

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

The University of Arizona 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 \$95 million or 10 percent in the current year as compared to an increase of \$93 million or 11 percent in fiscal year 2010 and an increase of \$10 million or 1 percent in fiscal year 2009.

Condensed Statement of Net Assets June 30, 2011 (In Millions)	
Assets:	
Cash and investments	\$ 692
Capital assets, net of depreciation	1,498
Receivables	242
Other assets	22
Total assets	2,454
Liabilities:	
Long-term debt	1,147
Other liabilities	238
Total liabilities	1,385
Net Assets:	
Invested in capital assets, net of related debt	523
Restricted	253
Unrestricted	293
Total net assets	\$1,069

Condensed Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2011 (In Millions)	
Operating revenues:	
Tuition and fees	\$ 379
Grants and contracts	461
Auxiliary enterprises	171
Other operating revenues	48
Total operating revenues	1,059
Operating expenses:	
Educational and general	1,239
Auxiliary enterprises	159
Depreciation	108
Total operating expenses	1,506
Operating loss	(447)
Nonoperating revenues and expenses:	
State appropriations	330
Grants and other appropriations	88
Other nonoperating, net	100
Net nonoperating revenues	518
Capital and endowment additions	24
Increase in net assets	95
Net assets—beginning of year	974
Net assets—end of year	\$1,069

University Participates in State and Federal Bond Programs

In fiscal year 2011, the University's revenue bond debt interest costs were over \$28 million. The University participates in the State's Stimulus Plan for Economic and Education Development (SPEED) fund and the Federal Build America Bonds program that help pay these costs.

In July 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. The University of Arizona was authorized to issue up to \$403 million. Through June 30, 2011, the University issued a total of \$187.1 million in SPEED bonds, and in August 2011,

received \$2.4 million in lottery monies to help pay debt interest payments. The chart below shows the University's total SPEED debt authorized and the debt issued under these provisions.

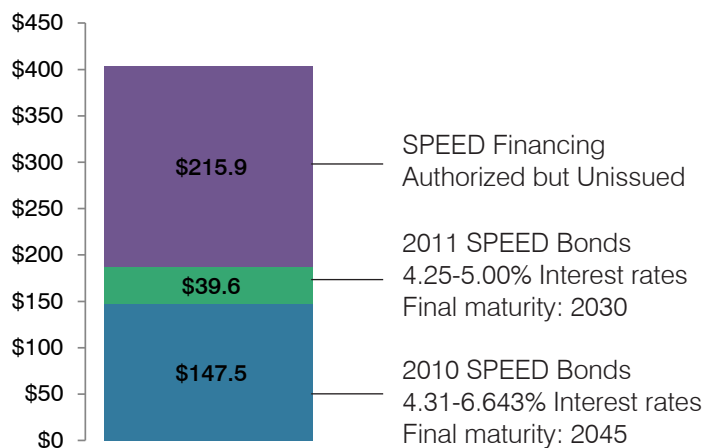
In addition, the University issued the 2010 SPEED bonds as Build America Bonds under the provisions of the Federal American Recovery and Reinvestment Act, which means the bonds are taxable but provide for federal subsidies to help offset higher borrowing costs. Accordingly, the University is eligible to receive a federal subsidy equal to 35 percent of the bond's interest costs. The University received federal subsidies of \$2 million in fiscal year 2011 and another \$1.6 million in July 2011.

TO OBTAIN
MORE INFORMATION

Copies of the University of Arizona's Annual Financial Report and Report on Internal Control and Compliance are available at:
www.azauditor.gov

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SPEED Financing Authorization Totaling \$403 Million and SPEED Bonds Issued Totaling \$187.1 Million As of June 30, 2011 (In Millions)



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Year Ended June 30, 2011