



## REPORT HIGHLIGHTS

### FINANCIAL STATEMENT AUDIT

### Our Conclusion

Northern Arizona University is responsible for preparing annual financial statements, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the University's financial statements. Since the University is a component unit of the State of Arizona, the information in its financial statements will also be incorporated in the State of Arizona's Comprehensive Annual Financial Report. A summary of the financial statements is presented to the right.

Based on our audit, we issued a report that included our opinion on the University's financial statements and a report on its internal control and compliance over financial reporting. The information in the University's fiscal year 2014 financial statements is reliable. Our report on internal control and compliance identified a finding that was both an internal control weakness and an instance of noncompliance. This finding is summarized on the next page.



2014

Year Ended June 30, 2014

## Condensed financial information

**Statement of net position**—This statement reports all of the University's assets, deferred outflows of resources, liabilities, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

**Statement of revenues, expenses, and changes in net position**—This statement reports all revenues, expenses, and other changes to net position. Revenues and expenses are reported as either operating or nonoperating. The change in net position indicates whether the University's financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2014, net position increased by \$4 million, or 1 percent, as compared to an increase of \$3 million, or 1 percent, in fiscal year 2013.

### Condensed statement of net position As of June 30, 2014 (In millions)

<b>Assets</b>	
Current assets	\$ 210
Noncurrent assets, other than capital	168
Capital assets, net of depreciation	<u>728</u>
Total assets	<u>1,106</u>
<b>Deferred outflow of resources</b>	
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<b>Liabilities</b>	
Current liabilities	71
Noncurrent liabilities	<u>601</u>
Total liabilities	<u>672</u>
<b>Net position</b>	
Net investment in capital assets	234
Restricted	51
Unrestricted	<u>154</u>
Total net position	<u>\$ 439</u>

### Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2014 (In millions)

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowance	\$ 189
Grants and contracts	22
Auxiliary enterprises	51
Other operating revenues	<u>20</u>
Total operating revenues	<u>282</u>
<b>Operating expenses</b>	
Educational and general	395
Auxiliary enterprises	33
Depreciation	<u>33</u>
Total operating expenses	<u>461</u>
Operating loss	(179)
<b>Nonoperating revenues and expenses</b>	
State appropriations	106
Grants	67
Other nonoperating, net	27
Nonoperating expenses	<u>(24)</u>
Net nonoperating revenues	<u>176</u>
<b>Capital and endowment additions</b>	7
Increase in net position	4
Net position—beginning, restated	<u>435</u>
Net position—ending	<u>\$ 439</u>

## Summary of audit findings and recommendations

During the financial statement audit, we found a deficiency that was both an internal control weakness over financial reporting and an instance of noncompliance with laws and regulations. Our Report on Internal Control and Compliance includes a Schedule of Findings and Recommendations that contains further details to help the University correct the deficiency summarized below.

### University should ensure all deposits are fully collateralized as required by state statute

The University changed banks during fiscal year 2014, but failed to exercise a collateral agreement with the new bank. As a result, contrary to state statute, \$41.5 million of the University's deposits totaling \$56.1 million was uninsured and uncollateralized at June 30, 2014. In addition, the University improperly reported the deposits as fully collateralized by the new bank in its notes to the financial statements. The University revised its notes to the financial statements to correct this error. In addition, as of July 1, 2014, the University's deposits were fully collateralized through the Arizona State Treasurer's pooled collateral program.

#### Recommendation

To help protect public monies from potential loss and to comply with state statute, the University must ensure that all deposits not covered by federal depository insurance are fully collateralized. In addition, the University should properly disclose in its financial statements any deposits that are uninsured and uncollateralized at the end of the fiscal year to comply with U.S. generally accepted accounting principles.