

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

Northern Arizona University issues financial statements annually. The University is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the University has met its responsibilities.

Our Conclusion

The information in the University's financial statements is fairly stated in all material respects, and the financial statements can be relied on. This information will also be incorporated in the State of Arizona's *Comprehensive Annual Financial Report*.



2010

Year Ended June 30, 2010

Condensed Financial Information

Statement of Net Assets—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by donors and external entities.
- Unrestricted net assets shows the net resources available to fund general operations.

Statement of Revenues, Expenses, and Changes in Net Assets—This statement reports all revenues, expenses, and other changes to net assets. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. Net assets increased by \$57 million, or 18 percent, in the current year as compared to increases of \$40 million and \$30 million, or 15 percent and 13 percent, in fiscal years 2009 and 2008, respectively.

Condensed Statement of Net Assets June 30, 2010 (In Millions)	
Assets:	
Cash and investments	\$345
Capital assets, net of depreciation	508
Receivables	62
Other assets	1
Total assets	916
Liabilities:	
Long-term debt	495
Other liabilities	52
Total liabilities	547
Net Assets:	
Invested in capital assets, net of related debt	157
Restricted	38
Unrestricted	174
Total net assets	\$369

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2010 (In Millions)	
Operating revenues:	
Tuition and fees	\$126
Grants and contracts	20
Auxiliary enterprises	43
Other operating revenues	10
Total operating revenues	199
Operating expenses:	
Educational and general	302
Auxiliary enterprises	29
Depreciation	22
Total operating expenses	353
Operating loss	(154)
Nonoperating revenues and expenses:	
State appropriations	128
Grants, including federal fiscal stabilization funds of \$11	75
Other nonoperating, net	8
Net nonoperating revenues	211
Increase in net assets	57
Net assets—beginning of year	312
Net assets—end of year	\$369

University Issued \$180 Million in New Debt

In 2008, the Arizona State Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED). Under SPEED, Arizona State Lottery monies, if available, can be used to help pay up to 80 percent of the principal and interest payments on certain university debt obligations. On April 28, 2010, the University issued \$64.8 of SPEED revenue bonds to finance the renovation of the Skydome, the Liberal Arts building, the Hotel and Restaurant Management School, and the North Union, along with North Campus utility upgrades. The SPEED bonds were also designated as Build America Bonds under the provisions of the American Recovery and Reinvestment Act, which means the bonds are taxable but provide for federal

subsidies to help offset higher borrowing costs. Accordingly, the University is eligible to receive a federal subsidy equal to 35 percent of the interest paid on the bonds.

In addition, on December 17, 2009, the University issued \$114.5 million of system revenue bonds to finance the construction and improvement of a new Health and Learning Center, demolition and reconstruction of Lumberjack Stadium, and various other capital projects. Of this amount, \$108.9 million was designated as Build America Bonds. During the fiscal year 2010, the University applied for and received federal subsidies of \$1.1 million for interest paid on the system revenue bonds during the fiscal year.

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MORE INFORMATION

A copy of the full report
is available at:
www.azauditor.gov

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American Recovery and Reinvestment Act (ARRA) Monies

For fiscal year 2010, the State of Arizona's Office of the Governor received federal ARRA monies under the State Fiscal Stabilization Fund Cluster. A portion of these monies were distributed to the State's universities to restore the shortfall of fiscal year 2010 state funding for higher education. The Office of the Governor provided Northern Arizona University

nearly \$11 million of this cluster's monies in fiscal year 2010. The University used the monies primarily for salaries and benefits to support those faculty members, advisors, and others providing direct services to students. In addition, the monies helped mitigate tuition increases for academic year 2011.

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