

Northern Arizona University



F I N A N C I A L R E P O R T

1999-2000



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NEW CENTURY CAMPAIGN CHARTS NEW COURSE

For over 100 years, Northern Arizona University has forged a vital image as a responsive, quality educational resource for the state, region, and nation.

Now, with the dawning of the twenty-first century, we're facing new challenges. The traditional, campus-centered learning experience is evolving into one that incorporates new technologies and radical thinking. Delivering education goes beyond providing a premier residential experience: it now means "taking the campus to the people." Suddenly, whole communities and individuals who once considered a college education a dream by virtue of their remote location or special situation are not only finding it a reality, they're being provided first-rate opportunities.

NAU has been a leader in anticipating the demands of the twenty-first century learning experience. Very few institutions have been as successful as NAU in creating and implementing the concept of "one university, geographically distributed." Long before the advent of the twenty-first century, we've been busy creating a premier campus.

The New Century Capital Campaign goal is \$100 million; as of June 30, 2000, nearly \$45 million has been pledged or received by the NAU Foundation.

And we're still building it. Our drive to carry on this vision and bring it to fruition centers on five strategic goals:

1. Creating a premier residential learning experience.

Academic programs, research, facilities, and faculty development make up the heart of the residential learning experience. Significant investment in these will promote a learning experience like no other in the region.

2. Creating a premier distance learning experience.

Taking the campus to the people is a must in today's "wired world." By advancing new methods and technologies for delivering first-rate campus programs over distances, we'll provide educational opportunities that defy traditional student limitations like location.

3. Creating a premier learning experience for teachers.

From day one, NAU has trained teachers for our children's classrooms. Investing in the growth and extension of our partnerships with K-12 education and community colleges will ensure a foundation of excellence for the greater community, creating better students, teachers, administrators, and, above all, citizens for the challenges of the future.

4. Creating a premier learning experience for Native Americans.

NAU shares a special relationship with members of the First Nation, and we'll continue to devote significant resources to educational and economic development opportunities for Native Americans.

5. Creating centers for excellence in research and graduate education.

NAU's commitment to teaching students, advancing knowledge, and serving its communities is paramount to its position as the largest teaching and research institution on the Colorado Plateau. We will continue to invest in unique programs and research that build from our regional base on the Colorado Plateau and our work with rural Arizona communities.

These are exciting prospects—but also costly ones.

NAU is ready to meet the demands of this future head on. With our New Century Campaign, we'll set a new course for the challenges and opportunities that lie ahead. We'll invest in discovery. We'll give life to the dreams and aspirations of extraordinary students. We'll push the envelope of knowledge and develop new ways to deliver it. And we'll fuel the economic and social development of our communities, creating greater prosperity for all.





RESEARCH, GRANT, AND CONTRACT ACTIVITY

Annual Sponsored Programs awards for fiscal year 2000 reached \$36.7 million at Northern Arizona University. This represents an increase of 12 percent over the previous year.

Of total enrollment, 72.3 percent of students are on some type of financial assistance with the Federal Direct Student Loan Program representing over 50 percent of the aid awarded. Financial aid revenues included in the table below are \$9.8 million from the Department of Education, \$2.5 million from private sources, and \$0.4 million from state and local sources. Not included are tuition waivers.

The tables below for research, grant, and contract activity have been displayed in two formats. The first table represents the external agencies that provided the funds. The second table identifies the campus organizational units responsible for generation of the revenues. Slight differences will always be experienced due to the timing and receipt of revenues over the fiscal year.

Restricted Fund Major Revenue Activity

Dollars in Millions	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Department of Education	\$11.246	\$11.162	\$11.338	\$12.826	\$13.401
Department of the Interior	1.919	2.164	1.773	2.007	2.535
National Science Foundation	2.089	2.073	1.766	1.805	2.246
Department of Health and Human Services	1.550	1.729	1.680	1.673	1.707
Environmental Protection Agency	0.471	0.237	0.783	1.587	1.803
Other Federal Programs	1.397	1.502	2.453	1.697	1.360
Department of Agriculture	0.599	0.508	0.466	0.778	1.106
Subtotal Federal	19.271	19.375	20.259	22.373	24.158
Local	4.307	4.769	4.124	4.462	4.782
State	3.017	2.179	2.438	3.069	2.896
Total Governmental Grants and Contracts	\$26.595	\$26.323	\$26.821	\$29.904	\$31.836
Private	3.544	3.470	4.384	4.369	5.904
Total	\$30.139	\$29.793	\$31.205	\$34.273	\$37.740

Restricted Fund Expenditures by Responsible Administrative/Academic Unit

Dollars in Thousands	Total Cost		Total Cost
Arts and Sciences	\$ 6,324	Institute for Native Americans	\$ 72
Business Administration	161	Institute for Tribal Environmental Professionals	269
Center for Data Insight	218	KNAU Public Radio	215
Center for Excellence in Education	2,591	Library	39
Center for Research and Evaluation	222	Research and Development	1,041
Ecosystem Science and Management	2,091	School of Performing Arts	127
Engineering and Technology	2,330	Science and Mathematics Learning Center	389
Financial Aid	13,560	Social and Behavioral Science	956
Health Professions	1,251	Statewide Academic Programs	15
Hotel and Restaurant Management	95	Strategic Initiatives	175
Institute for Future Workforce Development	1,279	Student Services	1,696
Institute for Human Development	2,775	University Services	26
		Total	\$37,917

FINANCIAL HIGHLIGHTS AND MANAGEMENT ANALYSIS

Capital Assets and Debt Administration

Capital Assets at June 30, 2000

At June 30, 2000, the university had \$404,653,581 invested in capital assets. The university does not record depreciation. During the year the university added \$18,253,438 in new capital assets and retired \$7,014,234 of obsolete assets. Details of the additions to capital assets are listed below.

	June 30, 1999	June 30, 2000
Land	\$ 4,893,214	\$ 4,978,288
Land improvements	33,024,002	33,086,473
Buildings	235,458,298	244,552,566
Equipment	77,560,184	79,028,122
Library books, media, and special collections	42,478,679	43,008,132
	<u>\$393,414,377</u>	<u>\$404,653,581</u>

Significant capital additions completed and the resources that funded their acquisitions for fiscal year 2000 were:

- Centennial Building completion, \$210,000, bond proceeds
- Bio-chem Building, \$3,200,000, bond proceeds
- Blome renovation, \$480,000, bond proceeds
- Library acquisitions, \$1,980,000, general operating funds

The university has prepared a Capital Improvement Plan, which is updated on an annual basis. The current plan contains preliminary plans for a revenue bond issue during fiscal year 2001-2002 and the use of funds remaining from the series 1997 bond issuance. The funds would be used for renovations to existing buildings, new construction, and to replace buildings no longer of use.

Outstanding Debt

For the fiscal year ended June 30, 2000, the university had \$93.7 million in debt outstanding versus \$97.2 million the previous fiscal year, a decrease of \$3.5 million or 4 percent. The change in debt outstanding resulted from the retirement of \$6.1 million in outstanding debt and additional capital leases of \$2.6 million. The table below summarizes the university's outstanding debt from fiscal years 1999 and 2000.

	June 30, 1999	June 30, 2000
System Revenue bonds	\$ 95,980,000	\$ 90,055,000
Capital lease obligations	1,207,976	3,650,277
Total	<u>\$ 97,187,976</u>	<u>\$ 93,705,277</u>

The university has approximately \$23.9 million in legislatively approved bond authorization that has not yet been issued. Preliminary management plans are to issue additional debt in fiscal year 2002 in conjunction with the Capital Improvement Plan.

Key Ratios

Key financial ratios for the university include the annual operating margin 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 the fiscal years 1999 and 2000.

	June 30, 1999	June 30, 2000
Annual Operating Margin	.55%	2.93%
Net Revenues to Total Revenues	.27%	2.42%
Gross Debt Service to Operations	5.60%	5.24%

FINANCIAL HIGHLIGHTS AND MANAGEMENT ANALYSIS

Funding Sources and Uses

Dollars in Millions

	Fiscal Year		Percentage
	2000	1999	of Change
Funding Sources			
(Resources acquired during the fiscal year)			
State Appropriations	\$ 110.3	\$108.1	2%
Tuition and Fees	66.5	63.6	5
Grants, Contracts, Gifts, and Advances	41.2	37.2	11
Auxiliary Enterprise Operations	26.9	25.7	5
Other Sources	11.1	12.4	(10)
Total Funding Sources	\$256.0	\$247.0	4%
Funding Uses			
(Resources consumed during the fiscal year)			
Instruction	\$ 84.3	\$ 79.9	6%
Research and Public Service	23.7	24.6	(4)
Student Services, Academic Support, and Institutional Support	62.1	59.6	4
Operation and Maintenance of Plant	13.1	13.4	(2)
Auxiliary Enterprise Operations	27.9	26.4	6
Facility Additions and Debt Service	19.6	30.3	(35)
Scholarships and Fellowships	24.1	23.1	4
Other Uses	0.6	0.4	50
Total Funding Uses	\$255.4	\$257.7	(1)%
Funding Sources Over (Under) Funding Uses	\$ 0.6	\$ (10.7)	

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 2000 include \$1,503,500 for repair and maintenance of facilities and \$408,400 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 \$6.7 million or 3 percent over the previous fiscal year. Significant components of the increase within educational and general expenditures are: instruction, \$4.4 million; scholarships and fellowships, \$1million; and institutional support, \$4.5 million. Facility additions and debt service consists of \$7.8 million of additions to physical facilities and \$11.6 million in principal and interest payments.

Financial Position

Dollars in Millions

	Fiscal Year		Percentage of Change
	2000	1999	
Assets			
(Resources available to provide future services or to pay obligations)			
Property, Buildings, and Equipment	\$404.6	\$393.4	3 %
Other Assets (cash, investments, receivables, inventories, and deferred expenses)	74.0	79.5	(7)
Total Assets	\$478.6	\$472.9	1 %
Liabilities			
(Obligations requiring cash or other resources in the future)			
Bonds Payable and Other Long-term Obligations	\$ 93.7	\$ 97.2	(4)%
Other Liabilities (accounts payable, payroll and other liabilities, deferred revenue, and deposits)	21.8	28.1	(22)
Total Liabilities	\$115.5	\$125.3	(8) %
Fund Balances			
(Resources available after obligations for providing future services)			
Available for Current Operations:			
Restricted (must be spent as specified by external parties)	\$ 3.6	\$ 2.8	29%
Designated (may be spent as determined by University Administration)	18.8	15.4	22
Restricted or Designated for Nonoperating Purposes (bond reserves, student loans, endowments, and construction projects)	27.9	25.4	10
Total Fund Balances before Net Investment in Plant	\$ 50.3	\$ 43.6	15%
Invested in Property, Buildings, and Equipment (property costs net of bonds payable and other long-term obligations)	312.8	304.0	3
Total Fund Balances	\$363.1	\$347.6	4%

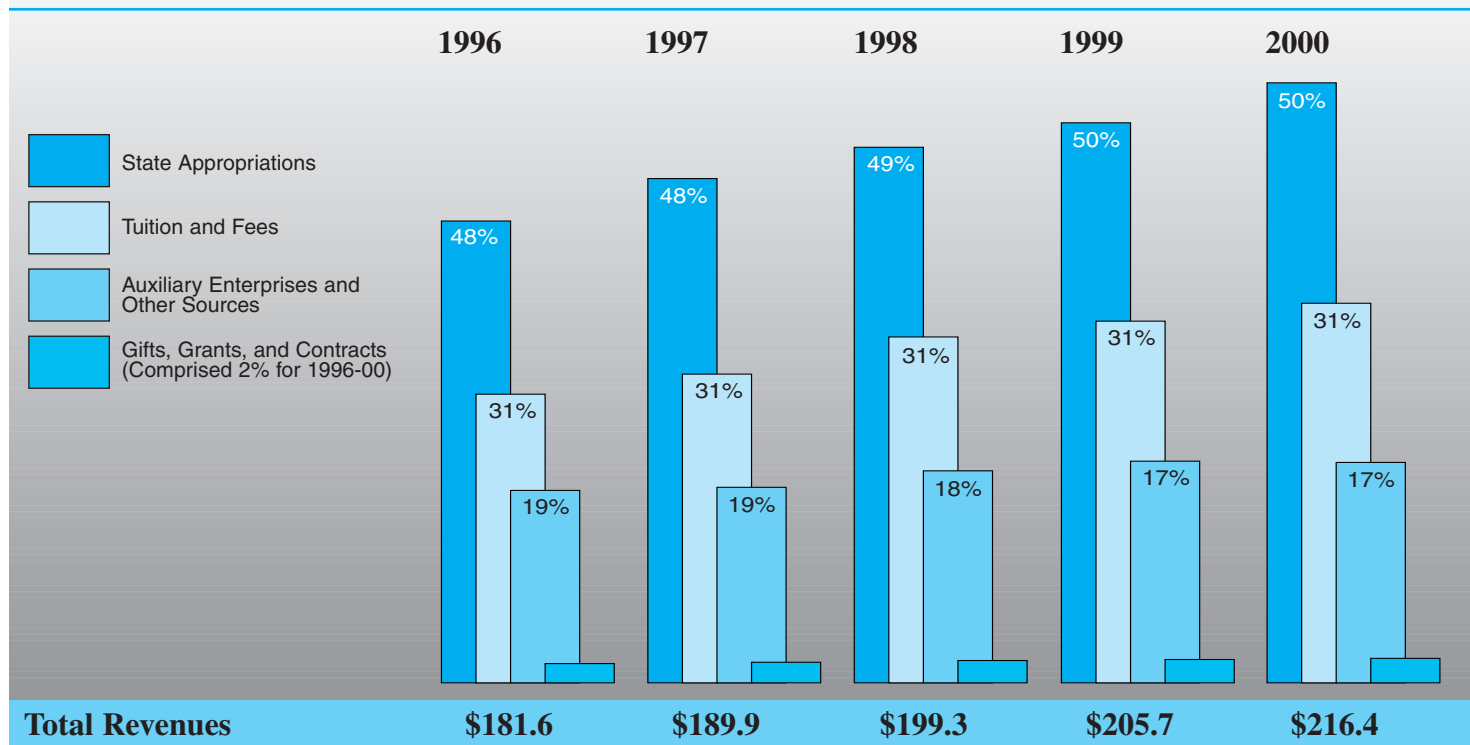
The 1 percent increase in university assets resulted from \$11.2 million of additional property, buildings, and equipment and a \$5.5 million decrease in other assets, primarily cash held in trust and investments. The increase in property, buildings, and equipment and the decrease in cash held in trust and investments results from spending 1997 bond proceeds (cash held in trust) for construction and renovation of facilities and technology enhancement of equipment and operating systems. Total fund balances increased 4 percent, primarily due to a \$8.8 million

increase in net investment in property, buildings, and equipment and a \$3.4 million increase in designated (local) fund balances. Property acquisitions including equipment and library acquisitions funded from current operating funds accounted for \$9.4 million of this increase in net investments. 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.

Financial Highlights and Management Analysis

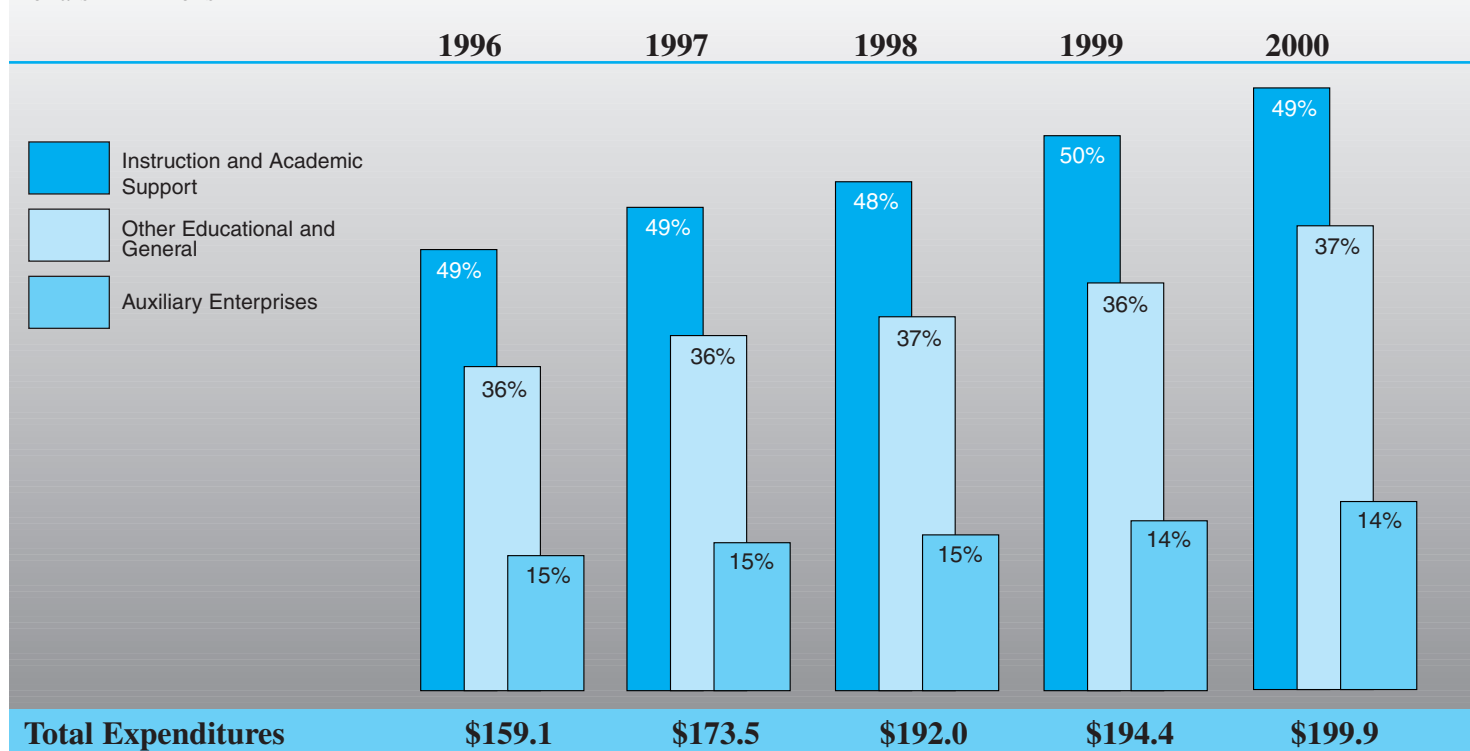
Unrestricted Current Operating Funds Revenues

Dollars in Millions



Unrestricted Current Operating Funds Expenditures

Dollars in Millions



Operating Funds Composition

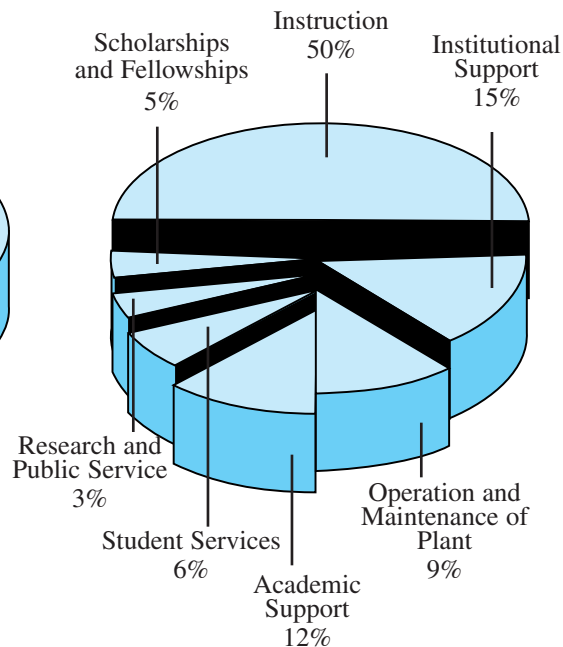
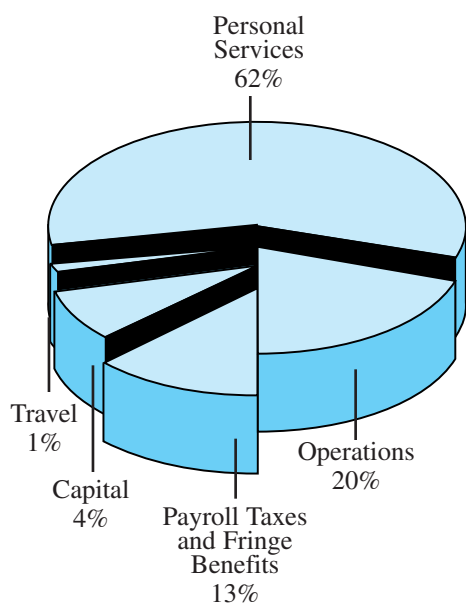
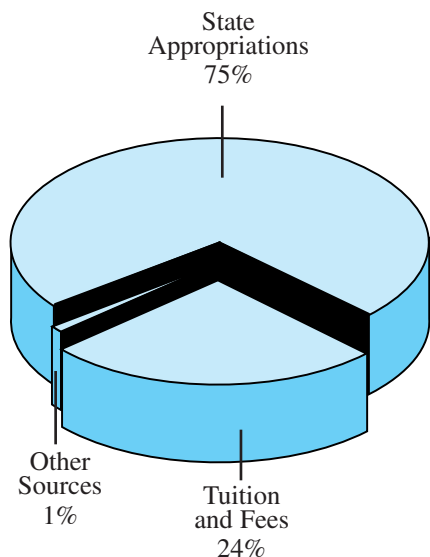
For the year ended June 30, 2000

General Operating Fund

Sources

Uses by Expenditure Category

Uses by Program

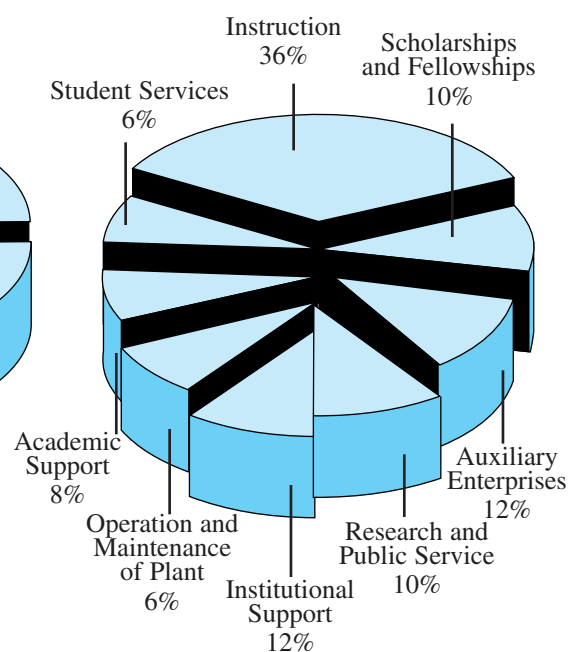
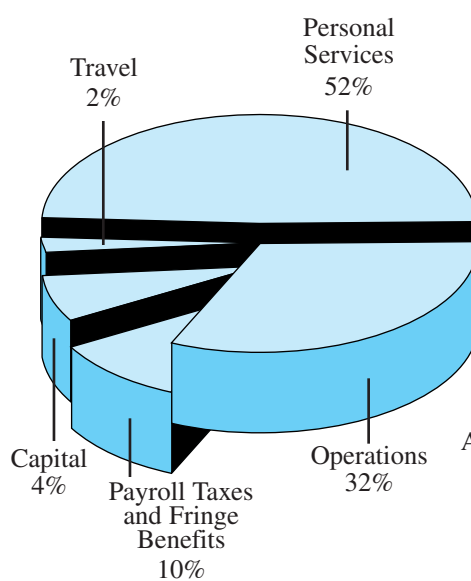
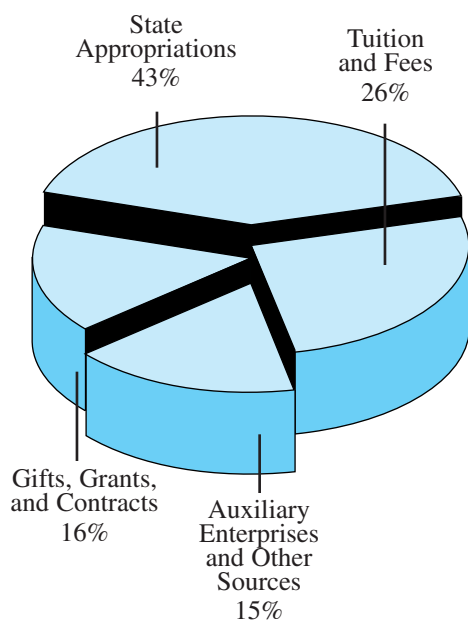


Total Current Operating Funds

Sources

Uses by Expenditure Category

Uses by Program



Financial Highlights and Management Analysis

Combined Sources and Uses of Funds

For the year ended June 30, 2000

Sources

State Appropriations

43.1% **\$110,341,740**
Includes legislative appropriations from state of Arizona general revenue for current operations of the university, \$408,400 for financial aid, and \$1,503,500 for repair and maintenance of facilities.

Tuition and Fees

26.0% **\$66,521,459**
Includes \$26,958,709 to support the operating budget, \$5,933,266 for summer sessions, \$24,274,224 for funding of local budgets, scholarships, and retirement of nonhousing bonded indebtedness, and \$9,355,260 of waivers, consisting of \$6,519,461 charged to scholarships and fellowships and \$2,835,799 for faculty and staff benefits.

Governmental Grants and Contracts

12.6% **\$32,223,812**
Includes \$24,435,392 of federal grants and contracts, \$2,903,036 of state grants and contracts, and \$4,885,384 of local government grants and contracts.

Auxiliary Enterprises

10.5% **\$26,894,842**
Operations of substantially self-supporting activities such as housing, bookstore, student unions, and intercollegiate athletics.

Private Gifts, Grants, and Contracts

3.5% **\$8,950,394**
Includes gifts, grants, and contracts for scholarships, endowments, and plant facility additions.

Other Sources

3.2% **\$8,233,576**
Includes interest on loans receivable, internal services, commissions, conferences, facility user fees, and other miscellaneous revenues.

Investment and Endowment Income

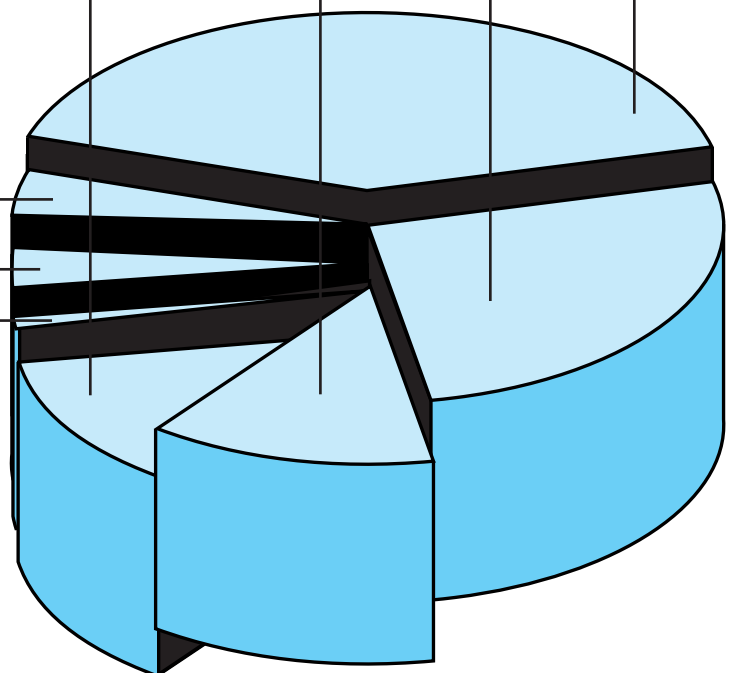
1.1% **\$2,815,234**
Earnings from short-term investments of funds not necessary for immediate expenditures and long-term investment of endowment and bond-retirement sinking funds.

Total Sources **\$255,981,057**

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

40.7% **\$104,006,180**

Instruction, totaling \$84,297,400, includes expenditures of academic departments and other organizational units for undergraduate and graduate courses and for occupational or technical instruction, includes regular academic year, summer sessions, and continuing education. Academic Support, totaling \$19,708,780, includes libraries, audio-visual services, and academic administration.

Student Services and Institutional Support

16.6% **\$42,450,060**

Student services, totaling \$15,079,617, includes areas such as admissions, registrar, minority services, counseling, placement, student aid administration, and health services. Institutional support, totaling \$27,370,443, includes executive management, financial operations, computing support, human resource services, security, and university relations.

Auxiliary Enterprises

10.9% **\$27,913,001**

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.

Scholarships and Fellowships

9.5% **\$24,173,479**

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.

Research and Public Service

9.3% **\$23,686,303**

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.

Facility Additions and Debt Service

7.7% **\$19,559,157**

Additions to physical facilities of \$7,848,282 were funded from the unexpended plant fund and \$103,643 was received from property gifts. Not included in this category are additions to property of \$9,366,060 funded from current operating funds. Debt service payments consisted of \$5,488,332 of interest payments and \$6,118,900 of principal retired.

Operation and Maintenance of Plant

5.1% **\$13,056,070**

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

0.2% **\$586,044**

Other uses include \$92,890 for trustee and administrative costs, refunds to grantors of \$29,636, cancellation of student loans of \$173,353, a loss on sale of donated land of \$298,730, and a decrease in provision for uncollectible student loans of \$(8,565).

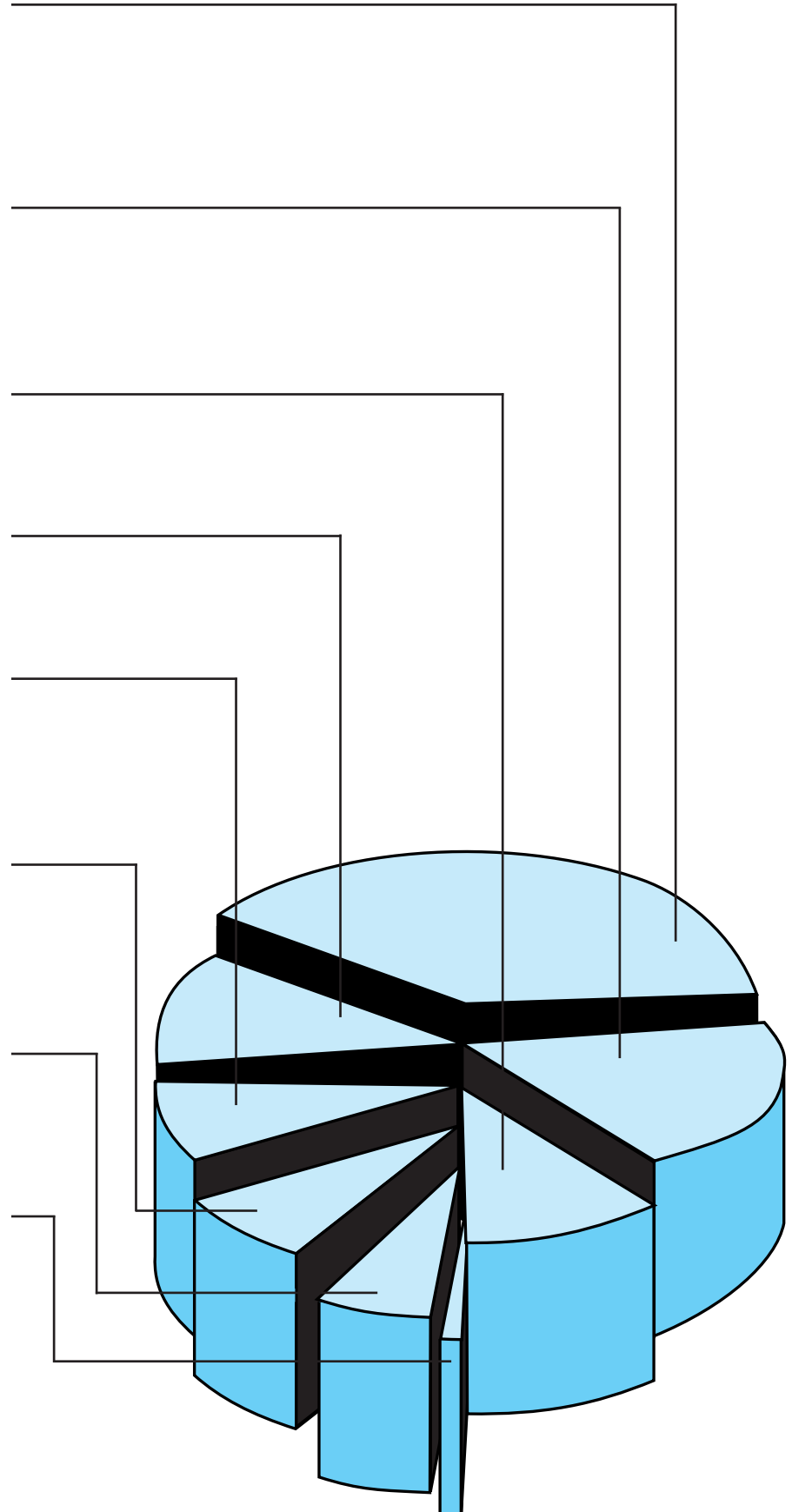
Total Uses **\$255,430,294**

Net Increase in Fund Balances

\$550,763

Includes a decrease of \$7,303,525 in cash and investments net of cash and investments held as a result of unspent capital lease proceeds, and a decrease in short-term liabilities of \$6,219,572, offset by an increase in other assets of \$1,634,716.

Total **\$255,981,057**



BALANCE SHEET

June 30, 2000 (with comparative totals for 1999)

CURRENT OPERATING FUNDS					
	General Operating Fund	Unrestricted Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Total Current Operating Funds
Assets					
Cash and short-term investments	\$3,498,188	\$14,135,181	\$ 6,812,285	\$ 41,124	\$24,486,778
Cash and investments held by trustee				551,318	551,318
Accounts receivable	11,629	1,621,440	1,698,163	6,336,877	9,668,109
Loans receivable					
Inventories			2,437,798		2,437,798
Deferred expenses and deposits		1,007,059	206,760	37,435	1,251,254
Due from other fund		1,567,845			1,567,845
Donated land					
Property, buildings, and equipment					
Total Assets	\$3,509,817	\$18,331,525	\$11,155,006	\$6,966,754	\$39,963,102
Liabilities and Fund Balances					
Liabilities-					
Accounts payable	\$ 636,830	\$ 597,425	\$ 1,403,493	\$ 347,164	\$ 2,984,912
Payroll and related liabilities	1,307,772	431,071	195,505	293,860	2,228,208
Deferred revenue		6,666,882	2,368,992	1,204,247	10,240,121
Retirement and insurance deposits					
Other deposits		95,285	540,647		635,932
Due to other fund				1,567,845	1,567,845
Long-term obligations					
Bonds payable					
Total Liabilities	\$1,944,602	\$ 7,790,663	\$ 4,508,637	\$3,413,116	\$17,657,018
Fund balances	1,565,215	10,540,862	6,646,369	3,553,638	22,306,084
Total Liabilities and Fund Balances	\$3,509,817	\$18,331,525	\$11,155,006	\$6,966,754	\$39,963,102
Fund Balances Consist of-					
Restricted-					
U.S. government grants refundable					
Endowments					
General				\$3,553,638	\$ 3,553,638
Designated-					
Outstanding purchase orders	\$1,449,842				1,449,842
Funding of ensuing year's budget	100,000				100,000
Summer sessions		\$ 217,250			217,250
Quasi-endowment					
General	15,373	10,323,612	\$ 6,646,369		16,985,354
Net investment in plant					
Total Fund Balances	\$1,565,215	\$10,540,862	\$ 6,646,369	\$3,553,638	\$22,306,084

See Summary of Significant Accounting Policies and Notes to Financial Statements

OTHER FUNDS				TOTAL ALL FUNDS	
Loan Fund	Endowment Fund	Plant Funds	Agency Fund	Memorandum Only	
				2000	1999
\$ 433,699	\$4,952,686	\$ 12,597,003	\$3,040,253	\$ 45,510,419	\$ 46,422,702
	3,260,117	2,605,543		6,416,978	12,644,386
	158,427	73,554	9,035	9,909,125	8,128,929
6,114,551				6,114,551	6,048,858
				2,437,798	2,426,249
				1,251,254	1,642,375
				1,567,845	942,718
	734,260			734,260	1,190,986
		404,653,581		404,653,581	393,414,377
\$6,548,250	\$9,105,490	\$419,929,681	\$3,049,288	\$478,595,811	\$472,861,580
		\$ 1,105,830	\$ 789,585	\$ 4,880,327	\$ 6,849,129
			3,980	2,232,188	7,284,967
	\$ 5,569	16,107		10,261,797	9,992,486
			2,210,252	2,210,252	2,054,897
			45,471	681,403	929,187
				1,567,845	942,718
		3,650,277		3,650,277	1,207,976
		90,055,000		90,055,000	95,980,000
	\$ 5,569	\$ 94,827,214	\$3,049,288	\$115,539,089	\$125,241,360
\$6,548,250	9,099,921	325,102,467		363,056,722	347,620,220
\$6,548,250	\$9,105,490	\$419,929,681	\$3,049,288	\$478,595,811	\$472,861,580
\$5,462,340				\$ 5,462,340	\$ 5,341,149
	\$5,026,820			5,026,820	4,931,981
805,990		\$ 3,686,300		8,045,928	6,536,315
				1,449,842	212,761
				100,000	100,000
				217,250	48,630
	4,073,101			4,073,101	4,159,465
279,920		8,654,278		25,919,552	22,284,117
		312,761,889		312,761,889	304,005,802
\$6,548,250	\$9,099,921	\$325,102,467		\$363,056,722	\$347,620,220

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended June 30, 2000 (with comparative totals for 1999)

	CURRENT OPERATING FUNDS				
	Unrestricted			Restricted Fund	Total Current Operating Funds
	General Operating Fund	Designated Fund	Auxiliary Enterprises Fund		
Revenues and Other Additions					
Unrestricted current revenues	\$144,641,729	\$41,047,491	\$30,562,543		\$216,251,763
State appropriations				\$ 204,200	204,200
Student fees				212,969	212,969
Governmental grants and contracts				31,835,658	31,835,658
Private gifts, grants, and contracts				5,903,911	5,903,911
Investment and endowment income				451,598	451,598
U.S. government advances and reimbursements					
Expended for plant facilities, including \$9,366,060 charged to current operating funds expenditures in 2000 and \$11,142,414 in 1999					
Retirement of indebtedness					
Other additions					
Total Revenues and Other Additions	\$144,641,729	\$41,047,491	\$30,562,543	\$38,608,336	\$254,860,099
Expenditures and Other Deductions					
Educational and general expenditures	\$143,302,044	\$28,542,293		\$ 35,527,755	\$207,372,092
Auxiliary enterprises expenditures			\$27,913,001		27,913,001
Indirect costs recovered				2,389,371	2,389,371
Refunded to grantors				29,636	29,636
Loan cancellations					
Administrative costs					
Provision for bad debts					
Expended for plant facilities, including expenditures not capitalized of \$1,584,332 in 2000 and \$2,301,639 in 1999					
Retirement of indebtedness					
Interest on indebtedness, including \$47,419 capitalized as construction in progress in 2000					
Loss on sale of donated land					
Disposal of plant facilities					
Total Expenditures and Other Deductions	\$143,302,044	\$28,542,293	\$27,913,001	\$37,946,762	\$237,704,100
Transfers Among Funds-Additions (Deductions)					
Mandatory-					
Principal and interest	\$ (121,141)	\$ (8,200,922)	\$ (2,018,469)	\$ (47,902)	\$ (10,388,434)
Loan fund matching		(2,012)			(2,012)
Grant matching		(365,191)		365,191	
Voluntary-net		(2,686,283)	251,236	(220,184)	(2,655,231)
Total Transfers	\$ (121,141)	\$ (11,254,408)	\$ (1,767,233)	\$ 97,105	\$ (13,045,677)
Net Increase (Decrease) for the Year	\$ 1,218,544	\$ 1,250,790	\$ 882,309	\$ 758,679	\$ 4,110,322
Fund Balances at Beginning of Year	346,671	9,290,072	5,764,060	2,794,959	18,195,762
Fund Balances at End of Year	\$ 1,565,215	\$10,540,862	\$ 6,646,369	\$ 3,553,638	\$ 22,306,084

See Summary of Significant Accounting Policies and Notes to Financial Statements

OTHER FUNDS						TOTAL ALL FUNDS	
Loan Fund	Endowment Fund	Plant Funds				Memorandum Only	
		Unexpended Plant Fund	Debt Service Fund	Investment In Plant Fund	Combined Plant Funds	2000	1999
						\$216,251,763	\$205,748,642
	\$ 204,200	\$ 1,503,500			\$ 1,503,500	1,911,900	4,767,600
	212,907		\$ 679,739		679,739	1,105,615	1,091,665
			47,582		47,582	31,883,240	29,951,219
\$ 9,100	20,601	30,832		\$ 103,643	134,475	6,068,087	4,515,153
	(130,503)	226,062	201,825		427,887	748,982	2,591,187
175,447						175,447	89,588
				15,677,429	15,677,429	15,677,429	27,188,489
				6,118,900	6,118,900	6,118,900	6,074,822
203,582		75,913			75,913	279,495	228,443
\$ 388,129	\$ 307,205	\$ 1,836,307	\$ 929,146	\$ 21,899,972	\$ 24,665,425	\$280,220,858	\$282,246,808
						\$207,372,092	\$200,604,786
						27,913,001	26,383,778
\$ 54,100						2,443,471	2,039,657
						29,636	32,579
173,353						173,353	115,468
66,874			\$ 26,016		\$ 26,016	92,890	145,341
(8,565)						(8,565)	24,176
		\$ 7,848,282			7,848,282	7,848,282	18,347,714
			6,118,900		6,118,900	6,118,900	6,074,822
			5,488,332		5,488,332	5,488,332	5,810,113
	\$ 298,730					298,730	
				\$ 7,014,234	7,014,234	7,014,234	2,021,496
\$ 285,762	\$ 298,730	\$ 7,848,282	\$11,633,248	\$ 7,014,234	\$ 26,495,764	\$264,784,356	\$261,599,930
		\$ (267,637)	\$10,656,071		\$ 10,388,434		
\$ 2,012							
49,363		8,736,324	(805)	\$ (6,129,651)	2,605,868		
\$ 51,375		\$ 8,468,687	\$10,655,266	\$ (6,129,651)	\$ 12,994,302		
\$ 153,742	\$ 8,475	\$ 2,456,712	\$ (48,836)	\$ 8,756,087	\$ 11,163,963	\$ 15,436,502	\$ 20,646,878
6,394,508	9,091,446	8,040,772	1,891,930	304,005,802	313,938,504	347,620,220	326,973,342
\$6,548,250	\$9,099,921	\$10,497,484	\$ 1,843,094	\$312,761,889	\$325,102,467	\$363,056,722	\$347,620,220

STATEMENT OF CURRENT OPERATING FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

For the year ended June 30, 2000 (with comparative totals for 1999)

	Unrestricted				Total Current Operating Funds	
	General	Designated	Auxiliary	Restricted	Memorandum	
	Operating Fund	Fund	Enterprises Fund	Fund	Only	
					2000	1999
Revenues						
State appropriations	\$108,429,840			\$ 204,200	\$108,634,040	\$103,512,750
Tuition and fees	36,066,639	\$28,283,383	\$ 1,065,822	212,969	65,628,813	62,754,515
Governmental grants and contracts		2,318,264	50,000	29,593,426	31,961,690	29,587,933
Private gifts, grants, and contracts		2,360,658	707,881	5,065,562	8,134,101	6,703,797
Investment income		1,698,181	368,072	95,680	2,161,933	2,066,890
Endowment income				355,918	355,918	332,811
Sales and services of auxiliary enterprises			26,894,842		26,894,842	25,656,865
Internal services, less related expenditures of \$8,889,729 in 2000 and \$9,549,723 in 1999			1,475,926		1,475,926	1,091,498
Other sources	145,250	6,387,005			6,532,255	6,582,197
Total Revenues	\$144,641,729	\$41,047,491	\$30,562,543	\$35,527,755	\$251,779,518	\$238,289,256
Expenditures						
Educational and general						
Instruction	\$ 71,349,798	\$ 8,125,566		\$ 4,822,036	\$ 84,297,400	\$ 79,892,282
Research	2,713,152	639,346		9,736,843	13,089,341	12,361,654
Public service	1,498,627	3,052,302		6,046,033	10,596,962	12,199,929
Academic support	17,661,222	1,684,385		363,173	19,708,780	21,656,014
Student services	8,364,391	5,356,160		1,359,066	15,079,617	15,101,156
Institutional support	22,737,976	4,579,795		52,672	27,370,443	22,830,602
Operation and maintenance of plant	12,457,417	590,422		8,231	13,056,070	13,423,232
Scholarships and fellowships	6,519,461	4,514,317		13,139,701	24,173,479	23,139,917
Educational and general expenditures	\$143,302,044	\$28,542,293		\$35,527,755	\$207,372,092	\$200,604,786
Auxiliary enterprises			\$27,913,001		27,913,001	26,383,778
Total Expenditures	\$143,302,044	\$28,542,293	\$27,913,001	\$35,527,755	\$235,285,093	\$226,988,564
Mandatory Transfers						
Principal and interest	\$ 121,141	\$ 8,200,922	\$ 2,018,469	\$ 47,902	\$ 10,388,434	\$ 10,664,219
Loan fund matching		2,012			2,012	1,853
Grant matching		365,191		(365,191)		
Total mandatory transfers	\$ 121,141	\$ 8,568,125	\$ 2,018,469	\$ (317,289)	\$ 10,390,446	\$ 10,666,072
Total Expenditures and Mandatory Transfers	\$143,423,185	\$37,110,418	\$29,931,470	\$35,210,466	\$245,675,539	\$237,654,636
Other Transfers-Additions (Deductions)						
Restricted receipts over transfers to revenues				\$ 691,210	\$ 691,210	\$ 590,230
Voluntary transfers-net		\$ (2,686,283)	\$ 251,236	(220,184)	(2,655,231)	(2,438,230)
Refunded to grantors				(29,636)	(29,636)	(32,579)
Net Increase (Decrease) in Fund Balances						
	\$ 1,218,544	\$ 1,250,790	\$ 882,309	\$ 758,679	\$ 4,110,322	\$ (1,245,959)

See Summary of Significant Accounting Policies and Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended June 30, 2000

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 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, 2000, are reported less allowances for estimated uncollectible amounts and collection costs of \$807,000 and \$937,000, respectively (\$820,000 and \$928,000 in 1999). 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, 2000, 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 \$6,519,461 of waivers charged to scholarships and fellowships and \$2,835,799 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 1999 summer sessions are included on the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes. Revenues and expenditures as of June 30, 2000, for the 2000 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 \$2,482,000, \$282,000, \$347,000, and \$283,000, 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 2000 and 1999 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. Quasi-endowment 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, 2000

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 recognized as 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, 2000, consist of the following:

	Fair Value
Cash on hand and in bank	\$ (6,050,782)
Investments	17,827,600
Student Financial Aid	
Trust Fund	4,864,680
Local Government	
Investment Pool	<u>28,868,921</u>
	<u>\$45,510,419</u>

The cash overdraft results from the university investing its funds until outstanding checks are cashed. The university's total cash on hand was \$85,546. The carrying amount of the university's total cash in bank was

\$(6,136,328) and the bank balance was \$2,581,267, of which \$100,000 was covered by federal depository insurance, and the remaining balance of \$2,481,267 was collateralized by U.S. government obligations held at the Federal Reserve Bank in the university's name.

The \$17,827,600 in investments are invested in U.S. Treasury notes, agency notes, or Federal Home Loan Bank securities, 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, 2000, consist of the following:

	<u>Fair Value</u>
Bond Trustee Funds:	
U.S. Government money market portfolios	\$ 2,066,137
Local Government Investment Pool	539,406
Investments with NAU Foundation	<u>3,811,435</u>
	<u>\$ 6,416,978</u>

Bond indentures authorize the bond trustees to invest in obligations of or guaranteed by the federal government or any agency or instrumentality thereof; 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, 2000, the foundation invested the entire amount of \$3,811,435 in pooled investments with selected investment financial institutions.

Note 2—Property, Buildings, and Equipment

Property, buildings, and equipment at June 30, 2000, consist of the following:

Land	\$ 4,978,288
Land improvements	33,086,473
Buildings	244,552,566
Equipment	79,028,122
Library books, media, and special collections	<u>43,008,132</u>
	<u>\$404,653,581</u>

In addition to the accounts payable balance shown in the Plant Funds, the estimated cost to complete contracts in process at June 30, 2000, totaled \$1,611,075.

Note 3—Retirement Plans

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

The Arizona State Retirement System (ASRS) administers a cost-sharing 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, 2000, 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, 2000, 1999, and 1998 were \$1,080,300, \$1,379,201, and \$1,389,602, 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, 2000, 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), and Aetna Life Insurance and Annuity Company (Aetna) 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 full-time 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, 2000, 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, 2000, are detailed below.

Plan: TIAA/CREF		
University <u>Contributions</u>	Member <u>Contributions</u>	Total <u>Contributions</u>
\$2,392,181	\$2,392,181	\$4,784,362
Plan: VALIC		
University <u>Contributions</u>	Member <u>Contributions</u>	Total <u>Contributions</u>
\$589,548	\$589,548	\$1,179,096
Plan: Fidelity		
University <u>Contributions</u>	Member <u>Contributions</u>	Total <u>Contributions</u>
\$320,689	\$320,689	\$641,378
Plan: Aetna		
University <u>Contributions</u>	Member <u>Contributions</u>	Total <u>Contributions</u>
\$154,728	\$154,728	\$309,456

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, 2000, \$3,450,000 of such bonds outstanding are considered defeased.

Bonds payable at June 30, 2000, are as follows:

Student housing bonds (3 issues) –
5.5% to 6.1%, principal payable
annually on April 1 through 2009,
revenues of various housing projects
pledged for payment \$ 1,560,000

System revenue bonds, Series of
1991 – 6%, 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

2,630,000

System revenue refunding bonds, Series
of 1992 – 6.0% to 6.4%, 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

23,180,000

System revenue refunding bonds, Series
of 1992A – 5.125% to 5.8%, 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

31,785,000

System revenue bonds, Series of 1997 –
5.0% to 6.5%, 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

\$90,055,000

Principal and interest requirements
to maturity, including \$38,113,795
of interest, are as follows:

2000-01, \$10,902,587;
2001-02, \$11,362,074;
2002-03, \$11,450,693;
2003-04, \$11,444,798;
2004-05, \$11,456,418;
thereafter, \$71,552,225.

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, 2000, such losses have not been material to the university's financial statements taken as a whole.



PICTURE IMPROVES FOR NAU ENROLLMENT

Northern Arizona University is turning the corner on enrollment growth.

While the overall numbers remain near flat for the fall 2000 semester, there are many bright spots that point toward future growth for the Flagstaff campus and continuing growth for NAU's statewide campus.

"Besides an increase in quantity of new students, it is more important to recognize that the class of 2000 is better prepared academically and is more diverse than past classes," said Kurt Davis, vice president for Public Affairs and Marketing.

Overall enrollment is flat because the junior and senior classes that were recruited several years ago were smaller, and with graduation and attrition, the increased freshman and transfer class could not overcome those numbers to post overall growth this year. However, if the current trend continues and retention efforts continue to improve, growth will come back to the Flagstaff campus. The fall 2000 semester freshman class increased by 5.3 percent, and the statewide campus saw increases exceeding 3 percent.

Thirty percent of the new freshmen graduated in the top 10 percent of their high school class. The grade point

average for the new freshman class also increased over previous years, with Arizona freshmen posting an average 3.43 GPA.

SAT and ACT scores also increased in comparison to previous freshman classes. A several year decline in transfer students was also reversed, with increases among transfer students, except among nonresident transfer students. However, there was a slight increase in nonresident freshmen.

"We will need to improve in the area of nonresident recruitment, especially among nonresident transfer students. That will be a priority this year," Davis said.

Eighteen National Merit Scholars decided to attend NAU this year, twice as many as last year. NAU now hosts three Flinn Scholars, up from zero just three years ago, and the Honors Program hosts record enrollments.

NAU has a more culturally diverse freshman class by posting increases in every underrepresented group and among international students as well.

There are 2.3 percent more African American students, 2.1 percent more Asian students, and 4.6 percent more Native American students. The largest increase is an 8.6 percent increase in

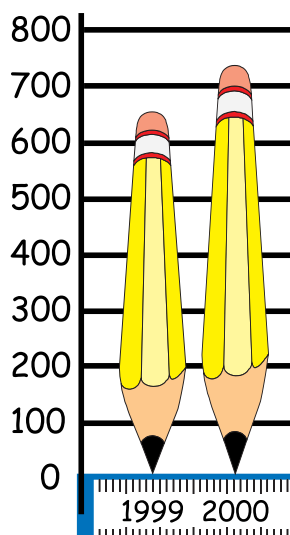
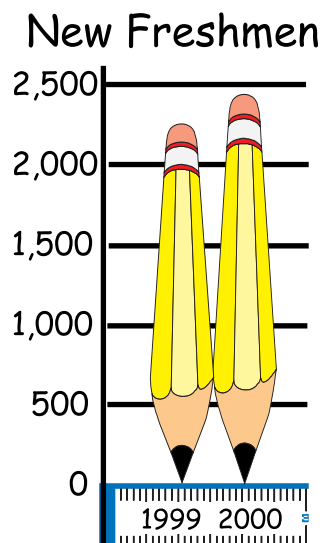
Hispanic students in the class of 2000.

"Newsweek/Kaplan's annual High School Guidance Counselor survey recognized NAU as a 'hidden treasure,' and the good news is more students are beginning to find the treasure," Davis said. "Students and their families are discovering what we already know—NAU is special because our faculty and staff provide more personalized attention and interaction while delivering academic excellence.

"Through a concerted effort among Undergraduate Admissions, Creative Communications, Enrollment Marketing Services, Public Affairs, Financial Aid, our colleges, schools, and statewide campus staff, I believe we are turning the corner on flat enrollment.

"Each of us needs to seize the opportunities afforded us to inform potential students and their families why NAU should be their first choice for a quality education," Davis said.

"All one has to do is ask our alumni. Ninety-five percent of alumni that were surveyed are working or have gone on to graduate school within one year of graduating and of those who are working, 80 percent are working in a field directly related to their course of study."



Cultural Diversity

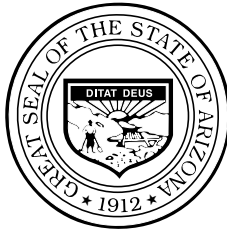
African American: +2.3%

Asian: +2.1%

Hispanic: +8.6%

Native American: +4.6%

INDEPENDENT AUDITORS' REPORT



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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, 2000, 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 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, 2000, 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 generally accepted accounting principles.

Debbie Davenport
Auditor General

September 15, 2000



Northern Arizona University is an Equal Opportunity/Affirmative Action Institution
NAU Creative Communications/A40462/200/9-00