# Northern Arizona University



FINANCIAL REPORT 2000-2001



## FINANCIAL REPORT 2000-2001

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#### **Capital Assets and Debt Administration**

#### Capital Assets at June 30, 2001

At June 30, 2001, the university had \$412,945,928 invested in capital assets. The university does not record depreciation. During the year the university added \$14,207,872 in new capital assets (including equipment acquired through capital leases) and retired \$5,915,525 of obsolete assets. Details of the additions to capital assets are listed below.

	<u>June 30, 2000</u>	June 30, 2001
Land Land improvements	\$ 4,978,288 33,086,473	\$ 5,039,193 34,154,742
Buildings Equipment	244,552,566 79,028,122	248,800,035 79,925,914
Library books, media, and	, ,	, ,
special collections	43,008,132 <b>\$404,653,581</b>	\$412,945,928

Significant capital additions completed and the resources that funded their acquisitions for fiscal year 2001 were:

- Skydome roof and track renovations, \$1,327,000, plant funds
- Library acquisitions, \$2,296,000, general operating funds
- Infrastructure and land improvements, \$1,040,000, local/plant funds
- Dormitory sprinkler systems and roofing, \$802,000, local/auxiliary funds
- Bio-chem and Centennial buildings, \$384,000, bond proceeds

The university's Capital Development Plan, which is updated annually, provides for the issuance of \$62.9 million in revenue bonds in fiscal year 2002, the issuance of \$26.4 million in Certificates of Participation in fiscal year 2003, and the use of remaining bond proceeds from the Series 1997 revenue bond issue. These monies will be used for the renovation of existing buildings and new building construction.

#### **Outstanding Debt**

For the fiscal year ended June 30, 2001, the university had \$87.7 million in debt, a decrease of approximately \$6.0 million, or 6 percent, from fiscal year 2000. The remaining bonding authorization from the state legislature for the university was \$62.9 million, as of June 30, 2001. The table below summarizes the university's outstanding debt from fiscal years 2000 and 2001.

Total	\$ 93,705,277	\$ 87,711,288
Capital lease obligations	3,650,277	3,451,288
System Revenue bonds	\$ 90,055,000	\$ 84,260,000
	June 30, 2000	June 30, 2001

#### **Key Ratios**

Key financial ratios for the university include the annual operating margin, net revenues/total revenues, and gross debt service to operations. The annual operating margin compares the operating surplus/deficit to aggregate annual operating revenue. Net Revenues/Total Revenues reflects net revenues as a percentage of total revenues. Gross debt service-to-operations measures the actual debt burden on the annual operating budget. The table below summarizes these ratios for fiscal years 2000 and 2001.

	June 30, 2000	June 30, 2001
Annual Operating Margin	2.93%	2.74%
Net Revenues to Total Revenues	2.42%	1.97%
Gross Debt Service to Operations	5.24%	4.92%

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## Funding Sources and Uses

Dollars in Millions

	Fisc	Percentage	
	2001	2000	of Change
Funding Sources			
(Resources acquired during the fiscal year)			
State Appropriations	\$115.2	\$110.3	4%
Tuition and Fees	66.8	66.5	0
Grants, Contracts, Gifts, and Advances	48.3	41.2	17
Auxiliary Enterprise Operations	27.5	26.9	2
Other Sources	12.2	11.1	10
Total Funding Sources	\$270.0	\$256.0	5%
Funding Uses			
(Resources consumed during the fiscal year)			
Instruction	\$ 87.1	\$ 84.3	3%
Research and Public Service	27.4	23.7	16
Student Services, Academic Support, and Institutional Support	65.3	62.1	5
Operation and Maintenance of Plant	14.6	13.1	11
Auxiliary Enterprise Operations	28.4	27.9	2
Facility Additions and Debt Service	17.2	19.6	(12)
Scholarships and Fellowships	25.9	24.1	7
Other Uses	0.2	0.6	(67)
Total Funding Uses	\$266.1	\$255.4	4%
Funding Sources Over (Under) Funding Uses	\$ 3.9	\$ 0.6	

The above table presents an overview of the financial operations of the university; current operating and nonoperating funds are included.

State appropriations and tuition and fees continue to be the major funding sources for current operations related to educational purposes. State appropriations for 2001 include \$2,323,400 for repair and maintenance of facilities and \$498,928 for financial aid purposes. Other sources of funding include investment income, internal services, commissions, interest on loans, and other miscellaneous revenues.

Educational and general expenditures continued to account for the majority of uses of the funds. Educational and general expenditures increased \$12.8 million, or 6 percent, over the previous fiscal year. Significant components of the increase within educational and general expenditures are: instruction, \$2.7 million; academic support, \$2.7 million; and student services, \$2.0 million. Facility additions and debt service consists of \$5.7 million of additions to physical facilities and \$11.5 million in principal and interest payments.



Professor Larry Agenbroad, featured on the Discovery Channel's Raising the Mammoth, is a world-renowned expert on mammoths.

#### **Financial Position**

Dollars in Millions

	Fisca	Percentage		
	2001	2000	of Change	
Assets				
(Resources available to provide future services				
or to pay obligations)				
Property, Buildings, and Equipment	\$413.0	\$404.6	2%	
Other Assets (cash, investments, receivables,				
inventories, deferred expenses, and donated land)	76.8	74.0	4	
Total Assets	\$489.8	\$478.6	2%	
Liabilities				
(Obligations requiring cash or other resources				
in the future)				
Bonds Payable and Other Long-term Obligations	\$ 87.7	\$ 93.7	(6)%	
Other Liabilities (accounts payable, payroll, and other				
liabilities, deferred revenue, and deposits)	21.1	21.8	(3)	
Total Liabilities	\$108.8	\$115.5	(6)%	
Fund Balances				
(Resources available after obligations for providing				
future services)				
Available for Current Operations:				
Restricted (must be spent as specified by				
external parties)	\$ 5.4	\$ 3.6	50%	
Designated (may be spent as determined				
by University Administration)	21.8	18.8	16	
Restricted or Designated for Nonoperating				
Purposes (bond reserves, student loans,				
endowments, and construction projects)	27.5	27.9	(1)	
Total Fund Balances before Net	<del></del>			
Investment in Plant	\$ 54.7	\$ 50.3	9	
Invested in Property, Buildings, and				
Equipment (property costs net of bonds				
payable and other long-term obligations)	326.3	312.8	4	
Total Fund Balances	\$381.0	\$363.1	5%	

The 2 percent increase in university assets resulted from \$8.4 million of additional property, buildings, and equipment, net of property disposals of \$5.9 million and a \$2.8 million increase in other assets, primarily cash and investments. The increase in property, buildings, and equipment results from construction and renovation of facilities and technology enhancement of equipment and operating systems. The 6 percent decrease in liabilities is mostly due to the repayment of \$6.0 million of university debt, primarily bonds payable. Total fund balances increased 5 percent,

primarily due to a \$13.5 million increase in net investment in property, buildings, and equipment and a \$3.0 million increase in designated (local) fund balances. Property acquisitions including equipment and library acquisitions funded from current operating funds accounted for \$9.0 million of this increase in net investment in plant assets. The increase in net investment in property, buildings, and equipment results from the continued emphasis on renovation of facilities and the need to maintain equipment at current technology.

## Unrestricted Current Operating Funds Revenues

**Dollars** in Millions 1997 1998 1999 2000 2001 50% 50% State Appropriations 50% 49% Tuition and Fees Auxiliary Enterprises and Other Sources 30% 31% Gifts, Grants, and 31% Contracts 31% 31% 17% 17% 17% 18% 19% 2% 2% 2% 3%

\$199.3

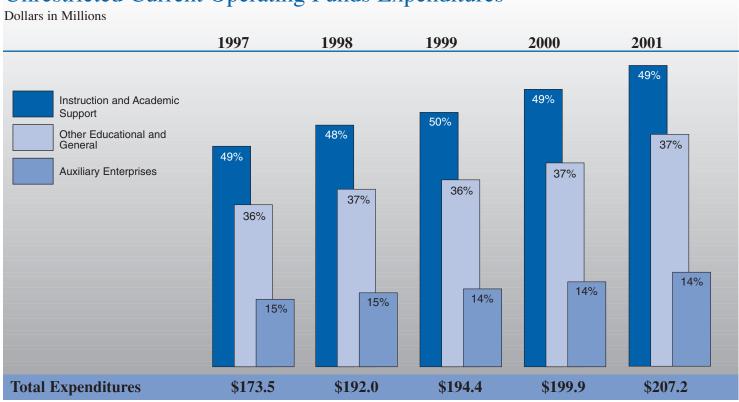
\$205.7

\$216.2

\$222.7

## **Unrestricted Current Operating Funds Expenditures**

\$189.9



**Total Revenues** 

## **Operating Funds Composition**

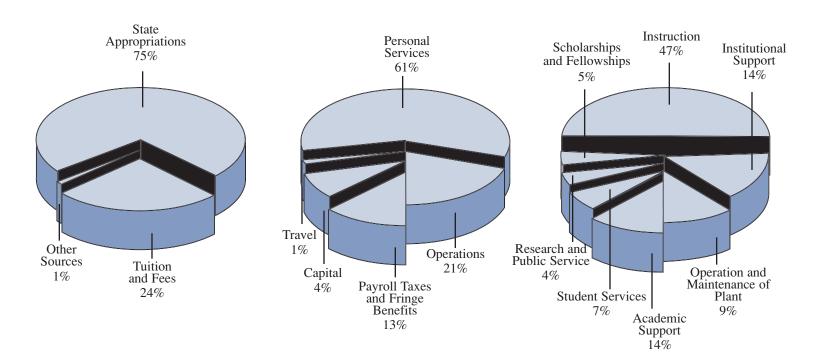
For the year ended June 30, 2001

## General Operating Fund

Sources

Uses by Expenditure Category

Uses by Program

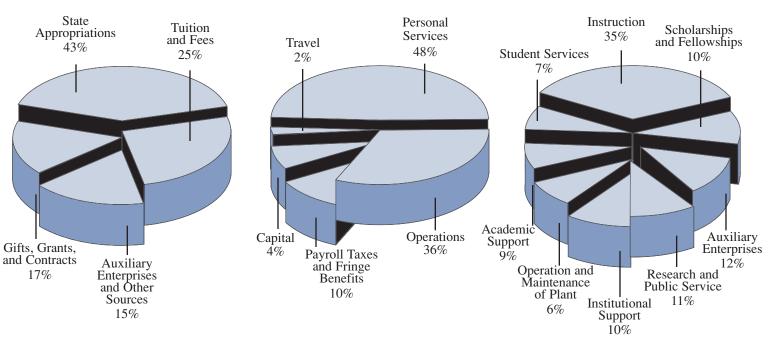


## **Total Current Operating Funds**

Sources

Uses by Expenditure Category

Uses by Program



## Sources

#### **State Appropriations**

42.7%

Includes legislative appropriations from the state of Arizona for current operations of the university, \$498,928 for financial aid, and \$2,323,400 for repair and maintenance of facilities.

\$115,242,168

#### **Tuition and Fees**

24.7% \$66,790,651

Includes \$26,377,023 to support the operating budget, \$5,956,522 for summer sessions, \$24,939,547 for funding of local budgets, scholarships, and retirement of nonhousing bonded indebtedness, and \$9,517,599 of waivers, consisting of \$6,799,889 charged to scholarships and fellowships and \$2,717,670 for faculty and staff benefits.

#### **Governmental Grants and Contracts**

13.9% \$37,656,482

Includes \$29,856,372 of federal grants and contracts, \$3,029,808 of state grants and contracts, and \$4,770,302 of local government grants and contracts.

#### **Auxiliary Enterprises**

10.2% \$27,504,779

Operations of substantially self-supporting activities such as housing, bookstore, student unions, and intercollegiate athletics.

#### **Private Gifts, Grants, and Contracts**

4.0% \$10,655,008

Includes gifts, grants, and contracts for scholarships, endowments, and plant facility additions.

#### **Other Sources**

3.1% \$8.363.086

Includes interest on loans receivable, internal services, commissions, conferences, facility user fees, and other miscellaneous revenues.

#### **Investment and Endowment Income**

1.4% \$3,801,572

Earnings from short-term investments of funds not necessary for immediate expenditures and long-term investment of endowment and bondretirement sinking funds.

**Total Sources** \$270,013,746

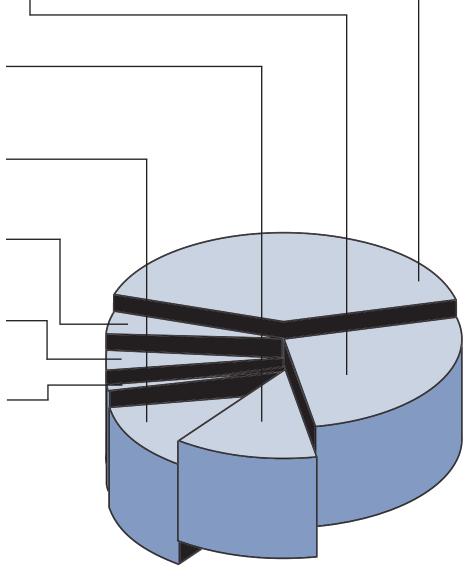
## Combined Sources and Uses of Funds

For the year ended June 30, 2001

**Note:** The Combined Sources and Uses of Funds is presented to highlight major financial data. The explanations provided are not intended to be all inclusive.

This summary is presented to give an overview of total university financial operations. Restricted and unrestricted current operating and nonoperating funds are included. Restricted funds have specific purposes stipulated by outside donors or agencies.

Nonoperating funds consist of the loan fund, endowment fund, unexpended plant fund, and debt service fund. The investment in plant fund is not included, except for property gifts, since plant acquisitions are typically shown as a use of funds in either the current operating funds or unexpended plant fund at time of acquisition. The nonoperating funds are generally not available for use at the discretion of the university. Sources and uses are allocated and controlled by budgets.



#### Uses

#### Instruction and Academic Support

\$109,522,863 Instruction, totaling \$87,053,375, includes expenditures of academic departments and other organizational units for undergraduate and graduate courses and for occupational or technical instruction, including regular academic year, summer sessions, and continuing education. Academic Support, totaling \$22,469,488, includes libraries, audio-visual services, and academic administration.

#### Student Services and Institutional Support

\$42,871,690

Student services, totaling \$17,082,527, includes areas such as admissions, registrar, minority services, counseling, placement, student aid administration, and health services. Institutional support, totaling \$25,789,163, includes executive management, financial operations, computing support, human resource services, security, and university relations.

#### **Auxiliary Enterprises**

10.7% \$28,414,462

Expenditures of organizational units that furnish services to students, faculty and staff, and the general public for a fee directly related to the cost of the service and are managed as essentially self-supporting activities.

#### Research and Public Service

\$27,409,095 10.3%

Activities for which the primary objective is the discovery or application of knowledge and may be sponsored by external agencies or separately budgeted by organizational units within the university. Public service activities make available to the general public the benefits of the instructional or research activities and include local school consortiums and public broadcasting.

#### **Scholarships and Fellowships**

9.7% \$25,842,737

Includes grants paid from the restricted fund and tuition and fee waivers. Scholarships and fellowships are awarded to students enrolled in formal coursework for which the students are not required to perform personal services or repay the awards.

#### **Facility Additions and Debt Service**

6.5% \$17,200,672

Additions to physical facilities of \$5,727,199 were funded from the unexpended plant fund and \$13,500 was received from property gifts. Not included in this category are additions to property of \$8,959,012 funded from current operating funds. Debt service payments consisted of \$5,246,401 of interest payments and \$6,213,572 of principal retired.

#### **Operation and Maintenance of Plant**

5.5% \$14,573,699

Represents expenditures for the operation and maintenance of plant, including administration, maintenance and custodial services, landscaping and grounds upkeep, and minor repairs and renovations. Also included are utilities and property insurance.

#### Other Uses

0.1% \$291,503

Other uses include \$62,339 for trustee and administrative costs, refunds to grantors of \$19,363, cancellation of student loans of \$206,747, and an increase in provision for uncollectible student loans of \$3,054.

#### **Total Uses**

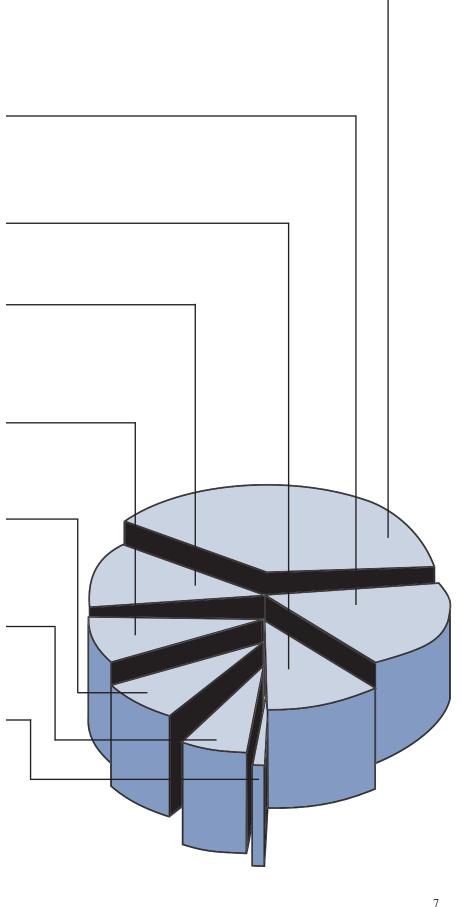
\$266,126,721

#### **Net Increase in Fund Balances**

\$3,887,025

Includes an increase of \$5,842,908 in cash and investments, net of cash and investments attributable to unexpended capital lease proceeds, a decrease in short-term liabilities of \$756,878, and a decrease in other assets of \$2,876,595.

**Total** \$270,013,746



#### **CURRENT OPERATING FUNDS**

			Unrestricted			
		General	Designated	Auxiliary	Restricted	Total Current
	Op	erating Fund	Fund	Enterprises Fund		Operating Funds
		6		•		1 8
Assets						
Cash and short-term investments	\$	3,835,898	\$ 18,894,551	\$ 7,417,832	\$ 1,238,904	\$ 31,387,185
Cash and investments held by trustee		20.701	1 220 007	012 001	588,198	588,198
Accounts receivable		29,781	1,339,887	912,881	6,206,315	8,488,864
Loans receivable				2 402 505		2 402 505
Inventories			4 44 7 40 4	2,402,707	264	2,402,707
Deferred expenses and deposits			1,117,494	183,412	264	1,301,170
Due from other fund						
Donated land						
Property, buildings, and equipment						
Total Assets	\$	3,865,679	\$ 21,351,932	\$ 10,916,832	\$ 8,033,681	\$ 44,168,124
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$	1,153,533	\$ 668,761	\$ 895,182	\$ 636,407	\$ 3,353,883
Payroll and related liabilities		1,578,845	503,421	226,137	403,613	2,712,016
Deferred revenue			7,097,394	1,631,756	1,541,653	10,270,803
Retirement and insurance deposits						
Other deposits			89,705	562,989		652,694
Due to other fund						
Long-term obligations						
Bonds payable						
<b>Total Liabilities</b>	\$	2,732,378	\$ 8,359,281	\$ 3,316,064	\$ 2,581,673	\$ 16,989,396
Fund balances		1,133,301	12,992,651	7,600,768	5,452,008	27,178,728
Total Liabilities and Fund Balances	\$	3,865,679	\$ 21,351,932	\$ 10,916,832	\$ 8,033,681	\$ 44,168,124
<b>Fund Balances Consist of-</b>						
Restricted-						
U.S. government grants refundable						
Endowments						
General					\$ 5,452,008	\$ 5,452,008
Designated-					+ -, - ,	+ -, - ,
Outstanding purchase orders	\$	1,020,084				1,020,084
Funding of ensuing year's budget		100,000				100,000
Summer sessions		,	\$ 146,972			146,972
Quasi-endowment			,			,
General		13,217	12,845,679	\$ 7,600,768		20,459,664
Net investment in plant		•				•
Total Fund Balances	\$	1,133,301	\$ 12,992,651	\$ 7,600,768	\$ 5,452,008	\$ 27,178,728

See Summary of Significant Accounting Policies and Notes to Financial Statements

OTHER FUNDS TOTAL ALL FUNDS

Loan	1	Endowment	Plant	Agency		orandum Only
Fund		Fund	Funds	Fund	2001	2000
\$ 546,230	\$	5,436,331	\$ 11,758,027	\$ 2,613,962	\$ 51,741,735	\$ 45,510,419
		3,712,180	1,728,192		6,028,570	6,416,978
		92,591	37,872	59,591	8,678,918	9,909,125
6,088,672					6,088,672	6,114,55
					2,402,707	2,437,79
					1,301,170	1,251,25
						1,567,84
		666,771			666,771	734,26
			412,945,928		412,945,928	404,653,58
\$ 6,634,902	\$	9,907,873	\$426,470,019	\$ 2,673,553	\$489,854,471	\$478,595,81
\$ 2,083			\$ 1,385,763	\$ 654,032	\$ 5,395,761	\$ 4,880,32
			3,332	6,791	2,722,139	2,232,18
	\$	5,854	16,953		10,293,610	10,261,79
				1,967,334	1,967,334	2,210,25
				45,396	698,090	681,40
						1,567,84
			3,451,288		3,451,288	3,650,27
			84,260,000		84,260,000	90,055,00
\$ 2,083	\$	5,854	\$ 89,117,336	\$ 2,673,553	\$108,788,222	\$115,539,08
6,632,819		9,902,019	337,352,683		381,066,249	363,056,72
\$ 6,634,902	\$	9,907,873	\$426,470,019	\$ 2,673,553	\$489,854,471	\$478,595,81
\$ 5,481,834					\$ 5,481,834	\$ 5,462,34
	\$	5,518,463			5,518,463	5,026,82
877,016			\$ 3,943,527		10,272,551	8,045,92
					1,020,084	1,449,84
					100,000	100,000
					146,972	217,25
		4,383,556			4,383,556	4,073,10
273,969			7,083,276		27,816,909	25,919,55
			326,325,880		326,325,880	312,761,889
\$ 6,632,819	\$	9,902,019	\$337,352,683		\$381,066,249	\$363,056,72

## STATEMENT OF CHANGES IN FUND BALANCES For the year ended June 30, 2001 (with comparative totals for 2000)

	CURRENT OPERATING FUNDS							
		Unrestricted						
	General Operating F		Auxiliary Enterprises Fund	Restricted Fund	Total Current Operating Funds			
<b>Revenues and Other Additions</b>								
Unrestricted current revenues State appropriations Student fees Governmental grants and contracts Private gifts, grants, and contracts Investment and endowment income U.S. government advances and reimbursements Expended for plant facilities, including \$8,959,012 charged to current operating funds expenditures in 2001 and \$9,366,060 in 2000	\$148,529,	640 \$43,399,963	\$30,783,798	\$ 284,228 219,671 37,363,185 7,307,020 499,320	\$222,713,401 284,228 219,671 37,363,185 7,307,020 499,320			
Retirement of indebtedness								
Other additions Total Poyonnes and Other Additions	¢1.49.520	640 \$42,200,062	¢20 702 700	\$ 45 672 424	\$260 206 D25			
Total Revenues and Other Additions  Expenditures and Other Deductions	\$148,529,	640 \$43,399,963	\$30,783,798	\$ 45,673,424	\$268,386,825			
Educational and general expenditures Auxiliary enterprises expenditures	\$148,840,	\$29,995,885	\$28,414,462	\$41,383,786	\$220,220,084 28,414,462			
Indirect costs recovered Refunded to grantors Loan cancellations Administrative costs Provision for bad debts				2,830,575 19,363	2,830,575 19,363			
Expended for plant facilities, including expenditures not capitalized of \$875,256 in 2001 and \$1,584,332 in 2000 Retirement of indebtedness Interest on indebtedness								
Loss on sale of donated land								
Disposal of plant facilities								
<b>Total Expenditures and Other Deductions</b>	\$148,840,	413 \$29,995,885	\$28,414,462	\$44,233,724	\$251,484,484			
Transfers Among Funds-Additions (Deductions) Mandatory-		141)	¢ (2.227.009)		¢ (10.252.179)			
Principal and interest Loan fund matching Grant matching	\$ (121,	141) \$ (7,894,039) (7,446) (531,881	)	\$ 531,881	\$ (10,253,178) (7,446)			
Voluntary-net		(2,518,923)		(73,211)	(1,769,073)			
Total Transfers	\$ (121,	· · · · · · · · · · · · · · · · · · ·		\$ 458,670	\$ (12,029,697)			
Net Increase (Decrease) for the Year	\$ (431,			\$ 1,898,370	\$ 4,872,644			
Fund Balances at Beginning of Year	1,565,2			3,553,638	22,306,084			
Fund Balances at End of Year	\$ 1,133,	301 \$12,992,651	\$ 7,600,768	\$ 5,452,008	\$ 27,178,728			

See Summary of Significant Accounting Policies and Notes to Financial Statements

	OTHER FUNDS									TOTAL ALL FUNDS		
		Plant Funds								Memorandum		
	Loan	E	ndowment	Unexpended	I	Debt Service		Investment In Plant		Combined Plant		only
	Fund		Fund	Plant Fund		Fund		Fund		Funds	2001	2000
											\$222,713,401	\$216,251,763
		\$	214,700	\$ 2,323,400					\$	2,323,400	2,822,328	1,911,900
		Ψ	219,671	\$ 2,525,100	\$	669,850			Ψ	669,850	1,109,192	1,105,615
			217,071		Ψ	47,582				47,582	37,410,767	31,883,240
5	11,004		35,072			- ,	\$	13,500		13,500	7,366,596	6,068,087
	,		332,655	54,031		208,836		,		262,867	1,094,842	748,982
	167,148										167,148	175,447
								13,810,955		13,810,955	13,810,955	15,677,429
								6,213,572		6,213,572	6,213,572	6,118,900
	180,037			34,997				0,213,372		34,997	215,034	279,495
\$	358,189	\$	802,098	\$ 2,412,428	\$	926,268	\$	20,038,027	\$	23,376,723	\$292,923,835	\$280,220,858
											\$220,220,084	\$207,372,092
											28,414,462	27,913,001
5	54,987										2,885,562	2,443,471
,	31,707										19,363	29,636
	206,747										206,747	173,353
	40,660				\$	21,679			\$	21,679	62,339	92,890
	3,054					,			·	,	3,054	(8,565)
				\$ 5,727,199						5,727,199	5,727,199	7,848,282
						6,213,572				6,213,572	6,213,572	6,118,900
						5,246,401				5,246,401	5,246,401	5,488,332
							\$	5,915,525		5,915,525	5,915,525	298,730 7,014,234
3	305,448			\$ 5,727,199	\$	11,481,652	\$	5,915,525	\$	23,124,376	\$274,914,308	\$264,784,356
5	7,446			\$ (299,971)	\$	10,553,149			\$	10,253,178		
	24,382			2,303,907		(705)	\$	(558,511)		1,744,691		
\$	31,828			\$ 2,003,936	Ф	10,552,444	\$	(558,511)	Φ	11,997,869		
P S	84,569	\$	802,098	\$ (1,310,835)	\$	(2,940)		13,563,991		12,250,216	\$ 18,009,527	\$ 15,436,502
ч	6,548,250		9,099,921	10,497,484	Ψ	1,843,094		312,761,889		325,102,467	363,056,722	347,620,220
<b>S</b>	6,632,819	\$	9,902,019	\$ 9,186,649	\$	1,840,154	\$.	326,325,880	\$.	337,352,683	\$381,066,249	\$363,056,722

# STATEMENT OF CURRENT OPERATING FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES For the year ended June 30, 2001 (with comparative totals for 2000)

	Unrestricted							<b>Total Current Operating Funds</b>			
							Memorandum Only				
	General Operating Fund		Designated Fund	En	Auxiliary Enterprises Fund		Restricted Fund		2001	2000	
Revenues	- <b>P B</b>				<b>P</b>						
State appropriations	\$112,419,840				\$	3 2	84,228	\$1	112,704,068	\$108,634,040	
Tuition and fees	35,636,069	\$	28,931,821	\$	1,113,569		19,671		65,901,130	65,628,813	
Governmental grants and	, ,	·		·							
contracts			2,717,190		8,882	34,8	33,510		37,559,582	31,961,690	
Private gifts, grants, and											
contracts			2,727,734		743,748		47,057		9,018,539	8,134,101	
Investment income			2,242,039		464,691		20,190		2,826,920	2,161,933	
Endowment income						3'	79,130		379,130	355,918	
Sales and services of											
auxiliary enterprises					27,504,779				27,504,779	26,894,842	
Internal services, less											
related expenditures of											
\$8,891,531 in 2001 and											
\$8,889,729 in 2000					948,129				948,129	1,475,926	
Other sources	473,731		6,781,179						7,254,910	6,532,255	
<b>Total Revenues</b>	\$148,529,640	\$	43,399,963	\$	30,783,798 \$	41,3	83,786	\$2	264,097,187	\$251,779,518	
Expenditures											
Educational and general											
Instruction	\$ 70,505,655	\$	8,414,662		\$	8,1	33,058	\$	87,053,375	\$ 84,297,400	
Research	3,190,242		716,584			11,0	56,248		14,963,074	13,089,341	
Public service	2,607,432		3,580,917			6,2	57,672		12,446,021	10,596,962	
Academic support	20,284,532		1,569,469			6	15,487		22,469,488	19,708,780	
Student services	10,620,530		5,132,954			1,3	29,043		17,082,527	15,079,617	
Institutional support	20,874,536		4,745,552			10	69,075		25,789,163	27,370,443	
Operation and maintenance											
of plant	13,957,597		605,478				10,624		14,573,699	13,056,070	
Scholarships and fellowships			5,230,269			13,8	12,579		25,842,737	24,173,479	
Educational and general											
expenditures	\$148,840,413	\$	29,995,885		S	41,3	83,786	\$2	220,220,084	\$207,372,092	
Auxiliary enterprises			,	\$	28,414,462	•	,		28,414,462	27,913,001	
Total Expenditures	\$148,840,413	\$	29,995,885	\$	28,414,462	41,3	83,786	\$2	, ,	\$235,285,093	
Mandatory Transfers											
Principal and interest	\$ 121,141	\$	7,894,039	\$	2,237,998			\$	10,253,178	\$ 10,388,434	
Loan fund matching			7,446						7,446	2,012	
Grant matching			531,881		\$	5 (5.	31,881)				
Total mandatory transfers	\$ 121,141	\$	8,433,366	\$	2,237,998 \$		31,881)		10,260,624	\$ 10,390,446	
Total Expenditures and						,					
Mandatory Transfers	\$148,961,554	\$	38,429,251	\$	30,652,460 \$	40,8	51,905	\$2	258,895,170	\$245,675,539	
Other Transfers-Additions (Dedi	uctions)					•	-				
Restricted receipts over											
transfers to revenues					\$	1,4	59,063	\$	1,459,063	\$ 691,210	
Voluntary transfers-net		\$	(2,518,923)	\$	823,061	(	73,211)	)	(1,769,073)	(2,655,231)	
Refunded to grantors			. ,		-		19,363)		(19,363)		
Net Increase (Decrease)											
in Fund Balances	\$ (431,914)	\$	2,451,789	\$	954,399 \$	1 20	98,370	\$	4,872,644	\$ 4,110,322	
in Fully Dataffees	φ (¬31,71¬)	Φ	4,731,709	Ψ	75 <del>1</del> ,377 \$	1,0	70,370	Ψ	7,072,044	Ψ 7,110,344	

See Summary of Significant Accounting Policies and Notes to Financial Statements

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended June 30, 2001

#### **Basis of Accounting**

The financial statements of the university include all funds for which the university has financial accountability. Fiscal responsibility for the university remains with the state of Arizona; therefore, the university is considered part of the reporting entity for the state's financial reporting purposes. The financial statements do not include the financial activities of the Northern Arizona University Foundation, Inc. The foundation is a nonprofit corporation, controlled by a separate board of directors. The goals of the foundation are to promote the cause of education and the objectives of the university.

The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles as applied to governmental colleges and universities in the AICPA College Guide model as defined in Governmental Accounting Standards Board Statement No. 15. The Statement of Current Operating Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of operating funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of revenues and expenses.

Loans and accounts receivable as of June 30, 2001, are reported less allowances for estimated uncollectible amounts and collection costs of \$807,000 and \$930,000, respectively (\$807,000 and \$937,000 in 2000). The allowances for estimated uncollectible amounts and collection costs relating to federal loan programs have been charged to federal and university fund balances in the ratio of their respective contributions to such loan programs.

At June 30, 2001, investments are reported at fair value. Fair value typically is the quoted market price for investments.

Inventories are stated at the lower of cost or market. The cost of bookstore inventories is determined by the retail inventory method. The cost of other inventories is determined generally using the first-in, first-out or weighted average cost methods.

Property, buildings, and equipment are stated at cost at the date of acquisition or fair market value at the date of donation. The university does not provide for depreciation of buildings and equipment.

To the extent that current operating funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal acquisition and/or replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) voluntary transfers in other cases.

Tuition and fees revenues (net of refunds) include \$6,799,889 of waivers charged to scholarships and fellowships and \$2,717,670 of waivers for faculty and staff benefits charged to the appropriate expenditure programs to which the benefited personnel relate.

Summer session revenues and expenditures are reported within the fiscal year in which the total summer session programs are predominantly conducted. Accordingly, only the revenues and expenditures of the 2000 summer sessions are included on the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes. Revenues and expenditures as of June 30, 2001, for the 2001 summer sessions are reported as deferred revenue and expenses on the Balance Sheet.

Federal grants provided to the university are subject to review by federal agencies and audit in accordance with the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In the opinion of the university, any adjustments or

repayments that may be required would not be material to the overall financial condition of the university.

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Income earned by the Endowment Funds is allocated to the Restricted or Unrestricted Current Funds based on the nature of the endowment.

The university has not made accruals for vacation pay. If the accruals were made, General Operating Fund, Designated Fund, Auxiliary Enterprises Fund, and Restricted Fund liabilities would be increased by approximately \$2,858,000, \$339,000, \$377,000, and \$353,000, respectively. University management believes that this omission does not have a significant effect on the accompanying financial statements as a whole, because the General Operating Fund liability would be funded by the subsequent year's appropriations from the state Legislature.

Financial statement columns labeled "memorandum only" are summarized totals for fiscal years 2001 and 2000 and are presented for comparative purposes.

#### **Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the university's accounts are maintained in accordance with the principles of "fund accounting." These principles require that resources be classified, for accounting and reporting purposes, into funds, according to the activities or objectives specified. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. Within each fund group, fund balances restricted by donor or other external agencies as to the purpose for which they may be expended are distinguished from unrestricted funds.

#### **Description of Funds**

The current operating funds are used primarily to account for transactions related to performing the primary and support missions of the university: instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, and auxiliary enterprises.

Current operating funds consist of the following:

- 1. The General Operating Fund is used to account for transactions related to the university's state-appropriated budget as approved by the Arizona State Legislature and Arizona Board of Regents.
- 2. The Designated Fund is used primarily to account for transactions related to academic year tuition and fees retained by the university, summer session programs, the recovery of indirect costs of sponsored research programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants. Resources in this fund group have been designated for specific purposes by the university.
- 3. The Auxiliary Enterprises Fund is used to account for transactions of substantially self-supporting, non-educational activities that primarily provide a service to students, faculty, staff, and the public. Auxiliary enterprises include student housing,

bookstore, student unions, intercollegiate athletics, internal service operations, and others.

4. The Restricted Fund is used to account for current funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Revenues of the Restricted Fund are reported in the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes only to the extent expended for current operating purposes. Amounts received in excess of expenditures are reported as additions to the fund balance during the year and may be subject to repayment if not expended.

Other funds consist of the Loan Fund, the Endowment Fund, the Plant Funds, and the Agency Fund.

The Loan Fund, primarily financed by the federal government, is used to account for transactions related to loans to students. Interest is recorded on the accrual basis. Provisions of the federal loan program stipulate that:

- 1. The university matches a portion of federal contributions.
- 2. A portion of the loan principal and interest (maximum of 30 percent per year) will be canceled if the recipient completes certain employment requirements. These cancellations are absorbed by the federal government.

The Endowment Fund consists of endowment and quasi-endowment

funds. Endowment funds are subject to restrictions of the donor gift instruments, requiring that the principal be invested in perpetuity and that only the income be utilized. Quasiendowment funds have been established by the university for the same purposes as endowment funds and any portion of such funds may be expended.

The Plant Funds are used to account for transactions relating to investment in university properties. They include:

- (1) the Unexpended Plant Fund;
- (2) the Debt Service Fund; and
- (3) the Investment in Plant Fund. The Unexpended Plant Fund is composed of amounts that have been appropriated or designated for land, land improvements, buildings, and equipment. Expenditures for construction in progress are accumulated in this fund until the project is completed or until the end of the fiscal year and then transferred to the Investment in Plant Fund. The Debt Service Fund represents amounts set aside under terms of bond indentures to provide for payment of bond principal and interest and for renewals and replacement of properties. The Investment in Plant Fund represents the total of property, buildings, equipment, and related liabilities.

The Agency Fund is used to account for assets held by the university as custodian or fiscal agent for others. The transactions of this fund do not affect the Statement of Changes in Fund Balances.

## Notes to Financial Statements

For the Year Ended June 30, 2001

#### **Note 1—Cash and Investments**

Investments are reported at fair value. Fair value typically is the quoted market price for investments. Changes in fair value of investments during the year are reported within investment income.

The university may invest only in the State Treasurer's Local Government Investment Pool, collateralized time certificates of deposit and repurchase agreements, U.S. Treasury securities, and in obligations of other agencies sponsored by the federal government. Gift and endowment funds may be invested according to conditions stipulated by the donor, but if no conditions are imposed, such funds may be invested under the direction of the university investment committee in such a manner as to obtain the most favorable rate of return and income stability commensurate with safety of principal. Demand deposit accounts with authorized financial institutions are required to be collateralized.

Cash and short-term investments at June 30, 2001, consist of the following:

	<u>Fair Value</u>
Cash on hand and in bank	\$ (7,423,751)
Investments	15,807,980
Student Financial Aid	
Trust Fund	5,339,182
Local Government	
Investment Pool	38,018,324
	\$51,741,735

The cash overdraft results from the university investing its funds until outstanding checks are cashed. The university's total cash on hand was \$87,496. The carrying amount of the university's total cash in bank was \$(7,511,247) and the bank balance was \$622,065, of which \$100,000 was covered by federal depository insurance, and the remaining balance of \$522,065 was collateralized by U.S. government obligations held at the Federal Reserve Bank in the university's name.

The \$15,807,980 in investments are invested in securities of the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, and the Federal National Mortgage Association, which are registered and held by the counterparty's agent in the agent's account with the Federal Reserve Bank. The university's ownership interest is recorded in the bank's records.

The Student Financial Aid Trust Fund was established in accordance with Arizona Revised Statutes (ARS) §15-1642 for the purpose of providing aid to students with verifiable financial need. The three state universities participate in the Trust Fund, which is managed by the University of Arizona.

The university's investment in the State Treasurer's Local Government Investment Pool represents a proportionate interest in the pool's portfolio; however, the university's portion is not identified with specific investments and is not subject to custodial credit risk. The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Cash and investments held by trustees at June 30, 2001, consist of the following:

#### Fair Value

Bond Trustee Funds:

U.S. Government and municipal obligation money market portfolios \$ 1,167,008

Local Government Investment Pool Investments with

561,184

4,300,378 NAU Foundation \$ 6,028,570

Bond indentures authorize the bond trustees to invest in obligations of or guaranteed by the federal government or any agency or instrumentality thereof; municipal obligations; collateralized certificates of deposit with federally insured banks,

trust companies, or savings and loan associations within the state of Arizona; or repurchase agreements. The bond trustees are authorized to purchase and sell securities.

A trust agreement between the university and the NAU Foundation, Inc. authorizes the foundation to invest certain university restricted and endowment funds according to the foundation's established investment policies and procedures. At June 30, 2001, the foundation invested the entire amount of \$4,300,378 with selected financial institutions.

#### Note 2—Property, Buildings, and Equipment

Property, buildings, and equipment at June 30, 2001, consist of the following:

5,039,193 Land 34,154,742 Land improvements 248,800,035 **Buildings** 79,925,914 Equipment Library books, media, 45,026,044 and special collections \$412,945,928

In addition to the accounts payable balance shown in the Plant Funds, the estimated cost to complete contracts in process at June 30, 2001, totaled \$597,990.

#### **Note 3—Retirement Plans**

The university participates in one cost-sharing multiple-employer defined benefit pension plan and five defined contribution pension plans.

The Arizona State Retirement System (ASRS) administers a costsharing multiple-employer defined benefit pension plan. Benefits are established by state statute and provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board, in accordance with the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a Comprehensive Annual Financial Report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910, or calling (602) 240-2000 or (800) 621-3778.

For the year ended June 30, 2001, active ASRS members and the university were each required by statute to contribute at the actuarially determined rate of 2.66 percent (2.17 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The university's retirement contributions to the ASRS for the years ended June 30, 2001, 2000, and 1999 were \$1,108,236, \$1,080,300, and \$1,379,201, respectively, which were equal to the required contributions for the year. The Arizona State Legislature establishes and may amend active plan members' and the university's contribution rates.

In accordance with A.R.S. §15-1628, university faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. For the year ended June 30, 2001, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Service Company (Fidelity), Aetna Life Insurance and Annuity Company (Aetna), and Vanguard Group (Vanguard) were approved by the board. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately, and university contributions vest after five years of benefit-eligible employment.

The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity company. University contributions and associated investment earnings must be distributed to the member in the form of an annuity paid over a period that is not less than the member's life. The Arizona State Legislature establishes and may amend active plan members' and the university's contribution rates. For the year ended June 30, 2001, plan members and the university were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Contributions to these plans for the year ended June 30, 2001, are detailed below.

Plan: TIAA/CREF		
University	Member	Total
Contributions	Contributions	Contributions
\$2,486,760	\$2,486,760	\$4,973,520
Plan: VALIC		
University	Member	Total
Contributions	Contributions	<b>Contributions</b>
\$575,860	\$575,860	\$1,151,720
Plan: Fidelity		
University	Member	Total
Contributions	Contributions	Contributions
\$394,911	\$394,911	\$789,822
Plan: Aetna		
University	Member	Total
Contributions	Contributions	Contributions
\$202,313	\$202,313	\$404,626
Plan: Vanguard		
University	Member	Total
Contributions	Contributions	Contributions
\$9,110	\$9,110	\$18,220

#### **Note 4—Bonds Payable**

In prior years, the university defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the sinking fund, in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the university's financial statements. At June 30, 2001, \$1,910,000 of such bonds outstanding are considered defeased.

Bonds payable at June 30, 2001, are as follows:

Student housing bonds (2 issues) – 5.5 percent to 6.1 percent, principal payable annually on April 1 through 2009, revenues of various housing projects pledged for payment

\$1,395,000

System revenue bonds, Series of 1991 – 6 percent, principal maturing serially on June 1 through 2006, secured by a first lien on certain gross revenues, on a parity with the Series 1992, 1992A, and 1997 system revenue bonds

\$2,260,000

System revenue refunding bonds, Series of 1992 – 6.0 percent to 6.4 percent, principal maturing serially on June 1 through 2007, secured by a first lien on certain gross revenues, on a parity with the Series 1991, 1992A, and 1997 system revenue bonds \$20,430,000

System revenue refunding bonds, Series of 1992A – 5.125 percent to 5.8 percent, principal maturing serially on June 1 through 2008, secured by a first lien on certain gross revenues, on a parity with the Series 1991, 1992, and 1997 system revenue bonds \$29,275,000

System revenue bonds, Series of 1997 – 5.0 percent to 6.5 percent, principal maturing serially on June 1, 2009, through 2017, secured by a first lien on certain gross revenues, on a parity with the Series 1991, 1992, and 1992A system revenue bonds \$30,900,000

\$84,260,000

Principal and interest requirements to maturity, including \$33,006,208 of interest, are as follows:

2001-02, \$11,362,074; 2002-03, \$11,450,693; 2003-04, \$11,444,798; 2004-05, \$11,456,418; 2005-06, \$11,467,683; thereafter, \$60,084,542.



NAU's Cline Library

#### Note 5—Risk Management

Pursuant to A.R.S. §41-621, the university participates in a self-insurance program administered by the state of Arizona, Department of Administration, Risk Management Section. The state's Risk Management Program covers the university, subject to certain deductibles, for risks of loss from injuries to employees; theft of, damage to, and destruction of property, buildings and equipment; errors and omissions; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization except as prescribed in A.R.S. §41-621. The university has no additional insurance coverage, and losses arising from contractual breaches and losses that arise out of and are directly attributable to an act or omission determined by a court to be a felony are not covered by the state's Risk Management Program. However, during the three years ended June 30, 2001, such losses have not been material to the university's financial statements taken as a whole.

#### **Note 6—New Reporting Model**

Beginning with the year ending June 30, 2002, the university will be required to prepare its audited external financial reports following GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities". This statement will significantly change the accounting principles and reporting format used by the university in future audited financial reports.

#### **Note 7—Subsequent Event**

Arizona voters approved Proposition 301 during the November 2000 general election, which increased the state's sales tax for 20 years by 0.6 percent for the benefit of education. This sales tax increase became effective on June 1, 2001. A portion of the sales tax increase will be allocated to the Arizona Board of Regents for distribution to the three state universities to fund technology and research in the new economy. The university received its first distribution of these monies from the Regents in August 2001, in the amount of \$520,721.

## INDEPENDENT AUDITORS' REPORT



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON

DEPUTY AUDITOR GENERAL

Members of the Arizona State Legislature

The Arizona Board of Regents

We have audited the accompanying balance sheet of Northern Arizona University as of June 30, 2001, and the related statements of changes in fund balances and current operating funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Arizona University as of June 30, 2001, and the changes in its fund balances and its current operating funds revenues, expenditures, and other changes for the year then ended in conformity with U.S. generally accepted accounting principles.

Debbie Davenport Auditor General

September 21, 2001

