



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 annually. Since the University is a component 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 University's financial statements is presented to the right.

Based on our audit, we issued opinions 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 2015 financial statements is reliable. Our Office did not report any deficiencies in the University's internal control or compliance over financial reporting.



2015

Year Ended June 30, 2015

Condensed financial information

Statement of net position—This statement reports all of the University's assets, deferred outflows and inflow 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 remaining net position balance after the net investment in capital assets and restricted balances have been allocated. The balance is negative at June 30, 2015, because of the University's implementation of new pension accounting standards. Additional information on the implementation of these new standards is included on the next page.

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 financial health has improved or deteriorated as a result of current-year activities. Net position increased by \$10 million, or 4 percent in fiscal year 2015.

Condensed statement of net position As of June 30, 2015 (In millions)

Assets	
Current assets	\$ 231
Noncurrent assets, other than capital	104
Capital assets, net of depreciation	<u>823</u>
Total assets	<u>1,158</u>
Deferred outflows of resources	
	38
Liabilities	
Long-term debt	642
Net pension liability	165
Other liabilities	<u>70</u>
Total liabilities	<u>877</u>
Deferred inflow of resources	
	28
Net position	
Net investment in capital assets	268
Restricted	55
Unrestricted (deficit)	<u>(32)</u>
Total net position	<u>\$ 291</u>

Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2015 (In millions)

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 206
Grants and contracts	25
Auxiliary enterprises	55
Other operating revenues	<u>23</u>
Total operating revenues	<u>309</u>
Operating expenses	
Educational and general	418
Auxiliary enterprises	38
Depreciation	<u>35</u>
Total operating expenses	<u>491</u>
Operating loss	(182)
Nonoperating revenues and expenses	
State appropriations	112
Grants	73
Other nonoperating revenues	23
Nonoperating expenses	<u>(23)</u>
Net nonoperating revenues	<u>185</u>
Capital and endowment additions	7
Increase in net position	10
Net position—beginning, restated	<u>281</u>
Net position—ending	<u>\$ 291</u>

Significant pension reporting changes starting in fiscal year 2015

The Governmental Accounting Standards Board (GASB) issued new pension accounting standards for all state and local governments that resulted in significant reporting changes starting in fiscal year 2015. The University was required to follow these new standards because its employees are members in two of the State's defined benefit pension plans. The new GASB standards are designed to increase the transparency, consistency, and comparability of pension information across governments. In addition, they require all governments to report more robust pension information, including their share of any unfunded, or net, pension liability, which was \$163 million for the University at June 30, 2015. The net pension liability is calculated by subtracting the pension plans' assets from the estimated pension obligations and means that the assets are less than estimated pension obligations. This liability reduced the University's unrestricted net position.

It is important to note that the new reporting requirements will not change the actual cost of providing pension benefits. As they always have, the University and its participating employees will continue to pay their required contributions to cover the estimated pension benefits. The University's contributions were \$12 million in fiscal year 2015.