725
Expenses				
Payments to the benefit of ASU -				
Cash donation transfers to ASU	$ 80,747		$ 10,673	$ 91,420
Vendor payments	12,788			12,788
Scholarship fund transfers to ASU	8,523			8,523
Rent payments to ASU		$ 5,243	2,792	8,035
Management and general	32,795	9,031	32,062	73,888
Interest expense	1,551	9,074	246	10,871
Depreciation/amortization	558	11,788	593	12,939
Other expenses	7,667	48	1,904	9,619
Total expenses	$ 144,629	$ 35,184	$ 48,270	$ 228,083
Increase/(Decrease) in net assets before Transfers,Gains and Losses	81,516	(3,153)	8,279	86,642
Transfers, Gains, and Losses	746,413	(998)		745,415
Increase/(Decrease) in net assets,after Transfers, Gains and Losses	827,929	(4,151)	8,279	832,057
Net assets (deficit), beginning of year, as restated (Note A)		(49,991)	87,604	37,613
Net assets (deficit), end of year	**$ 827,929**	**$ (54,142)**	**$ 95,883**	**$ 869,670**

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability Arizona State Retirement System *(Dollars in thousands)*				
	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	**2016 (2015)**	**2015 (2014)** (as restated)	**2008 through 2014**
University's proportion of the net pension liability	3.39%	3.19%	3.05%	Information not available
University's proportionate share of the net pension liability	$ 546,672	$ 497,351	$ 451,741	
University's covered payroll	$ 318,111	$ 295,068	$ 276,395	
University's proportionate share of the net pension liability as a percentage of its covered payroll	171.85%	168.55%	163.44%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Schedule of University Contributions Arizona State Retirement System *(Dollars in thousands)*										
	2017	**2016** [1] *(as restated)*	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Statutorily required contribution	$ 36,582	$ 34,408	$ 32,026	$ 29,447	$ 26,714	$ 24,826	$ 23,825	$ 21,578	$ 20,429	$ 21,278
University's contributions in relation to the statutorily required contribution	36,582	34,408	32,026	29,447	26,714	24,826	23,825	21,578	20,429	21,278
University's contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
University's covered payroll	$ 340,270	$ 318,111	$ 295,068	$ 276,395	$ 261,965	$ 251,539	$ 264,429	$ 258,729	$ 255,682	$ 264,323
University's contributions as a percentage of covered payroll	10.75%	10.82%	10.85%	10.65%	10.20%	9.87%	9.01%	8.34%	7.99%	8.05%

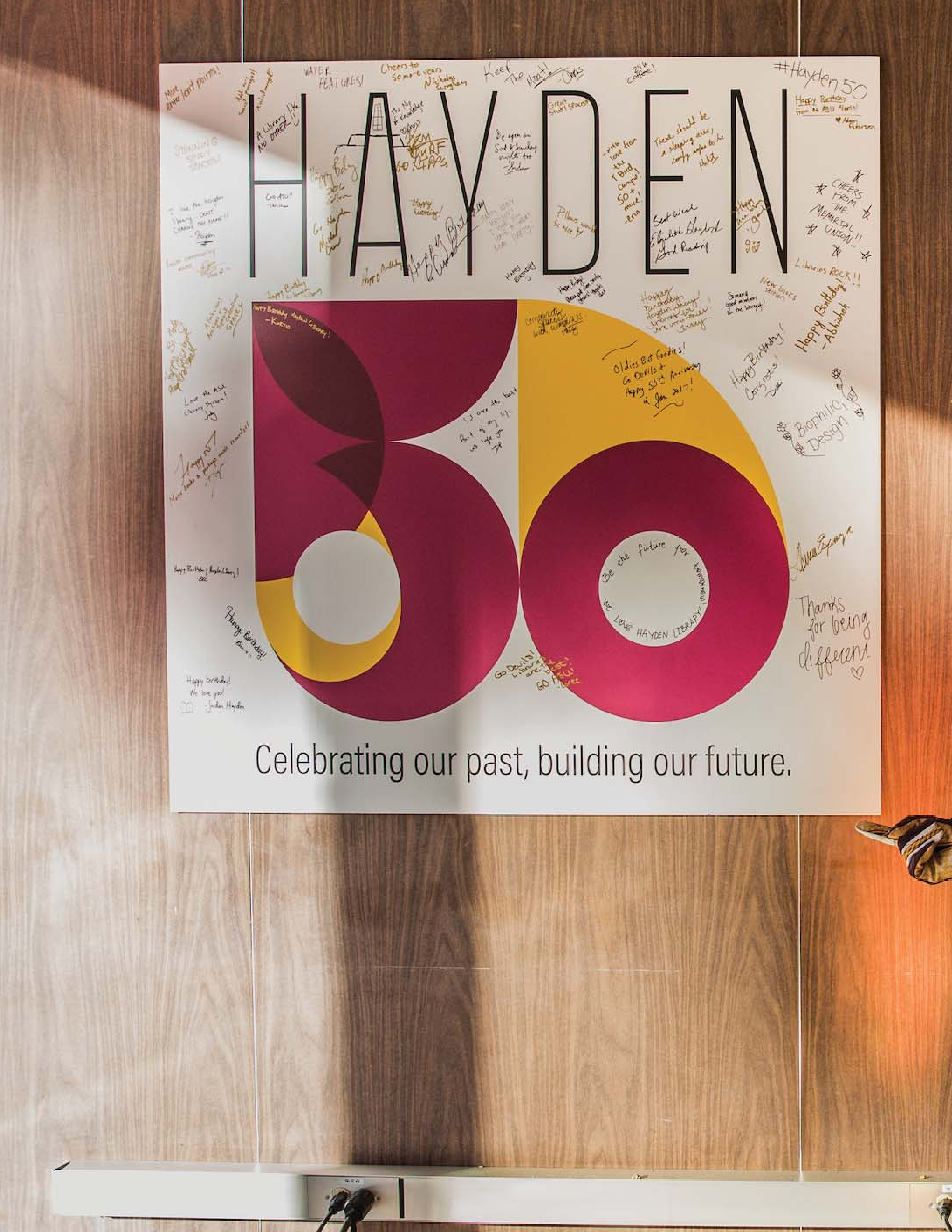
[1] University contributions are based on the employer contributions in the University's records. Each year there is an immaterial difference between employer pension contributions ASRS recognized and the employer contributions in the University's records due to timing differences. Prior year University contributions have been restated using the employer contributions ASRS recognized.

Supplementary Information

Nonmajor Component Units
Combining Statement of Financial Position
June 30, 2017
(Dollars in thousands)

	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Sun Angel Foundation	Total
Assets					
Cash and cash equivalents	$ 1,323	$ 4,524	$ 2,856	$ 7,728	$ 16,431
Pledges receivables, net	7	5,927		36,534	42,468
Other receivables, net	141	550	29,982	526	31,199
Investments in securities	16,786				16,786
Property and equipment, net		1,423	5,955	9	7,387
Other assets	66	71	2,274	176	2,587
Total assets	$ 18,323	$ 12,495	$ 41,067	$ 44,973	$ 116,858
Liabilities					
Accounts payable and accrued liabilities	$ 69	$ 1,539	$ 170	$ 222	$ 2,000
Deferred revenue	8	66	12,951		13,025
Other liabilities	13		1,792		1,805
Long-term debt			4,145		4,145
Total liabilities	$ 90	$ 1,605	$ 19,058	$ 222	$ 20,975
Net Assets					
Unrestricted	$ 17,997	$ 2,702	$ 22,009	$ 1,565	$ 44,273
Temporarily restricted	236	8,188		43,186	51,610
Permanently restricted					
Total net assets (deficit)	**$ 18,233**	**$ 10,890**	**$ 22,009**	**$ 44,751**	**$ 95,883**

Nonmajor Component Units Combining Statement of Activities Year ended June 30, 2017 *(Dollars in thousands)*	ASU Alumni Association	ASU Preparatory Academy, Inc.	Arizona State University Research Park, Inc.	Sun Angel Foundation	Total
Revenues					
Contributions	$ 2,623	$ 2,699		$ 17,065	$ 22,387
Rental revenues			$ 10,235		10,235
Sales and services	2,076	1,403		217	3,696
Net investment return	1,897		1	34	1,932
Grants and aid		17,417			17,417
Other revenues	282	104	106	390	882
Total revenues	$ 6,878	$ 21,623	$ 10,342	$ 17,706	$ 56,549
Expenses					
Payments to the benefit of ASU -					
Cash donation transfers to ASU				$ 10,673	$ 10,673
Rent payments to ASU			$ 2,792		2,792
Management and general	$ 5,171	$ 24,712	1,128	1,051	32,062
Interest expense			246		246
Depreciation/amortization		234	359		593
Other expenses	288		150	1,466	1,904
Total expenses	$ 5,459	$ 24,946	$ 4,675	$ 13,190	$ 48,270
Increase/(Decrease) in net assets, before Transfers, Gains and Losses	1,419	(3,323)	5,667	4,516	8,279
Transfers, Gains, and Losses					
Increase/(Decrease) in net assets after Transfers, Gains, and Losses	1,419	(3,323)	5,667	4,516	8,279
Net assets (deficit), beginning of year, as restated (Note A)	16,814	14,213	16,342	40,235	87,604
Net assets (deficit), end of year	**$ 18,233**	**$ 10,890**	**$ 22,009**	**$ 44,751**	**$ 95,883**


HAYDEN
Celebrating our past, building our future.
#Hayden50
WATER FEATURES!
Cheers to 50 more years
24h coffee!
Happy Birthday from an ASU Alumni!
CHEERS FROM THE MEMORIAL UNION!!
Libraries ROCK!!
Happy Birthday!
Oldies But Goodies! Go Devils & Happy 50th Anniversary in Jan 2017!
Biophilic Design
Be the future for tomorrow!
We LOVE HAYDEN LIBRARY!
Thanks for being different
Happy Birthday!
Best Wishes
Good Reading
Happy Birthday! We love you!

Statistical Section

Narrative to the Statistical Section

Net Position by Component										
Fiscal year ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
(Dollars in thousands)										
Net investment in capital assets (1)	$ 852,262	$ 778,867	$ 718,642	$ 695,591	$ 664,867	$ 643,008	$ 634,253	$ 661,691	$ 665,895	$ 725,527
Restricted, Nonexpendable	74,102	70,544	64,833	59,476	55,572	52,941	49,513	46,883	44,819	42,279
Restricted, Expendable	124,703	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214
Unrestricted (2)	282,765	253,728	161,623	563,307	511,298	462,958	359,430	235,290	165,914	27,368
Total Net Position	**$ 1,333,832**	**$ 1,221,116**	**$ 1,054,762**	**$ 1,432,322**	**$ 1,336,617**	**$ 1,251,568**	**$ 1,130,440**	**$ 1,036,795**	**$ 952,012**	**$ 894,388**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	63.9	63.8	68.1	48.5	49.7	51.4	56.1	63.8	70.0	81.1
Restricted, Nonexpendable	5.6	5.8	6.2	4.2	4.2	4.2	4.4	4.5	4.7	4.7
Restricted, Expendable	9.3	9.6	10.4	8.0	7.8	7.4	7.7	9.0	7.9	11.1
Unrestricted	21.2	20.8	15.3	39.3	38.3	37.0	31.8	22.7	17.4	3.1
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year										
	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	9.4	8.4	3.3	4.6	3.4	1.4	(4.1)	(0.6)	(8.2)	21.8
Restricted, Nonexpendable	5.0	8.8	9.0	7.0	5.0	6.9	5.6	4.6	6.0	(31.8)
Restricted, Expendable	5.7	7.6	(3.8)	8.6	13.2	6.2	(6.1)	23.3	(24.0)	29.0
Unrestricted	11.4	57.0	(71.3)	10.2	10.4	28.8	52.8	41.8	506.2	(82.4)
Total Net Position	**9.2**	**15.8**	**(26.4)**	**7.2**	**6.8**	**10.7**	**9.0**	**8.9**	**6.4**	**0.4**

(1) Balances prior to FY 2014 have not been adjusted for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Balances prior to FY 2016 have not been adjusted for the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*.
(2) Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Balances prior to FY 2016 have not been adjusted for the implementation of GASB Statement No. 72, *Fair Value Measurement and Application.*

Changes in Net Position

Changes in Net Position *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Revenues										
Operating Revenues										
Student tuition and fees, net	$ 1,250,828	$ 1,157,535	$ 1,021,014	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657
Research grants and contracts	271,730	253,158	237,489	244,293	238,031	229,801	217,012	199,901	168,557	162,178
Sales and services										
Auxiliary enterprises	161,797	149,734	145,008	140,535	122,453	105,510	136,540	134,899	131,010	135,590
Educational departments	81,543	69,523	67,230	58,449	56,006	53,866	43,514	37,625	37,094	49,007
Other revenues	16,326	14,387	12,001	8,447	8,018	8,947	9,093	10,295	12,226	10,645
Total Operating Revenues	**$ 1,782,224**	**$ 1,644,337**	**$ 1,482,742**	**$ 1,348,645**	**$ 1,227,473**	**$ 1,155,341**	**$ 1,045,483**	**$ 949,039**	**$ 848,354**	**$ 794,077**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 810,656	$ 749,722	$ 686,397	$ 617,091	$ 548,998	$ 519,117	$ 495,815	$ 472,979	$ 454,929	$ 461,082
Research	267,303	261,055	244,763	235,720	225,453	211,569	201,255	189,599	180,901	166,271
Public service	35,378	36,807	36,201	40,209	44,860	46,938	48,208	41,196	43,121	43,071
Academic support	294,706	265,540	247,700	225,853	204,831	185,890	187,435	176,213	171,546	166,778
Student services	123,377	111,018	98,491	72,409	65,908	60,737	55,244	49,078	51,412	53,959
Institutional support	152,226	155,172	151,613	136,334	124,546	120,491	124,893	122,706	126,920	129,104
Operation and maintenance of plant	116,456	108,454	102,167	98,901	91,077	86,750	83,939	77,598	87,530	94,582
Scholarships and fellowships	187,124	152,802	136,675	127,468	112,363	113,171	120,428	109,404	88,335	68,006
Auxiliary enterprises	154,794	147,562	143,184	130,550	119,509	115,799	142,492	135,141	121,467	127,229
Depreciation	123,705	116,381	114,617	112,270	106,992	98,005	97,202	95,745	93,768	83,448
Total Operating Expenses	**$ 2,265,725**	**$ 2,104,513**	**$ 1,961,808**	**$ 1,796,805**	**$ 1,644,537**	**$ 1,558,467**	**$ 1,556,911**	**$ 1,469,659**	**$ 1,419,929**	**$ 1,393,530**
Operating Loss	**$ (483,501)**	**$ (460,176)**	**$ (479,066)**	**$ (448,160)**	**$ (417,064)**	**$ (403,126)**	**$ (511,428)**	**$ (520,620)**	**$ (571,575)**	**$ (599,453)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 296,913	$ 281,385	$ 338,042	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406
Federal fiscal stabilization funds							867	32,502	69,822	
Share of state tax - TRIF	31,326	31,075	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161
Financial aid grants	128,474	124,188	115,070	106,855	104,415	110,222	104,498	84,998	49,969	42,198
Grants and contracts	56,233	56,743	49,037	35,863	42,195	49,237	50,133	48,390	50,892	34,905
Private gifts	74,282	99,612	57,651	64,928	59,807	55,329	50,584	45,847	49,211	42,620
Financial aid trust funds	16,019	14,833	13,615	12,393	11,114	11,027	9,279	9,249	8,812	8,680
Net investment return (loss)	23,038	9,382	5,133	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387
Interest on debt	(69,135)	(59,972)	(53,428)	(52,674)	(53,331)	(48,101)	(47,505)	(42,740)	(39,451)	(36,929)
Other expenses	(7,610)	(16,039)	(9,814)	(9,642)	(10,995)	(8,358)	(6,980)	(10,002)	(6,186)	(16,492)
Net Nonoperating Revenues	**$ 549,540**	**$ 541,207**	**$ 541,832**	**$ 520,264**	**$ 485,326**	**$ 499,291**	**$ 580,690**	**$ 577,971**	**$ 598,326**	**$ 582,936**
Income (loss) before other revenues, expenses, gains, or losses	**$ 66,039**	**$ 81,031**	**$ 62,766**	**$ 72,104**	**$ 68,262**	**$ 96,165**	**$ 69,262**	**$ 57,351**	**$ 26,751**	**$ (16,517)**
Capital appropriations	$ 11,190	$ 11,422	$ 15,000	$ 14,471	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472	$ 14,472
Capital commitments	15,421	9,537	5,121	2,733	4,268	1,646	990			
Capital grants	320	1	158	893	761	1,636	1,371	2,086	1,432	2,283
Capital private gifts	6,390	4,936	7,106	8,308	2,503	7,206	3,567	3,351	4,961	7,576
Additions to permanent endowments	13	1,577	2,089	904	77	3	99	443	48	735
Property additions										
Special Items					(5,294)				7,240	(20,100)
Extraordinary Item - insurance recovery				3,900			3,884	7,080	2,720	15,475
Increase (Decrease) in Net Position	**$ 99,373**	**$ 108,504**	**$ 92,240**	**$ 103,313**	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**
Total Revenues	$ 2,441,843	$ 2,289,028	$ 2,117,290	$ 1,962,434	$ 1,799,206	$ 1,736,054	$ 1,705,041	$ 1,607,184	$ 1,523,190	$ 1,470,975
Total Expenses	$ 2,342,470	$ 2,180,524	$ 2,025,050	1,859,121	1,714,157	1,614,926	1,611,396	1,522,401	1,465,566	1,467,051
Increase (Decrease) in Net Position	**$ 99,373**	**$ 108,504**	**$ 92,240**	**$ 103,313**	**$ 85,049**	**$ 121,128**	**$ 93,645**	**$ 84,783**	**$ 57,624**	**$ 3,924**

Changes in Net Position (Expressed as a percent of Total Revenues / Total Expenses)										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	51.2	50.6	48.2	45.7	44.6	43.6	37.5	35.2	32.8	29.7
Research grants and contracts	11.1	11.1	11.2	12.4	13.2	13.2	12.7	12.4	11.1	11.0
Sales and services										
Auxiliary enterprises	6.6	6.5	6.9	7.2	6.8	6.1	8.0	8.4	8.6	9.2
Educational departments	3.4	3.0	3.2	3.0	3.1	3.1	2.6	2.3	2.4	3.3
Other revenues	0.7	0.6	0.6	0.4	0.4	0.5	0.5	0.6	0.8	0.7
Total Operating Revenues	**73.0**	**71.8**	**70.1**	**68.7**	**68.1**	**66.5**	**61.3**	**58.9**	**55.7**	**53.9**
Expenses										
Operating Expenses										
Educational and general										
Instruction	*34.6*	*34.4*	*33.9*	*33.2*	*32.0*	*32.1*	*30.8*	*31.1*	*31.0*	*31.4*
Research	*11.4*	*12.0*	*12.1*	*12.7*	*13.2*	*13.1*	*12.5*	*12.5*	*12.3*	*11.3*
Public service	*1.5*	*1.7*	*1.8*	*2.2*	*2.6*	*2.9*	*3.0*	*2.7*	*2.9*	*2.9*
Academic support	*12.6*	*12.2*	*12.2*	*12.1*	*11.9*	*11.5*	*11.6*	*11.6*	*11.7*	*11.4*
Student services	*5.3*	*5.1*	*4.9*	*3.9*	*3.8*	*3.8*	*3.4*	*3.2*	*3.5*	*3.7*
Institutional support	*6.5*	*7.1*	*7.5*	*7.3*	*7.3*	*7.5*	*7.8*	*8.1*	*8.7*	*8.8*
Operation and maintenance of plant	*5.0*	*5.0*	*5.0*	*5.3*	*5.3*	*5.4*	*5.2*	*5.1*	*6.0*	*6.4*
Scholarships and fellowships	*8.0*	*7.0*	*6.7*	*6.9*	*6.6*	*7.0*	*7.5*	*7.2*	*6.0*	*4.6*
Auxiliary enterprises	*6.6*	*6.7*	*7.1*	*7.0*	*7.0*	*7.2*	*8.8*	*8.9*	*8.3*	*8.7*
Depreciation	*5.3*	*5.3*	*5.7*	*6.0*	*6.2*	*6.1*	*6.0*	*6.3*	*6.4*	*5.7*
Total Operating Expenses	**92.8**	**91.9**	**92.7**	**91.5**	**91.4**	**89.8**	**91.3**	**91.4**	**93.2**	**94.7**
Operating Loss	**(19.8)**	**(20.1)**	**(22.6)**	**(22.8)**	**(23.3)**	**(23.3)**	**(30.0)**	**(32.5)**	**(37.5)**	**(40.8)**
Nonoperating Revenues (Expenses)										
State appropriations	12.2	12.3	16.0	16.0	16.5	17.7	22.3	23.7	26.4	31.8
Federal fiscal stabilization funds	0.0	0.0	0.0	0.0	0.0	0.0	0.1	2.0	4.6	0.0
Share of state tax - TRIF	1.3	1.4	1.3	1.4	1.4	1.4	1.3	1.3	1.6	1.9
Financial aid grants	5.3	5.4	5.4	5.4	5.8	6.3	6.1	5.3	3.3	2.9
Grants and contracts	2.3	2.5	2.3	1.8	2.3	2.8	2.9	3.0	3.3	2.4
Private gifts	3.0	4.4	2.7	3.3	3.3	3.2	3.0	2.9	3.2	2.9
Financial aid trust funds	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6
Net investment return (loss)	0.9	0.4	0.2	1.0	0.5	(0.1)	1.0	0.5	(0.7)	0.8
Interest on debt	*(2.9)*	*(2.8)*	*(2.6)*	*(2.8)*	*(3.1)*	*(3.0)*	*(2.9)*	*(2.8)*	*(2.7)*	*(2.5)*
Other expenses	*(0.3)*	*(0.7)*	*(0.5)*	*(0.5)*	*(0.6)*	*(0.5)*	*(0.4)*	*(0.7)*	*(0.4)*	*(1.1)*
Net Nonoperating Revenues	**22.5**	**23.6**	**25.6**	**26.5**	**27.0**	**28.8**	**34.1**	**36.0**	**39.3**	**39.6**
Income (loss) before other revenues, expenses, gains, or losses	**2.7**	**3.5**	**3.0**	**3.7**	**3.7**	**5.5**	**4.1**	**3.5**	**1.8**	**(1.2)**
Capital appropriations	0.5	0.5	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0
Capital commitment	0.6	0.4	0.2	0.1	0.2	0.1	0.1	0.0	0.0	0.0
Capital grants	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2
Capital private gifts	0.3	0.2	0.4	0.4	0.1	0.4	0.2	0.2	0.3	0.5
Additions to permanent endowments	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Items	0.0	0.0	0.0	0.0	*(0.3)*	0.0	0.0	0.0	0.5	*(1.4)*
Extraordinary Item - insurance recovery	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.4	0.2	1.1
Increase (Decrease) in Net Position	**4.1**	**4.7**	**4.4**	**5.3**	**4.7**	**7.0**	**5.5**	**5.3**	**3.8**	**0.3**

Percent of Total Expense is italicized.

Changes in Net Position *(continued)*

Changes in Net Position (Percentage increase (decrease) from prior year)										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	8.1	13.4	13.8	11.7	6.0	18.4	12.9	13.4	14.4	9.2
Research grants and contracts	7.3	6.6	(2.8)	2.6	3.6	5.9	8.6	18.6	3.9	11.2
Sales and services										
Auxiliary enterprises	8.1	3.3	3.2	14.8	16.1	(22.7)	1.2	3.0	(3.4)	14.7
Educational departments	17.3	3.4	15.0	4.4	4.0	23.8	15.7	1.4	(24.3)	7.7
Other revenues	13.5	19.9	42.1	5.4	(10.4)	(1.6)	(11.7)	(15.8)	14.9	47.2
Total Operating Revenues	8.4	10.9	9.9	9.9	6.2	10.5	10.2	11.9	6.8	10.8
Expenses										
Operating Expenses										
Educational and general										
Instruction	8.1	9.2	11.2	12.4	5.8	4.7	4.8	4.0	(1.3)	8.3
Research	2.4	6.7	3.8	4.6	6.6	5.1	6.1	4.8	8.8	14.8
Public service	(3.9)	1.7	(10.0)	(10.4)	(4.4)	(2.6)	17.0	(4.5)	0.1	0.2
Academic support	11.0	7.2	9.7	10.3	10.2	(0.8)	6.4	2.7	2.9	11.7
Student services	11.1	12.7	36.0	9.9	8.5	9.9	12.6	(4.5)	(4.7)	8.3
Institutional support	(1.9)	2.3	11.2	9.5	3.4	(3.5)	1.8	(3.3)	(1.7)	14.2
Operation and maintenance of plant	7.4	6.2	3.3	8.6	5.0	3.3	8.2	(11.3)	(7.5)	13.6
Scholarships and fellowships	22.5	11.8	7.2	13.4	(0.7)	(6.0)	10.1	23.9	29.9	7.6
Auxiliary enterprises	4.9	3.1	9.7	9.2	3.2	(18.7)	5.4	11.3	(4.5)	12.2
Depreciation	6.3	1.5	2.1	4.9	9.2	0.8	1.5	2.1	12.4	6.9
Total Operating Expenses	7.7	7.3	9.2	9.3	5.5	0.1	5.9	3.5	1.9	10.3
Operating Loss	5.1	(3.9)	6.9	7.5	3.5	(21.2)	(1.8)	(8.9)	(4.7)	9.6
Nonoperating Revenues (Expenses)										
State appropriations	5.5	(16.8)	7.5	5.7	(3.4)	(19.2)	0.0	(5.4)	(14.1)	10.7
Federal fiscal stabilization funds	n/a	n/a	n/a	n/a	n/a	n/a	(97.3)	(53.5)	n/a	n/a
Share of state tax - TRIF	0.8	17.1	(4.5)	10.1	6.0	9.3	2.2	(10.2)	(15.7)	(10.8)
Financial aid grants	3.5	7.9	7.7	2.3	(5.3)	5.5	22.9	70.1	18.4	16.6
Grants and contracts	(0.9)	15.7	36.7	(15.0)	(14.3)	(1.8)	3.6	(4.9)	45.8	0.5
Private gifts	(25.4)	72.8	(11.2)	8.6	8.1	9.4	10.3	(6.8)	15.5	8.7
Financial aid trust funds	8.0	8.9	9.9	11.5	0.8	18.8	0.3	5.0	1.5	31.4
Net investment return (loss)	145.6	82.8	(74.7)	113.4	(682.8)	(109.5)	128.1	(168.7)	(196.0)	(60.3)
Interest on debt	15.3	12.2	1.4	(1.2)	10.9	1.3	11.1	8.3	6.8	11.0
Other expenses	(52.6)	63.4	1.8	(12.3)	31.6	19.7	(30.2)	61.7	(62.5)	21.8
Net Nonoperating Revenues	1.5	(0.1)	4.1	7.2	(2.8)	(14.0)	0.5	(3.4)	2.6	5.4
Income (loss) before other revenues, expenses, gains, or losses	(18.5)	29.1	(13.0)	5.6	(29.0)	38.8	20.8	114.4	(262.0)	(360.8)
Capital appropriations	(2.0)	(23.9)	3.7	0.0	0.0	0.0	0.0	0.0	0.0	124.3
Capital commitment	61.7	86.2	87.4	(36.0)	159.3	66.3	n/a	n/a	n/a	n/a
Capital grants	n/a	(99.4)	(82.3)	17.3	(53.5)	19.3	(34.3)	45.7	(37.3)	4.2
Capital private gifts	29.5	(30.5)	(14.5)	231.9	(65.3)	102.0	6.4	(32.5)	(34.5)	(21.2)
Additions to permanent endowments	(99.2)	(24.5)	131.1	1,074.0	2,466.7	(97.0)	(77.7)	822.9	(93.5)	99.7
Property additions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Special Items	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(136.0)	n/a
Extraordinary Item - insurance recovery	n/a	n/a	n/a	n/a	n/a	n/a	(45.1)	160.3	(82.4)	n/a
Increase (Decrease) in Net Position	(8.4)	17.6	(10.7)	21.5	(29.8)	29.3	10.5	47.1	1,368.5	(91.7)

Operating Expenses by Natural Classification										
Fiscal year ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
(Dollars in thousands)										
Personal services	$ 949,189	$ 888,936	$ 830,440	$ 761,778	$ 711,641	$ 679,715	$ 692,246	$ 664,755	$ 666,331	$ 666,673
Benefits	309,033	298,199	285,991	268,025	236,380	231,295	226,400	216,684	206,828	194,583
Pensions and OPEB [1]	33,458	29,605	4,069							
Personal services and benefits	1,291,680	1,216,740	1,120,500	1,029,803	948,021	911,010	918,646	881,439	873,159	861,256
Supplies and services	663,216	601,218	576,345	514,355	464,452	423,693	407,826	371,588	352,567	368,370
Student aid, net scholarship allowance	187,124	170,174	150,346	140,377	125,072	125,759	133,237	120,887	100,435	80,456
Depreciation	123,705	116,381	114,617	112,270	106,992	98,005	97,202	95,745	93,768	83,448
Total Operating Expenses by Natural Classification	**$2,265,725**	**$2,104,513**	**$1,961,808**	**$1,796,805**	**$ 1,644,537**	**$1,558,467**	**$1,556,911**	**$1,469,659**	**$1,419,929**	**$1,393,530**
Expressed as a percent of the total										
	%	%	%	%	%	%	%	%	%	%
Personal services	41.9	42.2	42.3	42.4	43.3	43.6	44.5	45.2	46.9	47.8
Benefits	13.6	14.2	14.6	14.9	14.4	14.8	14.5	14.8	14.6	14.0
Pensions and OPEB [1]	1.5	1.4	0.2							
Personal services and benefits	57.0	57.8	57.1	57.3	57.7	58.4	59.0	60.0	61.5	61.8
Supplies and services	29.2	28.6	29.4	28.6	28.2	27.2	26.2	25.3	24.8	26.4
Student aid, net scholarship allowance	8.3	8.1	7.7	7.8	7.6	8.1	8.6	8.2	7.1	5.8
Depreciation	5.5	5.5	5.8	6.3	6.5	6.3	6.2	6.5	6.6	6.0
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**
Percentage increase/(decrease) from prior year										
	%	%	%	%	%	%	%	%	%	%
Personal services	6.8	7.0	9.0	7.0	4.7	(1.8)	4.1	(0.2)	(0.1)	7.9
Benefits	3.6	4.3	6.7	13.4	2.2	2.2	4.5	4.8	6.3	11.4
Pensions and OPEB [1]	13.0	627.6								
Personal services and benefits	6.2	8.6	8.8	8.6	4.1	(0.8)	4.2	0.9	1.4	8.7
Supplies and services	10.3	4.3	12.1	10.7	9.6	3.9	9.8	5.4	(4.3)	15.4
Student aid, net scholarship allowance	10.0	13.2	7.1	12.2	(0.5)	(5.6)	10.2	20.4	24.8	8.7
Depreciation	6.3	1.5	2.1	4.9	9.2	0.8	1.5	2.1	12.4	6.9
Total Operating Expenses by Natural Classification	**7.7**	**7.3**	**9.2**	**9.3**	**5.5**	**0.1**	**5.9**	**3.5**	**1.9**	**10.3**
Scholarship allowance	$ 349,989	$ 313,064	$ 269,503	$ 231,124	$ 211,919	$ 203,501	$ 180,646	$ 155,161	$ 113,874	$ 95,315

[1] Implemenations of GASB 45 (OPEB) and GASB 68 (Pensions) resulted in recongition of benefit-related operating expenses each year. The impact of these implementations has been presented separately for comparibilty purposes.

Combined Sources and Uses

Combined Sources and Uses *(Dollars in millions)*										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Sources										
Student Tuition and Fees, net	$ 1,250.8	$ 1,157.5	$ 1,021.0	$ 896.9	$ 803.0	$ 757.2	$ 639.3	$ 566.3	$ 499.5	$ 436.7
Gross Tuition and Fees	*1,585.4*	*1,453.8*	*1,278.0*	*1,117.8*	*1,005.8*	*952.5*	*811.4*	*711.1*	*608.5*	*526.3*
Scholarship Allowance	*334.6*	*296.3*	*257.0*	*220.9*	*202.8*	*195.3*	*172.1*	*144.8*	*109.0*	*89.6*
State Appropriation	308.1	292.8	353.0	329.0	311.9	322.2	395.4	395.4	416.9	482.9
Capital Appropriation	*11.2*	*11.4*	*15.0*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*	*14.5*
Federal Fiscal Stabilization Funds							0.8	32.5	69.8	
Grants and Contracts	328.3	309.9	286.7	281.1	281.0	280.7	268.5	250.4	220.9	199.4
Federally Funded	*238.3*	*242.3*	*229.9*	*247.9*	*225.4*	*232.3*	*219.8*	*191.9*	*151.8*	*148.6*
Financial Aid Grants	128.5	124.2	115.1	106.9	104.4	110.2	104.5	85.0	50.0	42.2
Federally Funded	*128.2*	*123.9*	*114.8*	*106.4*	*104.0*	*109.8*	*104.1*	*84.6*	*49.6*	*40.4*
Auxiliary Enterprises, net	161.8	149.7	145.0	140.5	122.5	105.5	136.6	134.9	131.0	135.6
Private and Capital Gifts	80.7	106.2	66.8	74.1	62.3	62.6	54.2	49.6	54.2	50.9
Capital Gifts	*6.4*	*4.9*	*7.1*	*8.3*	*2.5*	*7.2*	*3.6*	*3.4*	*5.0*	*7.6*
Sales and Services	81.5	69.5	67.2	58.4	56.0	53.9	43.5	37.6	37.1	49.0
Technology and Research Initiatives Funds (TRIF)	31.3	31.1	26.5	27.8	25.2	23.8	21.8	21.3	23.7	28.1
Other Sources	70.8	48.1	35.9	47.7	32.9	20.0	40.4	34.2	20.1	46.1
Total Sources	**$ 2,441.8**	**$ 2,289.0**	**$ 2,117.2**	**$ 1,962.4**	**$ 1,799.2**	**$ 1,736.1**	**$ 1,705.0**	**$ 1,607.2**	**$ 1,523.2**	**$ 1,470.9**
Uses										
Instruction	$ 810.6	$ 749.7	$ 686.4	$ 617.1	$ 549.0	$ 519.1	$ 495.8	$ 473.0	$ 454.9	$ 461.1
Organized Research	267.3	261.1	244.8	235.7	225.5	211.6	201.3	189.6	180.9	166.3
Public Service	35.4	36.8	36.2	40.2	44.9	46.9	48.2	41.2	43.1	43.1
Academic Support	294.7	265.5	247.7	225.8	204.8	185.9	187.4	176.2	171.6	166.8
Student Services	123.4	111.0	98.4	72.4	65.9	60.7	55.2	49.1	51.5	54.0
Institutional Support	152.2	155.2	151.6	136.3	124.5	120.5	124.9	122.7	126.9	129.1
Operation and Maintenance of Plant	116.5	108.4	102.2	98.9	91.1	86.7	83.9	77.6	87.5	94.5
Scholarships and Fellowships	187.1	152.8	136.7	127.5	112.4	113.2	120.5	109.4	88.3	68.0
Auxiliary Enterprises	154.8	147.6	143.2	130.6	119.5	115.8	142.5	135.1	121.5	127.2
Depreciation	123.7	116.4	114.6	112.3	107.0	98.0	97.2	95.7	93.8	83.4
Academic and Research Buildings	*73.8*	*69.4*	*67.6*	*63.9*	*60.0*	*52.1*	*50.3*	*50.1*	*48.7*	*45.7*
Other Expenses	76.7	76.0	63.2	62.3	69.6	56.5	54.5	52.8	45.6	73.5
Total Uses	**$ 2,342.4**	**$ 2,180.5**	**$ 2,025.0**	**$ 1,859.1**	**$ 1,714.2**	**$ 1,614.9**	**$ 1,611.4**	**$ 1,522.4**	**$ 1,465.6**	**$ 1,467.0**

Principal Revenue Sources *(Dollars in thousands)*

Fiscal year ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and Fees, net of scholarship allowance	**$1,250,828**	**$1,157,535**	**$1,021,014**	**$ 896,921**	**$ 802,965**	**$ 757,217**	**$ 639,324**	**$ 566,319**	**$ 499,467**	**$ 436,657**
percent of total revenue	51%	51%	48%	46%	45%	44%	37%	35%	33%	30%
percent increase from prior year	8%	13%	14%	12%	6%	18%	13%	13%	14%	9%
State of Arizona Government										
State appropriations	$ 296,913	$ 281,385	$ 338,042	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406
Technology and research initiative fund	31,326	31,075	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161
Capital appropriations and capital commitments	20,731	20,959	20,121	17,204	16,642	16,118	15,462	14,472	14,472	14,472
State grants and contracts	12,328	8,536	6,848	3,055	1,514	9,136	6,386	10,800	11,143	7,958
Financial aid trust fund	5,899	5,724	5,483	5,350	4,920	5,242	5,322	5,569	5,412	5,322
Capital grants										
State of Arizona Government	**$ 367,197**	**$ 347,679**	**$ 397,020**	**$ 367,887**	**$ 345,703**	**$ 362,060**	**$ 429,854**	**$ 433,058**	**$ 457,214**	**$ 524,319**
percent of total revenue	15%	15%	19%	19%	19%	21%	25%	27%	30%	36%
percent increase (decrease) from prior year	6%	(12%)	8%	6%	(5%)	(16%)	(1%)	(5%)	(13%)	12%
Federal Government										
Federal grants and contracts	$ 238,293	$ 242,299	$ 229,925	$ 247,015	$ 224,603	$ 230,747	$ 218,704	$ 189,909	$ 150,683	$ 146,758
Financial aid grants	128,207	123,945	114,816	106,360	103,965	109,779	104,057	84,574	49,588	40,397
Capital grants				859	761	1,517	1,142	2,031	1,067	1,826
Federal fiscal stabilization funds							867	32,502	69,822	
Federal Government	**$ 366,500**	**$ 366,244**	**$ 344,741**	**$ 354,234**	**$ 329,329**	**$ 342,043**	**$ 324,770**	**$ 309,016**	**$ 271,160**	**$ 188,981**
percent of total revenue	15%	16%	16%	18%	18%	20%	19%	19%	18%	13%
percent increase (decrease) from prior year	0%	6%	(3%)	8%	(4%)	5%	5%	14%	43%	2%
Total from principal revenue sources	**$1,984,525**	**$1,871,458**	**$1,762,775**	**$1,619,042**	**$1,477,997**	**$1,461,320**	**$1,393,948**	**$1,308,393**	**$1,227,841**	**$1,149,957**
percent of total revenue	81%	82%	83%	83%	82%	85%	81%	81%	81%	79%
percent increase from prior year	6%	6%	9%	10%	1%	5%	7%	7%	7%	9%

Academic Year Tuition and Required Fees

Academic Year Tuition and Required Fees										
Fiscal year ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
RESIDENT UNDERGRADUATE										
Arizona State University	$10,370	$10,158	$10,127	$ 9,861	$ 9,724	$ 9,720	$ 8,132	$ 6,334	$ 5,661	$ 4,971
percent increase from prior year	2.1%	0.3%	2.7%	1.4%	0.0%	19.5%	28.4%	11.8%	13.9%	6.0%
PAC-12 Public Average	$11,175	$11,173	$10,972	$10,729	$10,484	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322
percent increase from prior year	0.0%	1.8%	2.3%	2.3%	6.6%	9.4%	15.2%	14.6%	7.7%	8.8%
ABOR Peers Average	$12,166	$12,005	$11,871	$11,675	$11,440	$10,846	$10,146	$ 9,443	$ 8,904	$ 8,356
percent increase from prior year	1.3%	1.1%	1.7%	2.1%	5.5%	6.9%	7.4%	6.1%	6.6%	5.7%
NON-RESIDENT UNDERGRADUATE										
Arizona State University	$26,470	$25,458	$24,503	$23,654	$22,977	$22,319	$20,596	$18,919	$17,949	$17,003
percent increase from prior year	4.0%	3.9%	3.6%	2.9%	2.9%	8.4%	8.9%	5.4%	5.6%	7.3%
PAC-12 Public Average	$32,937	$31,810	$30,469	$29,436	$28,653	$27,510	$26,753	$25,123	$22,812	$21,357
percent increase from prior year	3.5%	4.4%	3.5%	2.7%	4.2%	2.8%	6.5%	10.1%	6.8%	6.3%
ABOR Peers Average	$32,159	$31,061	$30,003	$29,146	$28,297	$27,066	$25,665	$24,436	$23,068	$22,192
percent increase from prior year	3.5%	3.5%	2.9%	3.0%	4.5%	5.5%	5.0%	5.9%	3.9%	6.2%
RESIDENT GRADUATE										
Arizona State University	$11,506	$11,304	$11,303	$10,818	$10,517	$10,220	$8,848	$ 7,465	$ 7,041	$ 6,377
percent increase from prior year	1.8%	0.0%	4.5%	2.9%	2.9%	15.5%	18.5%	6.0%	10.4%	5.8%
PAC-12 Public Average	$13,086	$12,937	$12,676	$12,374	$12,039	$11,494	$10,321	$ 9,824	$ 9,093	$ 8,516
percent increase from prior year	1.2%	2.1%	2.4%	2.8%	4.7%	11.4%	5.1%	8.0%	6.8%	10.2%
ABOR Peers Average	$14,540	$14,225	$13,955	$13,598	$13,207	$12,603	$11,843	$11,022	$10,472	$ 9,708
percent increase from prior year	2.2%	1.9%	2.6%	3.0%	4.8%	6.4%	7.4%	5.3%	7.9%	7.1%
NON-RESIDENT GRADUATE										
Arizona State University	$28,882	$27,780	$26,736	$25,804	$25,066	$24,345	$22,397	$20,659	$19,606	$18,070
percent increase from prior year	4.0%	3.9%	3.6%	2.9%	3.0%	8.7%	8.4%	5.4%	8.5%	8.8%
PAC-12 Public Average	$27,491	$26,912	$26,281	$25,597	$24,952	$24,051	$22,722	$21,823	$20,513	$19,002
percent increase from prior year	2.2%	2.4%	2.7%	2.6%	3.7%	5.8%	4.1%	6.4%	8.0%	5.9%
ABOR Peers Average	$29,367	$28,693	$27,958	$27,206	$26,485	$25,552	$24,435	$23,437	$22,457	$21,292
percent increase from prior year	2.4%	2.6%	2.8%	2.7%	3.7%	4.6%	4.3%	4.4%	5.5%	5.1%

Sources: Integrated Postsecondary Education Data System (IPEDS), Arizona State University Fact Book, and Office of Institutional Analysis

ASU's tuition rates are approved by the Arizona Board of Regents (ABOR).

PAC-12 Public Average and ABOR Peers Average comparisons do not include ASU. PAC-12 Public Average calculations include only public institutions.

Summary of Composite Financial Index Ratios[1]										
Fiscal year ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.32**	**0.29**	**0.27**	**0.45**	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	2.41	2.18	2.03	3.38	3.23	3.01	2.63	2.03	1.65	1.73
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.84	0.76	0.71	1.18	1.13	1.05	0.92	0.71	0.58	0.61
+ Return on Net Position/Net Assets	**9.2%**	**5.8%**	**10.3%**	**8.5%**	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	4.60	2.90	5.15	4.25	4.15	3.55	5.25	3.35	(1.00)	1.30
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.92	0.58	1.03	0.85	0.83	0.71	1.05	0.67	(0.20)	0.26
+ Net Operating Revenues Ratio	**4.1%**	**2.0%**	**3.4%**	**4.4%**	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**
/ 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	3.15	1.54	2.62	3.38	3.00	2.69	3.77	2.54	(1.00)	(1.00)
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.32	0.15	0.26	0.34	0.30	0.27	0.38	0.25	(0.10)	(0.10)
+ Viability Ratio	**0.4**	**0.3**	**0.3**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.96	0.72	0.72	1.20	1.20	0.96	0.96	0.72	0.48	0.72
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.34	0.25	0.25	0.42	0.42	0.34	0.34	0.25	0.17	0.25
Composite Financial Index	**2.42**	**1.74**	**2.25**	**2.79**	**2.68**	**2.37**	**2.69**	**1.88**	**0.45**	**1.02**

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.

Composite Financial Index calculation includes component unit information. Detail of ratio calculations are on the following pages.

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Detail of Composite Financial Index Ratios[1] *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2017[2]**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
PRIMARY RESERVE RATIO										
Unrestricted Net Position	$ 282,765	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368
Unrestricted Net Assets - Component Units	54,955	(2,912)	29,112	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512
Expendable Restricted Net Position	124,703	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214
Temporarily Restricted Net Assets - Component Units	363,620	341,524	323,456	286,599	260,101	232,312	214,130	182,878	174,586	233,668
Expendable Net Position/Net Assets	**$ 826,043**	**$ 710,317**	**$ 623,855**	**$ 935,384**	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**
Operating Expenses	$2,265,725	$2,104,513	$1,961,808	$ 1,796,805	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530
Nonoperating Expenses	76,745	76,011	63,242	62,316	64,326	56,459	54,485	52,742	45,637	53,421
Component Unit Total Expenses	228,083	280,389	266,791	201,738	186,523	202,475	182,983	171,174	163,219	158,433
Total Expenses	**$2,570,553**	**$2,460,913**	**$2,291,841**	**$ 2,060,859**	**$ 1,895,386**	**$ 1,817,401**	**$ 1,794,379**	**$ 1,693,575**	**$ 1,628,785**	**$ 1,605,384**
Expendable Net Position/Net Assets	$ 826,043	$ 710,317	$ 623,855	$ 935,384	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762
Total Expenses	$2,570,553	$2,460,913	$2,291,841	$ 2,060,859	$ 1,895,386	$ 1,817,401	$ 1,794,379	$ 1,693,575	$ 1,628,785	$ 1,605,384
Ratio	**0.32**	**0.29**	**0.27**	**0.45**	**0.43**	**0.40**	**0.35**	**0.27**	**0.22**	**0.23**
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 position not be available. A positive ratio and an increase in the ratio over time denotes strength.										
RETURN ON NET POSITION/NET ASSETS RATIO										
Change in Total Net Position/Net Assets	$ 185,017	$ 109,055	$ 170,423	$ 163,969	$ 148,312	$ 118,202	$ 159,068	$ 94,407	$ (72,049)	$ 37,286
Total Net Position/Net Assets (Beginning of Year)	$2,018,485	$1,884,777	$1,656,504	$ 1,927,200	$ 1,786,613	$ 1,668,411	$ 1,509,343	$ 1,414,936	$ 1,486,985	$ 1,449,699
Ratio	**9.2%**	**5.8%**	**10.3%**	**8.5%**	**8.3%**	**7.1%**	**10.5%**	**6.7%**	**(4.8%)**	**2.6%**
Return on Net Position/Net Assets Ratio calculation includes component unit information.										
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.										

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

[2] The FY 2017 Return on Net Position/Net Assets ratio has been restated to adjust for the impact of the ASUEP restructure transfer.

Detail of Composite Financial Index Ratios[1] *(Dollars in thousands)*

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NET OPERATING REVENUES RATIO										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ 66,039	$ 81,031	$ 62,766	$ 72,104	$ 68,262	$ 96,165	$ 69,262	$ 57,351	$ 26,751	$ (16,517)
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	44,861	(32,024)	17,131	23,577	8,169	(30,703)	23,517	(189)	(61,911)	(25,750)
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	**$ 110,900**	**$ 49,007**	**$ 79,897**	**$ 95,681**	**$ 76,431**	**$ 65,462**	**$ 92,779**	**$ 57,162**	**$ (35,160)**	**$ (42,267)**
Total Operating Revenues	$ 1,782,224	$ 1,644,337	$ 1,482,742	$ 1,348,645	$ 1,227,473	$ 1,155,341	$ 1,045,483	$ 949,039	$ 848,354	$ 794,077
State Appropriations and State Related Revenues	328,239	312,460	364,568	342,278	322,627	331,564	403,551	434,719	496,009	496,567
Non-capital Gifts and Grants, net	258,989	280,543	221,758	207,646	206,417	214,788	205,215	179,235	150,072	119,723
Financial aid trust	16,019	14,833	13,615	12,393	11,114	11,027	9,279	9,249	8,812	8,680
Investment Income (Loss), net	23,038	9,382	5,133	20,263	9,494	(1,629)	17,130	7,510	(10,930)	11,387
Component Units Total Unrestricted Revenue	272,944	248,365	283,922	225,315	194,692	171,772	206,500	170,985	101,308	132,683
Adjusted Net Operating Revenue	**$ 2,681,453**	**$ 2,509,920**	**$ 2,371,738**	**$ 2,156,540**	**$ 1,971,817**	**$1,882,863**	**$ 1,887,158**	**$ 1,750,737**	**$ 1,593,625**	**$ 1,563,117**
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 110,900	$ 49,007	$ 79,897	$ 95,681	$ 76,431	$ 65,462	$ 92,779	$ 57,162	$ (35,160)	$ (42,267)
Adjusted Net Operating Revenue	$ 2,681,453	$ 2,509,920	$ 2,371,738	$ 2,156,540	$ 1,971,817	$ 1,882,863	$ 1,887,158	$ 1,750,737	$ 1,593,625	$ 1,563,117
Ratio	**4.1%**	**2.0%**	**3.4%**	**4.4%**	**3.9%**	**3.5%**	**4.9%**	**3.3%**	**(2.2%)**	**(2.7%)**
Measures whether the institution is living within available resources. A positive ratio and an increase in the ratio over time, generally 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.										
VIABILITY RATIO										
Unrestricted Net Position	$ 282,765	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368
Unrestricted Net Assets - Component Units	54,955	(2,912)	29,112	(28,470)	(51,915)	(62,932)	(34,119)	(57,636)	(57,447)	6,512
Expendable Restricted Net Position	124,703	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214
Temporarily Restricted Net Assets - Component Units	363,620	341,524	323,456	286,599	260,101	232,312	214,130	182,878	174,586	233,668
Expendable Net Position/Net Assets	**$ 826,043**	**$ 710,317**	**$ 623,855**	**$ 935,384**	**$ 824,364**	**$ 724,999**	**$ 626,685**	**$ 453,463**	**$ 358,437**	**$ 366,762**
University Long-Term Debt, net capital leases with Component Units	$ 1,771,961	$ 1,573,804	$ 1,511,891	$ 1,319,199	$ 1,266,524	$ 1,227,702	$ 1,078,340	$ 1,032,441	$ 874,100	$ 765,272
Component Unit Long-Term Debt	340,602	499,844	514,409	509,339	521,101	546,488	586,851	596,104	603,843	540,121
Total Adjusted University Debt	**$ 2,112,563**	**$ 2,073,648**	**$ 2,026,300**	**$ 1,828,538**	**$ 1,787,625**	**$1,774,190**	**$ 1,665,191**	**$ 1,628,545**	**$ 1,477,943**	**$ 1,305,393**
Expendable Net Position/Net Assets	$ 826,043	$ 710,317	$ 623,855	$ 935,384	$ 824,364	$ 724,999	$ 626,685	$ 453,463	$ 358,437	$ 366,762
Total Adjusted University Debt	$ 2,112,563	$ 2,073,648	$ 2,026,300	$ 1,828,538	$ 1,787,625	$ 1,774,190	$ 1,665,191	$ 1,628,545	$ 1,477,943	$ 1,305,393
Ratio	**0.4**	**0.3**	**0.3**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.2**	**0.3**
Measures the ability of the institution to cover its debt as of the statement of net position date, should the institution need to do so.										

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Summary of Ratios

Summary of Ratios[1] *(Dollars in thousands)*

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Position	$ 282,765	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368
Expendable Restricted Net Position	124,703	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214
Expendable Net Position	**$ 407,468**	**$ 371,705**	**$ 271,287**	**$ 677,255**	**$ 616,178**	**$ 555,619**	**$ 446,674**	**$ 328,221**	**$ 241,298**	**$ 126,582**
Expendable Net Position	$ 407,468	$ 371,705	$ 271,287	$ 677,255	$ 616,178	$ 555,619	$ 446,674	$ 328,221	$ 241,298	$ 126,582
Total Bonds, COPS, and Capital Leases	$ 1,850,754	$ 1,649,317	$ 1,595,817	$ 1,372,649	$ 1,341,332	$ 1,287,784	$ 1,147,940	$ 1,102,762	$ 957,480	$ 849,405
Ratio	**0.2**	**0.2**	**0.2**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.2**
Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date, should the institution need to do so.										
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Position	$ 282,765	$ 253,728	$ 161,623	$ 563,307	$ 511,298	$ 462,958	$ 359,430	$ 235,290	$ 165,914	$ 27,368
Expendable Restricted Net Position	124,703	117,977	109,664	113,948	104,880	92,661	87,244	92,931	75,384	99,214
Nonexpendable Restricted Net Position	74,102	70,544	64,833	59,476	55,572	52,941	49,513	46,883	44,819	42,279
Total Financial Resources	**$ 481,570**	**$ 442,249**	**$ 336,120**	**$ 736,731**	**$ 671,750**	**$ 608,560**	**$ 496,187**	**$ 375,104**	**$ 286,117**	**$ 168,861**
Total Financial Resources	$ 481,570	$ 442,249	$ 336,120	$ 736,731	$ 671,750	$ 608,850	$ 496,187	$ 375,104	$ 286,117	$ 168,861
Total Bonds, COPS, and Capital Leases	$ 1,850,754	$ 1,649,317	$ 1,595,817	$ 1,372,649	$ 1,341,332	$ 1,287,784	$ 1,147,940	$ 1,102,762	$ 957,480	$ 849,405
Ratio	**0.3**	**0.3**	**0.2**	**0.5**	**0.5**	**0.5**	**0.4**	**0.3**	**0.3**	**0.2**
A broader measure of the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so.										
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (320,901)	$ (315,803)	$ (367,867)	$ (319,052)	$ (322,858)	$ (346,453)	$ (420,160)	$ (441,550)	$ (470,853)	$ (482,720)
State Appropriations and Federal Stabilization Funds	296,913	281,385	338,042	314,493	297,402	307,765	381,781	413,416	472,274	468,406
Share of State Sales Tax - TRIF	31,326	31,075	26,526	27,785	25,225	23,799	21,770	21,303	23,735	28,161
Non-capital Grants and Contracts, Gifts, Other [1]	275,008	295,376	235,373	220,039	217,531	225,815	214,494	188,484	158,884	128,403
Adjusted Cash Flow from Operations	**$ 282,346**	**$ 292,033**	**$ 232,074**	**$ 243,265**	**$ 217,300**	**$ 210,926**	**$ 197,885**	**$ 181,653**	**$ 184,040**	**$ 142,250**
Total Bonds, COPS, and Capital Leases	$ 1,850,754	$ 1,649,317	$ 1,595,817	$ 1,372,649	$ 1,341,332	$ 1,287,784	$ 1,140,940	$ 1,102,762	$ 957,480	$ 849,405
Adjusted Cash Flow from Operations	$ 282,346	$ 292,033	$ 232,074	$ 243,265	$ 217,300	$ 210,926	$ 197,885	$ 181,653	$ 184,040	$ 142,250
Ratio	**6.6**	**5.6**	**6.9**	**5.6**	**6.2**	**6.1**	**5.8**	**6.1**	**5.2**	**6.0**
[1] Includes financial aid grants, grants and contracts, private gifts, and financial aid trust funds.										
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.										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$ 69,135	$ 59,972	$ 53,428	$ 52,674	$ 53,331	$ 48,101	$ 47,505	$ 42,740	$ 39,451	$ 36,929
Principal Paid on Debt and Leases [1]	62,596	99,285	305,910	50,596	137,349	124,871	50,626	43,097	39,889	140,357
Principal Paid from Refinancing Activities [2]	(1,153)	(39,415)	(243,340)		(90,955)	(82,130)	(8,090)			(103,000)
Debt Service	**$ 130,578**	**$ 119,842**	**$ 115,998**	**$ 103,270**	**$ 99,725**	**$ 90,842**	**$ 90,041**	**$ 85,837**	**$ 79,340**	**$ 74,286**
Debt Service	$ 130,578	$ 119,842	$ 115,998	$ 103,270	$ 99,725	$ 90,842	$ 90,041	$ 85,837	$ 79,340	$ 74,286
Operating Expenses	$ 2,265,725	$ 2,104,513	$ 1,961,808	$ 1,796,805	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530
Ratio	**5.8%**	**5.7%**	**5.9%**	**5.7%**	**6.1%**	**5.8%**	**5.8%**	**5.8%**	**5.6%**	**5.3%**

[1] Obtained from "Bonds Payable, Certificates of Participation, Capital Leases, and Other Lease Obligations" disclosures included in the applicable fiscal year's audited Notes to Financial Statements.

[2] Obtained amount from refunding bonds official statements.

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 increase during times of specific funding activity to support the institution's strategic mission.

[1]Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Summary of Ratios *(Dollars in thousands)*										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 2,265,725	$ 2,104,513	$ 1,961,808	$ 1,796,805	$ 1,644,537	$ 1,558,467	$ 1,556,911	$ 1,469,659	$ 1,419,929	$ 1,393,530
Scholarships and Fellowships	(187,124)	(152,802)	(136,675)	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)
Interest on Debt	69,135	59,972	53,428	52,674	53,331	48,101	47,505	42,740	39,451	36,929
Total Adjusted Operating Expenses	**$ 2,147,736**	**$ 2,011,683**	**$ 1,878,561**	**$ 1,722,011**	**$ 1,585,505**	**$ 1,493,397**	**$ 1,483,988**	**$ 1,402,995**	**$ 1,371,045**	**$ 1,362,453**
Research Expenses	$ 267,303	$ 261,055	$ 244,763	$ 235,720	$ 225,453	$ 211,569	$ 201,255	$ 189,599	$ 180,901	$ 166,271
Total Adjusted Operating Expenses	$ 2,147,736	$ 2,011,683	$ 1,878,561	$ 1,722,011	$ 1,585,505	$ 1,493,397	$ 1,483,988	$ 1,402,995	$ 1,371,045	$ 1,362,453
Ratio	**12.4%**	**13.0%**	**13.0%**	**13.7%**	**14.2%**	**14.2%**	**13.6%**	**13.5%**	**13.2%**	**12.2%**
Measures the institution's research expense to the total operating expenses.										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 1,250,828	$ 1,157,535	$ 1,021,014	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657
Financial Aid Grants	128,474	124,188	115,070	106,855	104,415	110,222	104,498	84,998	49,969	42,198
Scholarships and Fellowships	(187,124)	(152,802)	(136,675)	(127,468)	(112,363)	(113,171)	(120,428)	(109,404)	(88,335)	(68,006)
Net Tuition and Fees	**$ 1,192,178**	**$ 1,128,921**	**$ 999,409**	**$ 876,308**	**$ 795,017**	**$ 754,268**	**$ 623,394**	**$ 541,913**	**$ 461,101**	**$ 410,849**
Net Tuition and Fees	$ 1,192,178	$ 1,128,921	$ 999,409	$ 876,308	$ 795,017	$ 754,268	$ 623,394	$ 541,913	$ 461,101	$ 410,849
Student FTE	94,077	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543
Net Tuition per Student (whole dollars)	**$ 12,672**	**$ 12,721**	**$ 12,300**	**$ 11,474**	**$ 10,881**	**$ 10,395**	**$ 8,975**	**$ 8,090**	**$ 7,203**	**$ 6,786**
Measures the institution's net student tuition and fees received per student.										
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 296,913	$ 281,385	$ 338,042	$ 314,493	$ 297,402	$ 307,765	$ 380,914	$ 380,914	$ 402,452	$ 468,406
Capital State Appropriations	11,190	11,422	15,000	14,471	14,472	14,472	14,472	14,472	14,472	14,472
Adjusted State Appropriations	**$ 308,103**	**$ 292,807**	**$ 353,042**	**$ 328,964**	**$ 311,874**	**$ 322,237**	**$ 395,386**	**$ 395,386**	**$ 416,924**	**$ 482,878**
Adjusted State Appropriations	$ 308,103	$ 292,807	$ 353,042	$ 328,964	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$ 416,924	$ 482,878
Student FTE	94,077	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543
Adjusted State Appropriations per Student (whole dollars)	**$ 3,275**	**$ 3,300**	**$ 4,345**	**$ 4,307**	**$ 4,269**	**$ 4,441**	**$ 5,692**	**$ 5,902**	**$ 6,513**	**$ 7,976**
Measures the institution's dependency on state appropriations.										

Debt Coverage for Senior and Subordinate Lien Bonds

Summary of Ratios *(Dollars in thousands)*

Bond Resolution Covenant. The Board has covenanted in the Bond Resolution to fix, revise and collect tuition, registration, matriculation, health services, laboratory, and admission fees from students matriculated, registered or enrolled at or attending the University, and to fix, revise and collect all other fees, admissions, rentals and other charges received from students, faculty, staff members and others using or being served by the System of Building Facilities, in an aggregate amount so 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 on all outstanding senior lien bonds and sufficient at all times to continually operate and maintain the System of Building Facilities and to make necessary deposits at the times and in the amounts specified in the Bond Resolution.

Bond Resolution Requirement. Pursuant to the Bond Resolution, the Board may issue additional Parity Bonds if the Gross Revenues of the University for the fiscal year preceding the issuance of such Parity Bonds are at least equal to 300% of the Maximum Annual Debt Service on all Outstanding Parity Bonds and the Parity Bonds proposed to be issued.

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES AVAILABLE FOR DEBT SERVICE										
Tuition and Fees, net of scholarship allowance	$ 1,250,828	$ 1,157,535	$ 1,021,014	$ 896,921	$ 802,965	$ 757,217	$ 639,324	$ 566,319	$ 499,467	$ 436,657
Receipts from Other Major Revenue Sources (Facilities Revenue)	304,859	293,117	279,610	264,385	244,696	220,610	237,446	216,408	203,329	202,050
Net Revenues Available for Debt Service	**$ 1,555,687**	**$ 1,450,652**	**$ 1,300,624**	**$ 1,161,306**	**$ 1,047,661**	**$ 977,827**	**$ 876,770**	**$ 782,727**	**$ 702,796**	**$ 638,707**
SENIOR LIEN MAXIMUM BONDS DEBT SERVICE										
Interest on Debt	$ 53,077	$ 42,451	$ 46,842	$ 40,342	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551
Principal Paid on Debt	51,555	46,525	40,155	42,635	44,770	43,020	39,670	37,150	33,040	27,805
Senior Lien Bonds Debt Service Requirement (1)	**$ 104,632**	**$ 88,976**	**$ 86,997**	**$ 82,977**	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**
Coverage	**14.87**	**16.30**	**14.95**	**14.00**	**12.06**	**11.97**	**12.08**	**11.59**	**13.20**	**15.44**

Debt Service Assurance Agreement and SPEED Bond Resolution Covenant. The Board has further covenanted in the Debt Service Assurance Agreement entered into in connection with the 2006 ASU Research Park Bonds and in the bond resolution for the Board's SPEED Revenue Bonds to fix, revise and collect Student Tuition and Fees Revenues and Facilities Revenues in an aggregate amount so that Gross Revenues of the University in any fiscal year will be at least equal to 100% of (i) the annual debt service due on all Outstanding Parity Bonds and the Subordinate Obligations in such fiscal year and (ii) the expense of operating and maintaining the System of Building Facilities.

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
SENIOR LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 53,077	$ 44,482	$ 46,842	$ 38,584	$ 42,079	$ 38,702	$ 32,895	$ 30,405	$ 20,190	$ 13,551
Principal Paid on Debt	51,555	43,435	40,155	42,640	44,770	43,020	39,670	37,150	33,040	27,805
Senior Lien Bonds Debt Service Requirement	**$ 104,632**	**$ 87,917**	**$ 86,997**	**$ 81,224**	**$ 86,849**	**$ 81,722**	**$ 72,565**	**$ 67,555**	**$ 53,230**	**$ 41,356**
SUBORDINATE LIEN BONDS DEBT SERVICE										
Interest on Debt	$ 5,374	$ 5,757	$ 7,154	$ 7,154	$ 3,441	$ 3,441	$ 2,110	$ 328	$ 328	$ 328
Principal Paid on Debt	6,970	7,805	6,440	6,440	845	845	845	845	845	845
Subordinate Lien Bonds Debt Service Requirements	**$ 12,344**	**$ 13,562**	**$ 13,594**	**$ 13,594**	**$ 4,286**	**$ 4,286**	**$ 2,955**	**$ 1,173**	**$ 1,173**	**$ 1,173**
Combined Senior/Subordinate Lien Debt Service (1)	**$ 116,976**	**$ 101,479**	**$ 100,591**	**$ 94,818**	**$ 91,135**	**$ 86,008**	**$ 75,520**	**$ 68,728**	**$ 54,403**	**$ 42,529**
Coverage	**13.30**	**14.30**	**12.93**	**12.25**	**11.50**	**11.37**	**11.61**	**11.39**	**12.92**	**15.02**

(1) Presents actual annual debt service through final bond maturity for the year with the highest debt service.

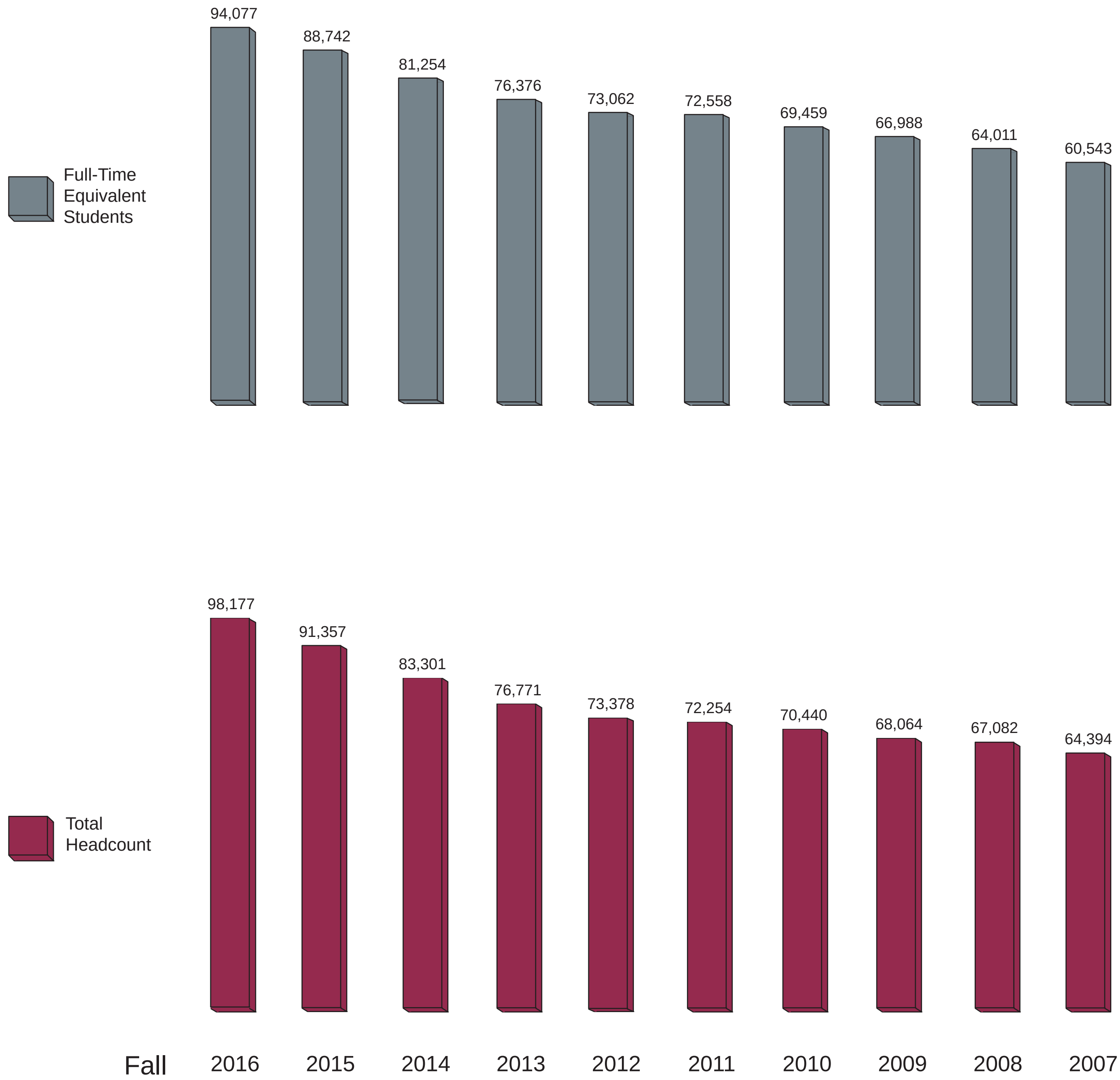
Long-Term Debt *(Dollars in thousands)*										
Fiscal year ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
System Revenue Bonds	$ 1,392,795	$ 1,212,240	$ 1,157,535	$ 1,002,655	$ 959,000	$ 902,845	$ 769,285	$ 710,550	$ 553,755	$ 432,540
Unamortized Premium	144,377	105,470	91,298	42,844	37,946	29,399	8,585	7,265	7,825	8,537
Net System Revenue Bonds	**$ 1,537,172**	**$ 1,317,710**	**$ 1,248,833**	**$1,045,499**	**$ 996,946**	**$ 932,244**	**$ 777,870**	**$ 717,815**	**$ 561,580**	**$ 441,077**
Certificates of Participation	$ 202,290	$ 213,710	$ 224,965	$ 235,505	$ 248,385	$ 261,910	$ 271,920	$ 281,965	$ 297,265	$ 312,090
Unamortized Premium	6,470	7,574	8,731	9,892	11,202	4,582	5,458	6,372	7,254	8,258
Net Certificates of Participation	**$ 208,760**	**$ 221,284**	**$ 233,696**	**$ 245,397**	**$ 259,587**	**$ 266,492**	**$ 277,378**	**$ 288,337**	**$ 304,519**	**$ 320,348**
Total Bonds Payable	$ 1,537,172	$ 1,317,710	$ 1,248,833	$ 1,045,499	$ 996,946	$ 932,244	$ 777,870	$ 717,815	$ 561,580	$ 441,077
COPS Payable	208,760	221,284	233,696	245,397	259,587	266,492	277,378	288,337	304,519	320,348
Capital and Operating Leases Payable	104,822	110,323	113,288	81,753	84,799	89,048	92,692	96,610	91,381	87,980
Total	**$ 1,850,754**	**$ 1,649,317**	**$ 1,595,817**	**$1,372,649**	**$1,341,332**	**$1,287,784**	**$ 1,147,940**	**$1,102,762**	**$ 957,480**	**$ 849,405**
Long-Term Debt										
per Student FTE *(whole dollars)*	$ 19,673	$ 18,586	$ 19,640	$ 17,972	$ 18,359	$ 17,748	$ 16,527	$ 16,462	$ 14,958	$ 14,030
per Dollar of State Appropriations and State Capital Appropriations	$ 6.01	$ 5.63	$ 4.52	$ 4.17	$ 4.30	$ 4.00	$ 2.90	$ 2.79	$ 2.30	$ 1.76
per Dollar of Total Grants and Contracts	$ 5.64	$ 5.32	$ 5.57	$ 4.88	$ 4.77	$ 4.59	$ 4.28	$ 4.40	$ 4.33	$ 4.26
Data Used in Above Calculations										
Total Student FTE	94,077	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543
State Appropriations and State Capital Appropriations	$ 308,103	$ 292,807	$ 353,042	$ 328,964	$ 311,874	$ 322,237	$ 395,386	$ 395,386	$ 416,924	$ 482,878
Grants and Contracts	$ 328,283	$ 309,902	$ 286,684	$ 281,049	$ 280,987	$ 280,674	$ 268,516	$ 250,377	$ 220,881	$ 199,366

Student FTE based on fall enrollment of the fiscal year.

Admissions, Enrollment, and Degrees Earned *(Fall Enrollment)*										
Fall enrollment of fiscal year	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
ADMISSIONS - FRESHMEN										
Applications (1)	42,396	42,363	38,280	35,294	37,982	37,225	35,449	32,188	30,809	28,644
Accepted	32,653	32,400	30,028	26,915	26,986	26,425	25,795	25,616	24,473	23,504
Enrolled	12,119	12,004	11,079	10,232	9,265	9,254	9,544	9,344	9,707	9,274
Accepted as Percentage of Application	77%	76%	78%	76%	71%	71%	73%	80%	79%	82%
Enrolled as Percentage of Accepted	37%	37%	37%	38%	34%	35%	37%	36%	40%	39%
Average SAT scores - Total	1114	1111	1112	1108	1111	1107	1100	1083	1082	1077
Verbal	550	550	549	546	547	546	542	535	534	532
Math	564	561	563	562	564	561	557	547	548	545
ENROLLMENT										
Student FTE	94,077	88,742	81,254	76,376	73,062	72,558	69,459	66,988	64,011	60,543
Student Headcount	98,177	91,357	83,301	76,771	73,378	72,254	70,440	68,064	67,082	64,394
Men (Headcount)	49,059	46,218	42,194	38,580	36,401	35,758	34,491	33,005	32,318	30,856
Percentage of Total	50.0%	50.6%	50.7%	50.3%	49.6%	49.5%	49.0%	48.5%	48.2%	47.9%
Women (Headcount)	49,118	45,139	41,107	38,191	36,977	36,496	35,949	35,059	34,764	33,538
Percentage of Total	50.0%	49.4%	49.3%	49.7%	50.4%	50.5%	51.0%	51.5%	51.8%	52.1%
African American (Headcount)	4,785	4,439	4,002	3,663	3,491	3,521	3,452	3,257	2,914	2,489
Percentage of Total	4.9%	4.9%	4.8%	4.8%	4.8%	4.9%	4.9%	4.8%	4.4%	3.9%
White (Headcount)	52,531	49,083	45,407	43,713	43,494	43,774	43,291	42,728	42,742	40,709
Percentage of Total	53.5%	53.7%	54.5%	56.9%	59.3%	60.6%	61.5%	62.8%	63.7%	63.2%
Other (Headcount)	40,861	37,835	33,892	29,395	26,393	24,959	23,697	22,079	21,426	21,196
Percentage of Total	41.6%	41.4%	40.7%	38.3%	35.9%	34.5%	33.6%	32.4%	31.9%	32.9%
DEGREES EARNED										
Bachelor's	16,450	15,264	14,842	14,381	13,913	13,210	12,194	11,810	11,229	10,706
Master's	6,008	5,817	5,268	4,584	4,163	4,007	4,150	3,914	3,615	3,082
Doctoral	677	674	687	596	636	611	545	490	587	418
Professional	199	198	223	200	204	217	201	166	179	238
Total Degrees Earned	**23,334**	**21,953**	**21,020**	**19,761**	**18,916**	**18,045**	**17,090**	**16,380**	**15,610**	**14,444**

(1) Beginning in FY 2014, methodology revised to include all completed applications by campus.

Student information based on fall enrollment of the fiscal year and degree information includes all graduations during fiscal year.



Enrollment *(Fall Enrollment)*										
Fall enrollment of fiscal year	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
ENROLLMENT (Headcount)										
Undergraduate	79,447	74,146	67,507	62,089	59,382	58,404	56,562	54,277	53,298	51,311
Graduate	18,730	17,211	15,794	14,682	13,996	13,850	13,878	13,787	13,784	13,083
Resident (Arizona)	51,438	50,350	49,940	49,537	50,400	51,235	51,128	50,374	49,055	46,217
Non-Resident	46,739	41,007	33,361	27,234	22,978	21,019	19,312	17,690	18,027	18,177

Demographic Data										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Arizona Population	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681
Arizona Personal Income *(in millions)*	278,925	266,756	255,089	244,011	235,781	227,287	216,590	212,873	226,465	218,588
Arizona Per Capita Personal Income	40,243	39,060	37,895	36,823	35,979	35,062	33,773	33,560	36,059	35,441
Arizona Unemployment Rate	5.30%	6.10%	6.90%	8.00%	8.30%	9.50%	10.50%	9.90%	6.00%	3.70%

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

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

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

Faculty and Staff

Faculty and Staff										
Fall employment of fiscal year	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
FACULTY										
Full-time	3,225	3,108	2,963	2,777	2,635	2,612	2,644	2,611	2,671	2,529
Part-time	330	394	515	375	276	253	231	380	424	441
Total Faculty	**3,555**	**3,502**	**3,478**	**3,152**	**2,911**	**2,865**	**2,875**	**2,991**	**3,095**	**2,970**
Percentage Tenured	55.4%	55.9%	54.2%	58.0%	61.1%	61.2%	63.7%	61.6%	60.3%	61.4%
STAFF										
Full-time	6,734	6,443	5,966	5,693	5,487	5,485	5,561	5,523	5,957	5,690
Part-time	4,414	4,168	4,183	3,565	3,684	3,699	3,838	3,628	3,624	3,776
Total Staff	**11,148**	**10,611**	**10,149**	**9,258**	**9,171**	**9,184**	**9,399**	**9,151**	**9,581**	**9,466**
Total Faculty and Staff	**14,703**	**14,113**	**13,627**	**12,410**	**12,082**	**12,049**	**12,274**	**12,142**	**12,676**	**12,436**

Source: Arizona State University Fact Book and Institutional Analysis.

Percentage Tenured includes tenured and tenure track faculty.

Capital Assets										
Fiscal Year Ended June 30,	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
CAPITAL ASSETS *(Number of Facilities)*										
Academic/Support Facilities	251	252	248	224	223	221	235	240	239	235
Auxiliary Facilities	164	166	172	153	153	149	152	157	133	111
Total	**415**	**418**	**420**	**377**	**376**	**370**	**387**	**397**	**372**	**346**

Source: Arizona State University Capital Improvement Plans

Beginning in FY 2014, facility count includes ASU partnership facilities to align with the Capital Improvement Plan submitted to the Arizona Board of Regents. FY 2008 - 2013 have been restated to include ASU partnership facilities.

Right. Dedicated in 2004 in honor of ASU's fifteenth president, Lattie F. Coor Hall serves as the canvas for one of the largest public art projects on campus. Text fragments, numbers, punctuation marks and letterforms, representing several Latin-based, Native American and Asia languages, are etched in glass on the façade of the building and represent the universal potential of language. During some parts of the day, shadows are cast on an inner wall, with the reminder to "Explore" which is cut in steel and suspended from the roof.


EXPLORE

ASU

2017 ASU Comprehensive Annual Financial Report

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