



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 financial statements is reliable. This information is also incorporated in the State's *Comprehensive Annual Financial Report*.



2002

Year Ended June 30, 2002

Office of the Auditor General Assists Universities in Implementing New Financial Reporting Standards

During fiscal year 2002, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. This statement establishes new external financial reporting standards for public colleges and universities.

The Office of the Auditor General has worked closely with all three state universities to assist them in implementing these new reporting requirements.

At the university comptrollers' request, we attended a series of meetings, answered specific questions, and provided general guidance and advice on implementing the new reporting standards. We also reviewed draft financial reports that the universities prepared and provided comments regarding the universities' implementation of the new reporting requirements.

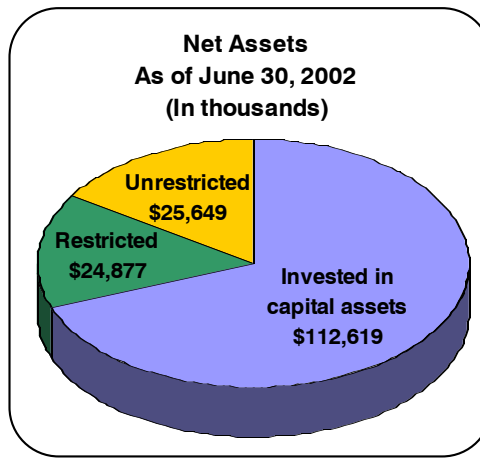
New Standards Change the Focus of Financial Reporting

GASB Statement No. 35 requires universities to present financial statements on a consolidated basis to focus on the university as a whole. Previously, financial statements focused on the accountability of individual fund groups. The new standards require three basic financial statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, the difference between assets and liabilities, are one way to measure the University's financial health. Net assets 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 is restricted net assets. Restricted net

assets show the amount of net resources available for University expenditure. These net assets must be used for purposes determined by donors and external entities that have placed purpose restrictions on the use of those resources. The third category is unrestricted net assets—the net resources available to the University to fund general operations. The chart to the right illustrates the components of the University's net assets as of June 30, 2002.



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's operating results, as well as non-operating revenues and expenses. Resources generated from the University's primary activities, such as instruction, public service, and research, are considered operating revenues. All other resources are considered non-operating revenues, even though those resources are used for operating costs. The summary to the right provides a breakdown of the University's operating and non-operating revenues for the year ended June 30, 2002.

Operating and Nonoperating Revenues For the Year Ended June 30, 2002 (In thousands)

Operating Revenues:	
Student tuition and fees, net of scholarship allowances	\$ 51,197
Government grants and contracts	47,408
Private grants and contracts	3,460
Auxiliary operations	27,952
Other	<u>6,859</u>
Total operating revenues	<u>\$136,876</u>
Nonoperating Revenues:	
State appropriations	\$112,190
Share of state sales tax	7,851
Grants and contracts	4,340
Investment income	1,117
Other nonoperating revenues	<u>779</u>
Total nonoperating revenues	<u>\$126,277</u>
Other revenues	<u>654</u>
Total revenues	<u>\$263,807</u>

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 summary to the right shows the net cash flows from each of the University's major activities.

Cash Flows For the Year Ended June 30, 2002 (In thousands)

Cash Flows from:	
Operating activities	\$(109,010)
Non-capital financing and related activities	125,653
Capital financing activities	(21,406)
Investing activities	<u>(5,057)</u>
Net decrease in cash	<u>\$ (9,820)</u>

TO OBTAIN MORE INFORMATION

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



or by visiting
our Web site at:
www.auditorgen.state.az.us

Contact person for
this report:
Bill Shepard

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Year Ended June 30, 2002