

**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*.



2011

Year Ended June 30, 2011

**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 \$49 million, or 13 percent, in the current year as compared to an increase of \$57 million, or 18 percent, in fiscal year 2010 and an increase of \$40 million, or 15 percent, in fiscal year 2009.

Condensed Statement of Net Assets June 30, 2011 (In Millions)	
<b>Assets:</b>	
Cash and investments	\$254
Capital assets, net of depreciation	619
Receivables	71
Other assets	2
Total assets	946
<b>Liabilities:</b>	
Long-term debt	467
Other liabilities	61
Total liabilities	528
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	200
Restricted	36
Unrestricted	182
Total net assets	\$418

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2011 (In Millions)	
<b>Operating revenues:</b>	
Tuition and fees	\$147
Grants and contracts	28
Auxiliary enterprises	47
Other operating revenues	11
Total operating revenues	233
<b>Operating expenses:</b>	
Educational and general	334
Auxiliary enterprises	34
Depreciation	22
Total operating expenses	390
Operating loss	(157)
<b>Nonoperating revenues and expenses:</b>	
State appropriations	128
Grants	65
Other nonoperating, net	4
Net nonoperating revenues	197
<b>Capital and endowment additions</b>	9
Increase in net assets	49
Net assets—beginning of year	369
Net assets—end of year	\$418

# University Participates in State and Federal Bond Programs

In fiscal year 2011, Northern Arizona University's revenue bond debt interest costs were over \$19 million. The University participates in the State's Stimulus Plan for Economic and Educational Development (SPEED) and the Federal Build America Bonds program that help pay these costs.

In 2008, the Arizona State Legislature and Governor approved the SPEED fund. When Arizona universities issue debt under the SPEED provisions, Arizona State Lottery monies, if available, will help pay up to 80 percent of the debt principal and interest payments. As of June 30, 2011, the University has issued \$64.8 million of their authorized \$136 million of SPEED bonds. These bonds were issued in April 2010 to help fund building renewal projects. The chart below shows the University's total SPEED debt authorized and issued. In August 2011, the University

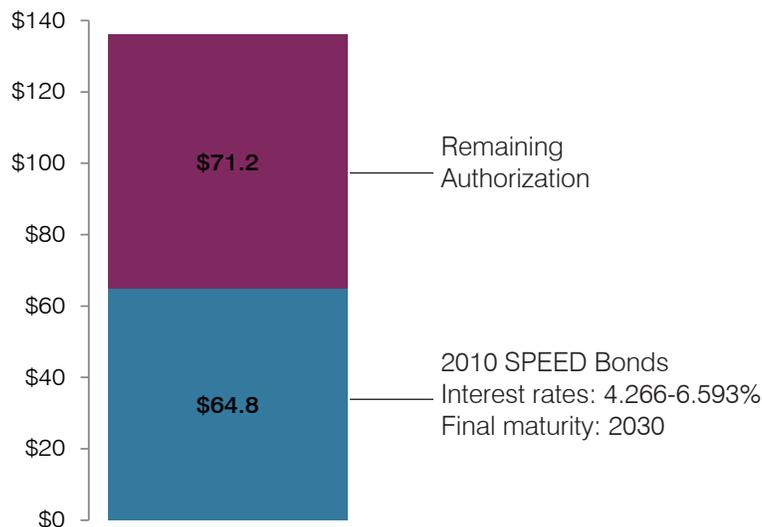
received \$2.5 million in lottery monies to help pay SPEED bond debt interest payments for fiscal year 2011, which was the full 80 percent allocation as stipulated in the SPEED provisions. The SPEED bonds were also designated as Build America Bonds under the provisions of the Federal American Recovery 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. During fiscal year 2011, the University received \$1.7 million in federal interest subsidies related to the SPEED bonds. In addition, the University issued its 2009A revenue bonds under the Build America Bonds program and received approximately \$2.4 million in federal interest subsidies during fiscal year 2011.

TO OBTAIN  
MORE INFORMATION

Copies of Northern Arizona University's Financial Report and Report on Internal Control and Compliance are available at:  
[www.azauditor.gov](http://www.azauditor.gov)

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SPEED Financing Authorization Totaling \$136 Million  
As of June 30, 2011  
(In Millions)



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Year Ended June 30, 2011