

**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 is also incorporated in the State of Arizona's *Comprehensive Annual Financial Report*.



2007

Year Ended June 30, 2007

The University's Condensed Financial Information

The University's financial information is presented in three financial statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. The University's discretely presented component units are not included in the condensed financial information that follows.

Statement of Net Assets

The Statement of Net Assets reports all of the University's assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, which is the difference between assets

and liabilities, include three major categories. The first category, invested in capital assets, net of related debt, shows the University's equity in property, plant, and equipment. The next category, restricted net assets, shows the amount of net resources available for certain university expenditures. These net assets must be used for purposes determined by donors and external entities that have placed purpose restrictions on their use. The third category, unrestricted net assets, shows the net resources available to the University to fund other general operations. The summary below presents a condensed Statement of Net Assets as of June 30, 2007.

Statement of Net Assets
As of June 30, 2007
(In Millions)

Assets	
Current	\$117
Noncurrent, other than capital	42
Capital assets, net	<u>366</u>
Total assets	<u>525</u>
Liabilities	
Current	49
Noncurrent	<u>240</u>
Total liabilities	<u>289</u>
Net Assets	
Invested in capital assets, net of related debt	127
Restricted	38
Unrestricted	<u>71</u>
Total net assets	<u>\$236</u>

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's operating and nonoperating revenues and expenses, and the resulting change in net assets. Revenues and expenses are classified as operating if they relate to the University's primary activities, such as instruction, research, and public service. All other revenues and expenses, such as state appropriations and interest on indebtedness, are considered nonoperating. The change in net assets indicates whether the University's financial health has improved or deteriorated as a result of current-year operations. For the current year, the University's net assets showed a \$25.9 million increase. The summary to the right presents the University's revenues and expenses for the year ended June 30, 2007.

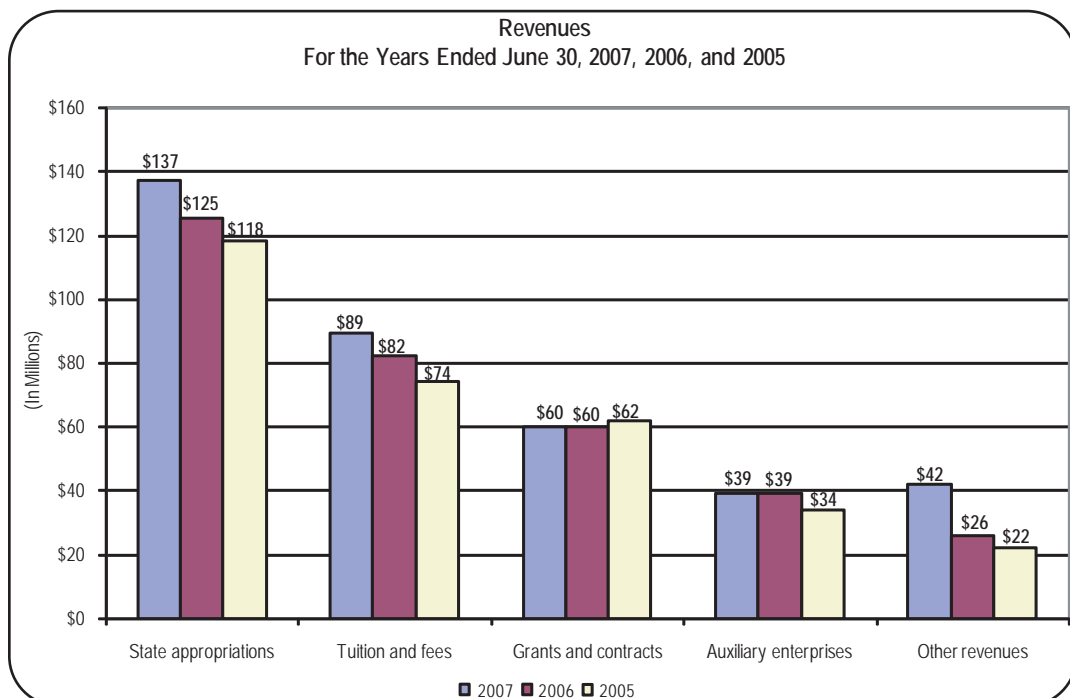
Revenues

Between fiscal years 2005 and 2007, the University's total revenues have increased by \$57 million, or 18 percent. As shown in the chart below, the change primarily resulted from increases in state appropriations and other revenues. State

appropriation revenues increased \$19 million, and other revenues increased \$20 million during the period. These changes primarily resulted from appropriation increases to offset the cost of student enrollment growth and increases in other nonoperating revenues due to increased share of state sales tax and improved returns on investments.

Revenues and Expenses For the Year Ended June 30, 2007 (In Millions)

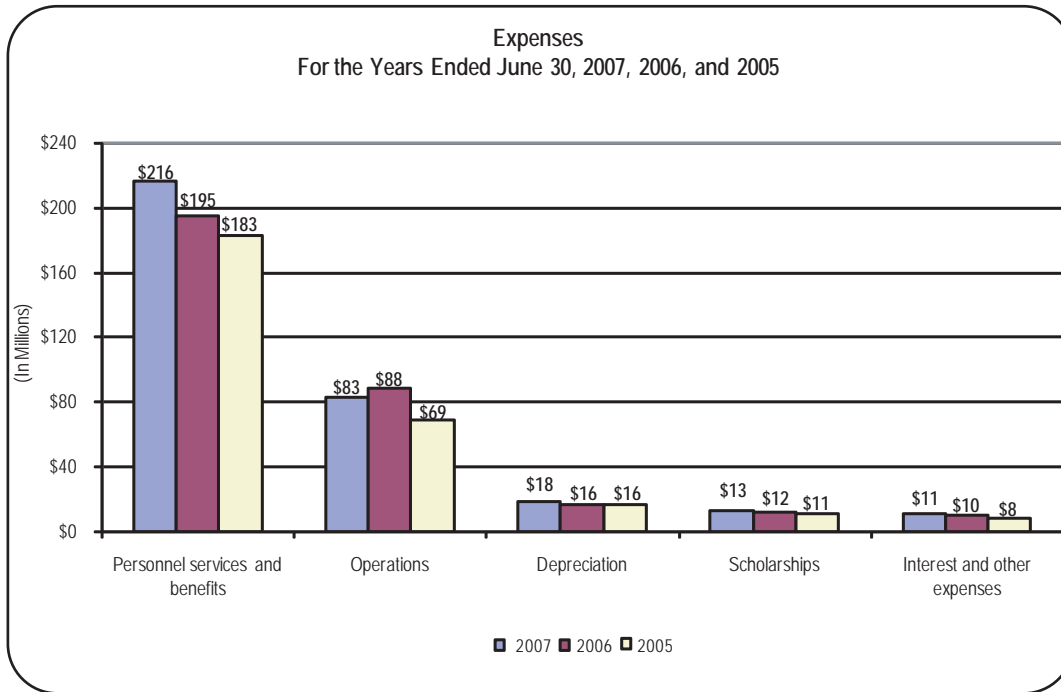
Operating Revenues	
Tuition and fees	\$ 89
Grants and contracts	60
Auxiliary enterprises	39
Other	7
Total operating revenues	<u>195</u>
Nonoperating Revenues	
State appropriations	137
Other	35
Total nonoperating revenues	<u>173</u>
Total revenues	<u>\$367</u>
Operating Expenses	
Educational and general	\$279
Auxiliary enterprises	33
Depreciation	18
Total operating expenses	<u>330</u>
Nonoperating Expenses	
Interest on indebtedness and other	11
Total nonoperating expenses	<u>11</u>
Total expenses	<u>\$341</u>



Expenses

Between fiscal years 2005 and 2007, the University's total expenses have increased by \$54 million, or 19 percent. As shown in the chart below, the change primarily resulted from increases in personal services and benefits, and

operations. Personal services and benefits increased \$33 million from rising wages and employee benefit costs, and operations increased \$14 million from steady increases in operating costs during the period.



Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement helps users assess the University's ability to generate net cash flows to meet its obligations as they come due and the need for external financing. The table to the right shows the net cash flows from each of the University's major activities for the year ended June 30, 2007.

Cash Flows
For the Year Ended June 30, 2007
(In Millions)

Cash flows from:	
Operating activities	\$(120)
Noncapital financing activities	161
Capital and related financing activities	(71)
Investing activities	<u>32</u>
Net increase in cash and cash equivalent investments	<u>\$ 2</u>

TO OBTAIN
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A copy of the full report
can be obtained by calling
(602) 553-0333



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Contact person for
this report:
Philip Shultz



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Year Ended June 30, 2007