

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*.



2010

Year Ended June 30, 2010

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 \$93 million, or 11 percent, in the current year as compared to increases of \$10 million and \$43 million, or 1 percent and 5 percent, in fiscal years 2009 and 2008, respectively.

Assets:	
Cash and investments	\$ 704
Capital assets, net of depreciation	1,402
Receivables	206
Other assets	22
Total assets	2,334
Liabilities:	
Long-term debt	1,145
Other liabilities	215
Total liabilities	1,360
Net Assets:	
Invested in capital assets, net of related debt	490
Restricted	229
Unrestricted	255
Total net assets	\$ 974

Operating revenues:	
Tuition and fees	\$ 330
Grants and contracts	428
Auxiliary enterprises	166
Other operating revenues	38
Total operating revenues	962
Operating expenses:	
Educational and general	1,176
Auxiliary enterprises	144
Depreciation	101
Total operating expenses	1,421
Operating loss	(459)
Nonoperating revenues and expenses:	
State appropriations	330
Grants and other appropriations, including federal fiscal stabilization funds of \$28	110
Other nonoperating, net	89
Net nonoperating revenues	529
Capital and endowment additions	23
Increase in net assets	93
Net assets—beginning of year	881
Net assets—end of year	\$ 974

University Issued \$147.5 Million in New Debt

In 2008, the Arizona State Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED). Under SPEED, Arizona State Lottery monies, if available, can be used to help pay up to 80 percent of the principal and interest payments on certain university debt obligations. On June 15, 2010, the University issued \$147.5 million of SPEED Revenue Bonds. The SPEED bonds were also designated as Build America Bonds under the provisions of the 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 interest paid on the bonds. The bond proceeds will be used to finance the construction of the new health science education building in downtown Phoenix and various building renewal projects on the Tucson campus, including fire alarm and sprinkler system improvements; electrical and elevator upgrades; heating, ventilation, and air conditioning projects; and various structural repairs.

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MORE INFORMATION

A copy of the full report
is available at:

www.azauditor.gov

Contact person:
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American Recovery and Reinvestment Act (ARRA) Monies

Federal fiscal stabilization funds—For fiscal year 2010, the State of Arizona's Office of the Governor received federal ARRA monies under the State Fiscal Stabilization Fund Cluster. A portion of these monies were distributed to the State's universities to restore the shortfall of fiscal year 2010 state funding for higher education. The Office of the Governor provided the University of Arizona with \$28 million of this cluster's monies in fiscal year 2010. The University used the monies primarily for salaries and benefits to support those faculty members, advisors, and others providing direct services to students. In addition, the monies helped mitigate tuition increases for academic year 2011.

Other federal ARRA monies—In addition, during fiscal year 2010, the University of Arizona spent \$29 million of ARRA monies under various federally sponsored programs. Of this amount, approximately \$28 million was spent on 139 separate research and development programs. The remaining \$1 million was spent on four nonresearch federal grants for public service, student support, and instruction purposes.

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