



ANNUAL
FINANCIAL
REPORT
2004-2005

SOUTHERN UTAH UNIVERSITY
A component unit of the State of Utah



From the President

By human nature, we often try to measure what we value. At Southern Utah University, we operate on the concept of adding value. We believe we have exhibited and practiced these principles in the way we have faced the financial challenges of the day—that is, keeping students' needs foremost in our priorities.

We are a comprehensive teaching university that offers more than 80 undergraduate programs, and five master's degrees, one just starting in the Fall of 2005. We are accredited by the Northwest Commission of College and Universities; National Council for the Accreditation of Teacher Education (NCATE); Association of Collegiate Business School and Programs (ACBSP); the National Association of Schools of Music (NASM); the National Athletic Trainers Association (NATA); and the Accreditation Board for Engineering and Technology (ABET). SUU's Integrated Engineering program, which is providing small and medium-sized manufacturing businesses with uniquely-prepared engineering generalists, is the only program of its kind in the state, and the only accredited nationally by ABET. Other important specialized accreditation efforts are underway in Business, Dance and Nursing.

Pursuance of accreditation by the University, and, of course the achievement of it, is a statement of the philosophy and objective of our faculty, staff and programs of this institution.

For students and alumni, the process is a statement of high quality education. For friends and the public, it is a statement of SUU's sterling reputation, purpose and influence on the community, state and beyond.

This past year was bolstered by the outstanding progress achieved in some of SUU's high-demand programs. One example would be our Nursing program, which just completed its first year under SUU full ownership. The program is unusual in that it facilitates associate-degree RNs to enter the program and complete a bachelor's in less than two years. Because of popular demand, the admission rate has been increased from 40 students per semester to 60.

In its first year, the Bachelor of Science in Hotel Resort Hospitality Management, meeting the burgeoning demand for graduates in this field, guided some 100 students to complete a guest service consulting project for the Boulder Mountain Lodge, plus they visited and studied several sites of real-world hospitality, resort, food & beverage operations.

Our enrollment maintains steady growth with each new semester. About 7,000 students attend SUU as of the Fall 2005 semester. The diversity of our student body grows every year, too, with new international partnerships with six European universities and one in Mexico. More than 70 percent of SUU students receive some type of financial assistance including grants, loans and scholarships.

In the 2005-06 academic year, there are nearly 700 employees at SUU. Of the faculty contingent, about 90 percent are full-time, and 75 percent of all faculty have doctorates or the highest degree in their field. This latter figure is a significant increase over the past three years and places SUU in the upper ranks of regional universities in this area of assessment. Moreover, what this figure means is that Ph.D.'s, not teaching assistants, are in our classrooms teaching, calling upon their students by name.

Last year SUU was nationally rated a Top 10 University by Consumers Digest based on both quality academics and economic value. The Princeton Review has affirmed SUU as one of the Best in the West among institutions of higher education, for the second year in a row.

Southern Utah University continues today to serve as a major source of community services and southern Utah's center for the Arts, with a creative College of Performing and Visual Arts, the Braithwaite Fine Arts Gallery, and the Tony Award-winning Utah Shakespearean Festival. It also provides entertainment for southern Utah with 16 NCAA athletic teams. SUU is also home to the Utah Summer Games—an Olympic-style sports festival for Utah amateur athletes of all ages and abilities. The Games, a charter member of the National Congress of State Games, celebrated its 20th anniversary this past summer, having challenged and inspired an average of 8,000 participants, 50 thousand spectators, and a thousand volunteers each year.

Tucked in between five breathtaking national parks in lovely Cedar City, the SUU campus truly is a beautiful Sanctuary where, as the school's motto says, "Learning Lives Forever."

A handwritten signature in black ink that reads "Steven D. Bennion". The signature is written in a cursive, flowing style.

Dr. Steven D. Bennion

SOUTHERN UTAH UNIVERSITY

CONTENTS

	Page
Report of Independent Auditors	1
Management Discussion and Analysis	2
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	11
Governing Boards and Officers	27



Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

UTAH STATE CAPITOL COMPLEX
EAST OFFICE BUILDING, SUITE E310
P.O. BOX 142310
SALT LAKE CITY, UTAH 84114-2310
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Southern Utah University Board of Trustees,
Audit Committee, and Steven D. Bennion, President

We have audited the accompanying basic financial statements of Southern Utah University (hereinafter referred to as the "University"), a component unit of the State of Utah, as of and for the year ended June 30, 2005, as listed in the table of contents. 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. The prior year partial comparative information has been derived from the University's 2004 financial statements and, in our report dated January 7, 2005, we expressed an unqualified opinion on the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the University as of June 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G. Johnson, CPA
Utah State Auditor
December 9, 2005

SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005
(continued)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Southern Utah University (University) for the year ended June 30, 2005. This discussion was prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

Through its 108-year history, the University has evolved from a teacher training school into its current role as a comprehensive, regional university. It serves the southern region of Utah and the contiguous counties of two states with undergraduate and graduate programs and applied technology training. People of the region look to the University for public education, outreach services, culture, sporting events, economic and business development, regional history, public affairs, and major academic specialties. The University enrolls approximately 6,700 undergraduate and graduate students.

Financial

The annual report consists of three basic financial statements that provide information on the University as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

The University's financial statements include, as a blended component unit, the activity of the Southern Utah University Foundation (Foundation). The Foundation was established to provide support, promote, sponsor, and carry-out educational and related activities and objectives at the University. Separate unaudited financial statements of the Foundation can be obtained from the University.

Statement of Net Assets

The Statement of Net Assets is a list of the Assets and Liabilities of the University at June 30, with the difference being the Net Assets. The Net Assets are categorized as "Invested in Capital Assets", "Restricted" (Expendable or Nonexpendable), or "Unrestricted." Net Assets Invested in Capital Assets is the fixed assets of the University reduced by accompanying debt and accumulated depreciation. Restricted Nonexpendable Net Assets are endowment and similar funds that are held in perpetuity. Restricted Expendable Net Assets are subject to externally imposed restrictions governing their use. All other Net Assets are listed as Unrestricted. Below is a Condensed Statement of Net Assets as of June 30, 2005 and 2004.

Condensed Statement of Net Assets				
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 14,560,030	\$ 15,650,798	\$ (1,090,768)	-7.0%
Noncurrent Assets				
Capital Assets	99,148,060	102,721,850	(3,573,790)	-3.5%
Other Noncurrent Assets	21,045,179	17,861,873	3,183,306	17.8%
Total Assets	<u>134,753,269</u>	<u>136,234,521</u>	<u>(1,481,252)</u>	-1.1%
Liabilities				
Current Liabilities	7,561,307	8,326,973	(765,666)	-9.2%
Noncurrent Liabilities	16,207,404	17,127,021	(919,617)	-5.4%
Total Liabilities	<u>23,768,711</u>	<u>25,453,994</u>	<u>(1,685,283)</u>	-6.6%
Net Assets				
Invested in Capital Assets	83,911,633	86,800,422	(2,888,789)	-3.3%
Restricted Nonexpendable	5,580,217	4,996,939	583,278	11.7%
Restricted Expendable	9,746,882	8,681,594	1,065,288	12.3%
Unrestricted	11,745,826	10,301,572	1,444,254	14.0%
Total Net Assets	<u>\$ 110,984,558</u>	<u>\$ 110,780,527</u>	<u>\$ 204,031</u>	0.2%

SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005
(continued)

The decrease in Current Assets was primarily from a shift from funds invested in the Utah Public Treasurer's Investment Fund (PTIF) to slightly longer-term investments in United States Government debt securities, some of which are included in Noncurrent Assets as Investments. That decrease was offset by an increase in Prepaid Expenses related to the Shakespeare Festival 2005 season. Depreciation expense, net of asset additions, accounts for the decrease in Capital Assets for the fiscal year. The change in Other Noncurrent Assets is related to the change in types of investments, as mentioned above, in relation to Current Assets. Current Liabilities decreases are attributable to amounts that were due to Division of Facility Construction and Management in 2004 for the Eccles Living and Learning Center. Noncurrent Liabilities decreased as payments were made on outstanding bond debt. Depreciation expense offset by the reduction in outstanding capital debt accounts for the decrease to Invested in Capital Assets. The increase in Restricted Nonexpendable Net Assets is the result of a more conservative endowment spending policy resulting in endowment earnings being retained in the endowment corpus in conjunction with the addition of a few new endowments. Restricted Expendable Net Assets increased due to increased gift revenues in the scholarship and construction (Unexpended Plant) areas. The increase in Unrestricted Net Assets can be attributed to the increases in Tuition and Fee revenue along with increased net revenue generated in Continuing and Professional Studies.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the University's results of operations for the year ended June 30. Below is a Condensed Statement of Revenues, Expenses, and Changes in Net Assets as of June 30, 2005 and 2004.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

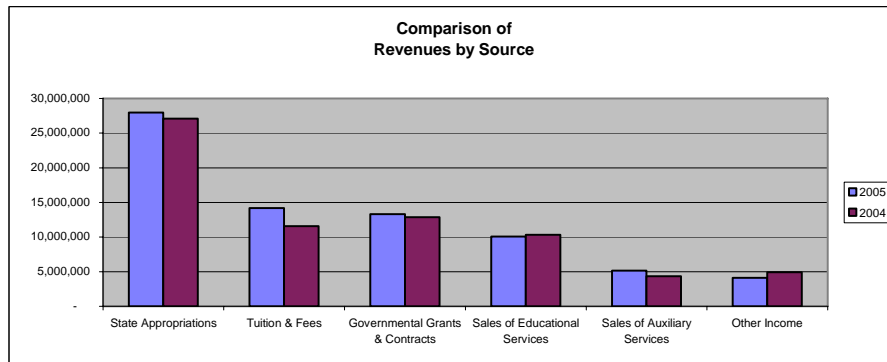
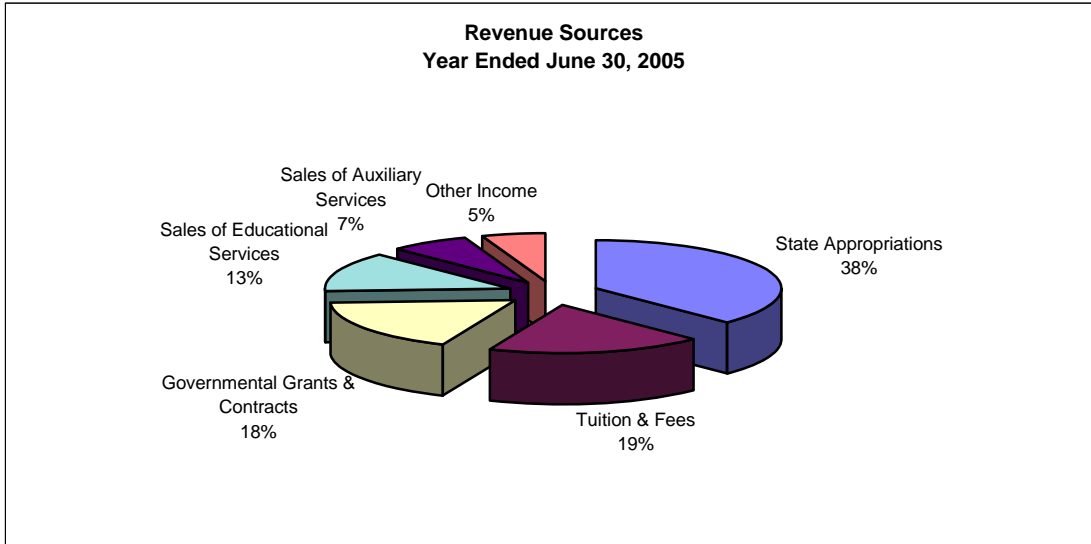
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 14,176,195	\$ 11,577,912	\$ 2,598,283	22.4%
Grants and Contracts	13,309,140	12,892,745	416,395	3.2%
Sales and Services	10,098,579	10,317,750	(219,171)	-2.1%
Auxiliary Enterprises	5,175,642	4,345,634	830,008	19.1%
Other	49,117	53,991	(4,874)	-9.0%
Total Operating Revenues	<u>42,808,673</u>	<u>39,188,032</u>	<u>3,620,641</u>	<u>9.2%</u>
Operating Expenses	<u>74,539,383</u>	<u>71,584,605</u>	<u>2,954,778</u>	<u>4.1%</u>
Operating Loss	<u>(31,730,710)</u>	<u>(32,396,573)</u>	<u>665,863</u>	<u>-2.1%</u>
Nonoperating Revenues (Expenses)				
State Appropriations	27,999,204	27,115,975	883,229	3.3%
Gifts	2,846,539	3,239,167	(392,628)	-12.1%
Investment Income	858,218	1,224,469	(366,251)	-29.9%
Other Nonoperating Revenues	4,558	226,427	(221,869)	-98.0%
Interest Expense	(749,821)	(457,386)	(292,435)	63.9%
Net Nonoperating Revenue	<u>30,958,698</u>	<u>31,348,652</u>	<u>(389,954)</u>	<u>-1.2%</u>
Other Revenues	<u>976,043</u>	<u>5,722,706</u>	<u>(4,746,663)</u>	<u>-82.9%</u>
Net Increase (Decrease) in Net Assets	<u>204,031</u>	<u>4,674,785</u>	<u>(4,470,754)</u>	<u>N/A</u>
Net Assets - Beginning of Year	<u>110,780,527</u>	<u>106,105,742</u>	<u>4,674,785</u>	<u>4.4%</u>
Net Assets - End of Year	<u>\$ 110,984,558</u>	<u>\$ 110,780,527</u>	<u>\$ 204,031</u>	<u>0.2%</u>

A significant increase in tuition rates resulted in higher Tuition and Fee revenue. Auxiliary Enterprises Revenues increased for the current year as the Eccles Living and Learning Center was opened in the Fall. Gift revenue decreased during the year due to efforts by the University to direct gifts toward the Old Main project, (Capital Grants and Gifts) whose funds are included in the Other Revenue category.

SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005
(continued)

Investment Income decreased from the prior year with most of the difference resulting from market value adjustment fluctuations between years offset by increased interest and dividend revenue during 2005. Other revenue decreased due to the Capital Appropriation included for construction projects completed in 2004 in concert with the Capital Gift increases mentioned above.

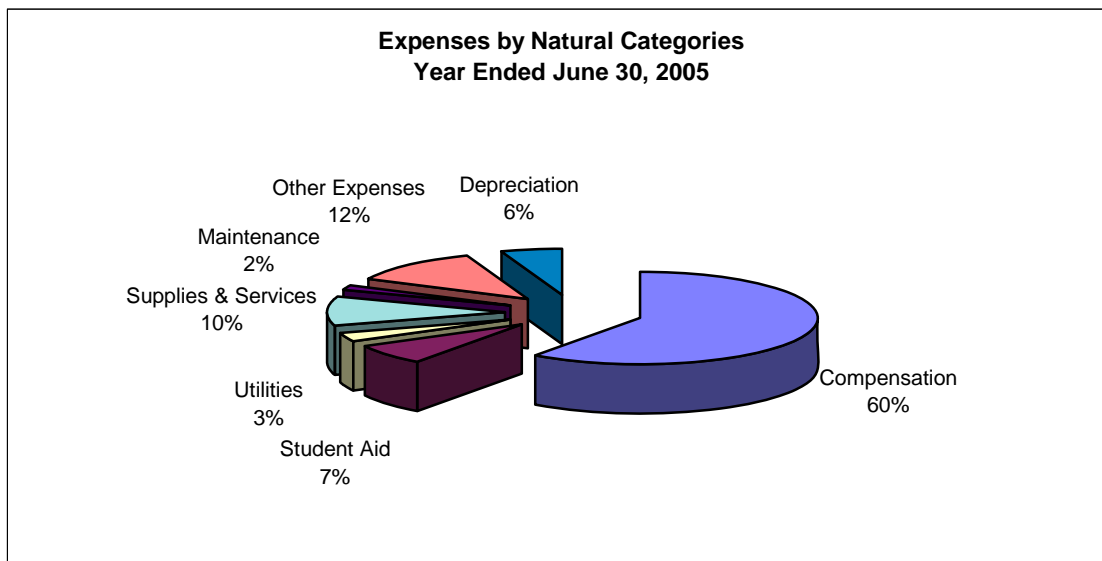
The following graph illustrates all funding sources, except Capital Appropriations and Capital Grants and Gifts, of the University for the year ended June 30, 2005:



SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005
(continued)

Compensation, including benefits, increased by 6.7% from the prior year due to average salary increases of 4.2% coupled with benefit cost increases. Utilities expense increased by 30.1 % as usage increased due to adding the Eccles Living and Learning Center; however, rate increases accounted for most of the increase over the prior year. Repairs and Maintenance, Services and Supplies, and Student Aid remained relatively constant over the two year period. Interest Expense included in Other Expenses increased 63.9% as Eccles bond interest payments were expensed in 04-05 as opposed to being capitalized in the prior year. Other expense amounts included in the category decreased over the prior year keeping Other Expenses relatively unchanged from the prior year.

The following graphs illustrate expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2005:



A comparative summary of the University's operating expenses by functional classification for the years ended June 30, 2005 and 2004 is included below:

Expenses by Functional Classification

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Instruction	\$ 20,753,283	\$ 19,500,864
Public Service	11,823,758	11,687,308
Academic Support	3,873,659	3,426,077
Student Services	6,938,881	6,477,576
Institutional Support	8,593,982	8,387,775
Operation and Maintenance of Plant	7,027,662	7,252,318
Student Aid	5,234,714	5,377,106
Auxiliary Enterprises	6,132,853	5,584,719
Depreciation	4,160,591	3,890,862
Total Operating Expenses	<u>\$ 74,539,383</u>	<u>\$ 71,584,605</u>

SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005
(continued)

Statement of Cash Flows

The Statement of Cash Flows provides an additional perspective on the University's financial results for the fiscal year. The statement identifies sources and uses of cash by broad categories of activity.

Condensed Statement of Cash Flows

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (28,587,045)	\$ (28,491,576)	\$ (95,469)
Noncapital Financing Activities	30,621,736	29,619,920	1,001,816
Capital Financing Activities	(1,632,947)	(11,133,942)	9,500,995
Investing Activities	<u>(7,838,212)</u>	<u>(3,709,700)</u>	<u>(4,128,512)</u>
Net Increase (Decrease)			
in Cash	(7,436,468)	(13,715,298)	6,278,830
Cash - Beginning of Year	<u>15,276,161</u>	<u>28,991,459</u>	<u>(13,715,298)</u>
Cash - End of Year	<u><u>\$ 7,839,693</u></u>	<u><u>\$ 15,276,161</u></u>	<u><u>\$ (7,436,468)</u></u>

The completion of the Eccles Living and Learning Center, South Hall and the Braithwaite Building rehabilitation (Capital Financing Activities) in 2004 with no comparable projects in 2005 accounts for the significant change in Cash Flows statement for the two years. The additional purchases and maturities of U.S. Government Securities during the year account for the changes in the Investing Activities section of the statement.

Economic Factors that May Affect the Future

The State of Utah continues to experience a stable economy with expectations for sustained stability in the foreseeable future. Higher Education, in general, and Southern Utah University, specifically, remains hopeful that the current economy could lead to improved legislative support.

Prioritizing student recruitment and retention, the University is optimistic about its future enrollments.

Summary

The accompanying financial statements, including footnotes, indicate the University is on sound financial footing. Existing revenue sources should continue to support current operating levels, while growth continues to be contingent upon additional enrollments, state support, corporate giving, private gifts, and grant funding levels.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2005

	<u>2005</u>	Comparative Only <u>2004</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note B)	\$ 2,365,133	\$ 9,626,298
Short-term Investments (Note B)	5,370,798	115,823
Accounts, Interest, Pledges and Notes Receivable (Note C)	1,960,757	1,547,494
Due from Division of Facility Construction and Management	23,107	
Loans Receivable, Net (Note D)	482,030	495,529
Inventories (Note E)	1,235,011	1,109,933
Prepaid Expenses (Note F)	<u>3,123,194</u>	<u>2,755,721</u>
Total Current Assets	14,560,030	15,650,798
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note B)	5,474,560	5,649,863
Investments (Note B)	13,287,557	9,968,848
Notes and Loans Receivable, Net (Note C & D)	2,045,562	1,973,662
Real Estate	237,500	269,500
Capital Assets, Net of Accumulated Depreciation (Note G)	<u>99,148,060</u>	<u>102,721,850</u>
Total Noncurrent Assets	120,193,239	120,583,723
Total Assets	<u>134,753,269</u>	<u>136,234,521</u>
LIABILITIES		
Current Liabilities:		
Accounts and Interest payable (Note H)	974,076	990,946
Due to Division of Facility Construction and Management		1,001,453
Payroll and Withholding Taxes Payable	313,225	506,999
Deposits and Other Liabilities	238,445	244,146
Deferred Revenues (Note F)	3,826,999	3,451,654
Compensated Absences & Termination Benefits (Note I)	1,431,472	1,133,984
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>777,090</u>	<u>997,791</u>
Total Current Liabilities	7,561,307	8,326,973
Noncurrent Liabilities:		
Compensated Absences & Termination Benefits (Note I)	1,126,334	1,298,152
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>15,081,070</u>	<u>15,828,869</u>
Total Noncurrent Liabilities	16,207,404	17,127,021
Total Liabilities	<u>23,768,711</u>	<u>25,453,994</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	83,911,633	86,800,422
Restricted:		
Nonexpendable - Scholarships	4,904,334	4,406,485
Nonexpendable - Other	675,883	590,454
Expendable		
Scholarships	3,456,955	3,100,923
Capital Projects	2,588,890	1,697,980
Loans	2,666,100	2,647,603
Other	1,034,937	1,235,088
Unrestricted	<u>11,745,826</u>	<u>10,301,572</u>
Total Net Assets	<u>\$ 110,984,558</u>	<u>\$ 110,780,527</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN UTAH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For The Year Ended June 30, 2005

	<u>2005</u>	Comparative Only <u>2004</u>
Operating Revenues:		
Student Tuition and Fees (Note K)	\$ 14,176,195	\$ 11,577,912
(net of scholarship discounts and allowances of \$6,140,118 for 2005 and \$5,601,358 for 2004)		
Governmental Grants and Contracts	13,309,140	12,892,745
Sales and Services of Educational Activities	10,098,579	10,317,750
Sales and Services of Auxiliary Enterprises (Note K)	5,175,642	4,345,634
(net of scholarship discounts and allowances of \$513,240 for 2005 and \$262,956 for 2004)		
Interest Income on Student Loans	49,117	53,991
Total Operating Revenues	<u>42,808,673</u>	<u>39,188,032</u>
Operating Expenses:		
Salaries	32,759,581	30,404,025
Benefits	12,515,083	12,016,616
Depreciation	4,160,591	3,890,862
Repairs and Maintenance	1,149,843	1,204,823
Services and Supplies	7,801,879	8,077,978
Student Aid	5,234,714	5,377,107
Utilities	2,350,997	1,806,836
Other Operating Expenses	8,566,695	8,806,358
Total Operating Expenses	<u>74,539,383</u>	<u>71,584,605</u>
Operating Income (Loss)	<u>(31,730,710)</u>	<u>(32,396,573)</u>
Nonoperating Revenues (Expenses)		
Government Appropriations - State	27,999,204	27,115,975
Private Gifts and Grants	2,846,539	3,239,167
Investment Income	858,218	1,224,469
Other Nonoperating Revenue	4,558	226,427
Interest on Indebtedness	(749,821)	(457,386)
Net Nonoperating Revenue	<u>30,958,698</u>	<u>31,348,652</u>
Income (Loss) Before Other Revenue	<u>(772,012)</u>	<u>(1,047,921)</u>
Other Revenue		
Capital Appropriations	-	5,487,184
Capital Grants & Gifts	627,198	79,804
Additions to Permanent Endowments	348,845	155,718
Total Other Revenue	<u>976,043</u>	<u>5,722,706</u>
Increase (Decrease) in Net Assets	204,031	4,674,785
Net Assets - Beginning of Year	110,780,527	106,105,742
Net Assets - End of Year	<u>\$ 110,984,558</u>	<u>\$ 110,780,527</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN UTAH UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005

	<u>2005</u>	Comparative Only <u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 14,462,351	\$ 11,580,388
Receipts from Grants/Contracts	13,198,425	12,951,798
Receipts from Auxiliary and Educational Services	15,126,298	14,179,231
Collection of Loans to Students and Employees	474,169	361,269
Loans Issued to Students and Employees	(543,560)	(474,552)
Payments for Employee Services and Benefits	(45,454,360)	(42,803,897)
Payments to Suppliers	(20,615,654)	(18,908,706)
Payments for Student Financial Aid	(5,234,714)	(5,377,107)
Net Cash Provided (Used) by Operating Activities	<u>(28,587,045)</u>	<u>(28,491,576)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	27,571,495	26,295,238
Gifts/Grants for Other Than Capital Purposes	2,698,433	3,113,297
Receipts for Permanent Endowments	348,845	155,718
Other Nonoperating Revenue	14,205	67,926
Agency Account Receipts	639,868	530,629
Agency Account Payments	(651,110)	(542,888)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>30,621,736</u>	<u>29,619,920</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from Capital Grants/Gifts	627,198	79,804
Proceeds (Loss) from Sale of Capital Assets	(9,647)	158,501
Proceeds from Capital Debt	19,545	188,722
Purchases of Capital Assets	(609,908)	(9,991,129)
Principal Paid on Capital Debt/Leases	(948,436)	(1,112,454)
Interest Paid on Capital Debt/Leases	(711,699)	(457,386)
Net Cash Provided (Used) by Capital Financing Activities	<u>(1,632,947)</u>	<u>(11,133,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	1,307,392	871,178
Receipt of Interest/Dividends from Investments	817,447	631,824
Purchase of Investments	(9,963,051)	(5,212,702)
Net Cash Provided (Used) by Investing Activities	<u>(7,838,212)</u>	<u>(3,709,700)</u>
Net Increase (Decrease) in Cash	(7,436,468)	(13,715,298)
Cash & Cash Equivalents--Beginning of Year	<u>15,276,161</u>	<u>28,991,459</u>
Cash & Cash Equivalents--End of Year	<u>\$ 7,839,693</u>	<u>\$ 15,276,161</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN UTAH UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005
(continued)

	<u>2005</u>	Comparative Only <u>2004</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (31,730,710)	\$ (32,396,573)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,160,591	3,890,862
Repair and Maintenance Expense paid by Division of Facility Construction and Management	413,124	820,737
Changes in Assets and Liabilities:		
Receivables (Net)	(229,971)	318,223
Student Loans Receivable	(1,100)	(75,626)
Inventories	(125,965)	(78,192)
Prepaid Expenses	(367,473)	183,962
Accounts Payable	(1,018,323)	(404,631)
Accrued Liabilities	5,541	41,683
Accrued Payroll	(193,774)	(422,615)
Deferred Revenues	375,345	(479,670)
Compensated Absences	125,670	110,264
Net Cash Provided (Used) by Operating Activities	<u>\$ (28,587,045)</u>	<u>\$ (28,491,576)</u>

Noncash Investing, Noncapital Financing, and Capital Financing Transactions

Change in Fair Value of Investments Recognized as Investment Income	\$ (45,575)	\$ 556,712
Donation of Investment Securities	77,813	211,204
Donation of <i>Westward America</i> , Deluxe and Collector Editions		24,000
Donation of Howard R. Driggs Library		20,947
Division of Facility Construction and Management Projects	413,124	5,487,184

Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

Cash and Cash Equivalents Classified as Current Assets	\$ 2,365,133	\$ 9,626,298
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>5,474,560</u>	<u>5,649,863</u>
Total Cash and Cash Equivalents	<u>\$ 7,839,693</u>	<u>\$ 15,276,161</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

Note A. Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

The University is a component unit of the State of Utah as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The financial activity of the University is included in the State's Comprehensive Annual Financial Report as a non-major discrete component unit.

The University's financial statements include the accounts of the University, all auxiliary enterprises and other restricted and unrestricted funds of the University, and the Southern Utah University Foundation (the Foundation). The Foundation, a non-profit organization, was incorporated under Utah law in 1996. The Foundation was established to provide support for the University, its students and faculty, and to promote, sponsor, and carry-out educational, scientific, charitable, and related activities and objectives at the University. The University has a controlling number of positions on the Board of Directors of the Foundation.

The Foundation is included in the financial statements of the University as a blended component unit. A blended component unit is an entity which is legally separate from the University but which is so intertwined with the University that it is, in substance, the same as the University. Separate unaudited financial statements of the Foundation can be obtained from the University.

In preparing the financial statements, all significant transactions and balances between the University and the Foundation are eliminated.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Utah has implemented GASB No. 34 for the year ended June 30, 2002. As a component unit of the State of Utah, the University is also required to adopt GASB No. 34 and No. 35. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows replacing the fund-group perspective previously required.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Basis of Accounting

Under the provisions of the GASB standards, the University is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting requires the University to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund. This includes a Management's Discussion and Analysis, a Statement of Net Assets or Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets, a Statement of Cash Flows, notes to the financial statements, and other applicable RSI. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting.

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected to not apply FASB pronouncements issued after November 30, 1989.

Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Uncollectible amounts on accounts receivable are considered minor and therefore, no allowance is recorded.

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") method.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Restricted Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as noncurrent assets in the statement of net assets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. All land shall be capitalized and not depreciated. New buildings with a cost of \$20,000 or more are capitalized. Renovations to buildings, infrastructure, and land improvements that increase the value or extend the useful life of the structure with a cost of \$20,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. For equipment, the University's capitalization policy includes all items with a unit cost of \$3,000 or more, and an estimated useful life of greater than one year. All library books are capitalized with a useful life of 20 years. Collections and works of art valued in excess of \$2,000 are capitalized. Useful lives for collections and works of art shall be determined on a case by case basis, typically 20 years. Depreciation is computed for all capital assets using the straight-line method over the estimated useful lives of the assets; generally 30 to 40 years for buildings, 20 to 40 years for infrastructure, land improvements, library and other collections, and 5 to 20 years for equipment.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but earned in the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Non-academic University employee vacation pay is accrued at year-end for financial statement purposes. The liabilities and expenses incurred are recorded at year-end as a component of compensated absences and termination benefits in the Statement of Net Assets, and as a component of salaries and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds, notes, and contracts (leases) payable with contractual maturities greater than one year; (2) estimated amounts for compensated absences and termination benefits and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted – expendable: Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the education and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any legal purpose. These resources are also used for auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Disclosures

The basic financial statements include certain prior year summarized comparative information but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Certain reclassifications have been made to the prior year comparative information to conform with the current year presentation. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Note B. Cash and Cash Equivalents, Short-term Investments, and Investments

Cash and cash equivalents (instruments purchased with an original maturity of 3 months or less), short-term investments and investments (instruments having an original maturity greater than 3 months and equity type investments) are recorded at fair value.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The University follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

According to the Uniform Management of Institutional Funds Act, Section 13-29 of the *Utah Code*, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized or unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

The endowment income spending policy at June 30, 2005 is 2% of the 12-quarter moving average of the fair value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made. The appreciation is a component of restricted, expendable net assets.

Deposits – *Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$765,933 of the University's bank balances of \$965,933 was uninsured and uncollateralized.

Investments – The Money Management Act defines the types of securities authorized as appropriate investments for the University and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories; certain repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; fixed rate negotiable deposits; obligations of the United State Treasury including bills, notes, and bonds; notes

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; shares or certificates in a money market mutual fund; variable rate negotiable deposits; certain variable rate securities; and the Utah State Public Treasurer's Investment Fund.

Through May 2005, statues also authorized the University to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the Money Management Council. Rule 2 allows the University to invest these funds in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule. As of May 2, 2005, state law allows endowment funds of higher education institutions to be invested in accordance with Board of Regents default investment guidelines or in accordance with policies adopted by the Institution's Board of Trustees and approved by the Board of Regents. For the period ending June 30, 2005 the Board of Regents has required all institutions to continue investing endowment funds in accordance with Rule 2 of the money management act.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the University had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>Investment Maturities (in Years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public					
Treasurer's Investment Fund	\$ 8,395,036	\$ 8,395,036	\$ -	\$ -	\$ -
Utah Housing Securities	900,660			900,660	
U.S. Government Securities	12,302,774	5,269,660	7,033,114	-	-
	<u>21,598,470</u>	<u>\$ 13,664,696</u>	<u>\$ 7,033,114</u>	<u>\$ 900,660</u>	<u>\$ -</u>
<u>Other Investments</u>					
Equity Securities	2,004,205				
Equity Mutual Funds	3,336,579				
Total Investments	<u>\$ 26,939,254</u>				

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. For funds acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act as previously discussed.

At June 30, 2005, the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			<u>Unrated</u>
		<u>AAA</u>	<u>AA</u>	<u>A</u>	
State of Utah Public					
Treasurer's Investment Fund	\$ 8,395,036	\$ -	\$ -	\$ -	\$ 8,395,036
Utah Housing Securities	900,660	900,660			
U.S. Government Securities	12,302,774	12,302,774	-	-	-
Total	\$ 21,598,470	\$ 13,203,434	\$ -	\$ -	\$ 8,395,036

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The University’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council limits investments in equity securities and fixed income securities to no more than 5% of all funds in any one issuer and no more than 25% of all funds in any one industry. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments.

The University had debt security investments at June 30, 2005, with more than 5% of the total investments in securities of the Federal Home Loan Notes and Freddie Mac. These investments represent 31.8% and 10.8%, respectively, of total investments.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Note C. Accounts, Interest, Pledges and Notes Receivable

Accounts, Interest, Pledges and Notes Receivable consisted of the following at June 30, 2005:

	<u>Balance</u>
Student Tuition and Fees	\$ 106,937
Federal, State, and Private Grants and Contracts	527,700
Auxiliary Service Charges	181,155
Continuing & Professional Studies Fees	301,615
Utah Shakespearean Festival Ticket Sales	326,521
Appropriations Receivable	14,585
Interest and Dividends Receivable	168,133
Contributions and Gifts (Pledges)	182,548
Current Portion of Note Receivable	11,099
Other Operating	140,464
Total	<u>\$ 1,960,757</u>

Notes Receivable at June 30 consisted of a five-year, 10% note receivable from Iverson Homes, LC, with monthly payments of \$1,453 beginning July 23, 2005 through June 23, 2010.

Note D. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2005 the allowance for uncollectible loans was \$115,300.

Note E. Inventories

Inventories at June 30 consisted of a gifted collection of *Westward America*, Deluxe and Collector Editions held for resale in the amount of \$23,113, as well as, Bookstore and Food Service inventories in the amounts of \$1,143,985 and \$67,913 respectively.

Note F. Prepaid Expenses and Deferred Revenues

Prepaid expenses are those disbursements for goods or services applicable to the subsequent fiscal year when they will be recorded as expenses. Deferred revenues are receipts of funds that are applicable to the subsequent fiscal year when they become earned and recorded as revenues.

Prepaid Expenses and Deferred Revenues at June 30, 2005, consist of the following:

	<u>Prepaid Expenses</u>	<u>Deferred Revenues</u>
Utah Shakespearean Festival	\$ 3,049,185	\$ 2,631,451
Student Tuition and Fees	-	949,157
Grants and Contracts	-	184,511
Miscellaneous	74,009	61,880
Total	<u>\$ 3,123,194</u>	<u>\$ 3,826,999</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Note G. Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts.

Capital assets at June 30, consists of the following:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Land	\$ 7,961,332	\$ -	\$ -	\$ 7,961,332
Land Imp/Infrastructure	5,901,951	114,139	-	6,016,090
Buildings	120,272,794	88,978	-	120,361,772
Equipment	10,163,881	442,886	(238,211)	10,368,556
Art Work/Collections	836,427	-	-	836,427
Library Collections	5,344,136	237,196	(103,736)	5,477,596
Construction in Progress	1,076,085	65,891	(338,161)	803,815
Total	<u>151,556,606</u>	<u>949,090</u>	<u>(680,108)</u>	<u>151,825,588</u>
Less: Accumulated Depreciation				
Land Imp/Infrastructure	4,011,753	204,341	-	4,216,094
Buildings	34,242,764	2,968,750	-	37,211,514
Equipment	7,432,180	730,595	(214,083)	7,948,692
Art Work/Collections	396,362	31,507	-	427,869
Library Collections	2,751,697	225,398	(103,736)	2,873,359
Total	<u>48,834,756</u>	<u>4,160,591</u>	<u>(317,819)</u>	<u>52,677,528</u>
Capital Assets, net	<u>\$ 102,721,850</u>	<u>\$ (3,211,501)</u>	<u>\$ (362,289)</u>	<u>\$ 99,148,060</u>

Construction in progress at June 30, 2005 of \$803,815 relates to the construction of the following project, funded by a state grant and private gifts:

<u>Project</u>	<u>Estimated Costs</u>	<u>Construction in Progress</u>	<u>Percent Completed</u>
Utah Shakespeare Festival Centre	<u>\$ 78,000,000</u>	<u>\$ 803,815</u>	1%

Note H. Accounts and Interest Payable

Accounts and Interest Payable consisted of the following at June 30, 2005:

	<u>Balance</u>
Accounts Payable	\$ 862,455
Interest Payable	111,621
Total	<u>\$ 974,076</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Note I. Long-Term Liabilities

Activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Current Portion
Bonds, Notes, and Contracts Payable					
Bonds Payable	\$ 15,195,000	\$ -	\$ 565,000	\$ 14,630,000	\$ 575,000
Unamortized Bond Premium	265,439	-	18,337	247,102	18,000
Notes Payable	459,662	-	275,772	183,890	51,578
Contracts/Leases Payable	200,347	19,545	89,327	130,565	73,088
Remainder Annuity Trusts	706,212	-	39,609	666,603	59,424
Total	<u>16,826,660</u>	<u>19,545</u>	<u>988,045</u>	<u>15,858,160</u>	<u>777,090</u>
Other Liabilities					
Compensated Absences	1,025,381	571,607	537,108	1,059,880	781,090
Termination Benefits	1,406,755	676,747	585,576	1,497,926	650,382
Total	<u>2,432,136</u>	<u>1,248,354</u>	<u>1,122,684</u>	<u>2,557,806</u>	<u>1,431,472</u>
Total Long-Term Liabilities	<u>\$ 19,258,796</u>	<u>\$ 1,267,899</u>	<u>\$ 2,110,729</u>	<u>\$ 18,415,966</u>	<u>\$ 2,208,562</u>

Note J. Bonds, Notes and Contracts Payable

Revenue bonds payable consisted of the following at June 30, 2005:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2004-2005	Balance June 30, 2005
Bonds Payable:					
Auxiliary System, Series 1995A	1/1/1995	5.000-6.550%	\$ 4,475,000	\$ 40,000	\$ -
Pavilion/Stadium, Series 1995A	6/1/1995	4.600-6.500%	900,000	40,000	630,000
Pavilion/Stadium, Series 1996A	6/1/1997	4.850-6.300%	570,000	25,000	415,000
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	4,540,000	50,000	4,350,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	410,000	9,235,000
Total Bonds Payable			<u>\$ 20,545,000</u>	<u>\$ 565,000</u>	<u>\$ 14,630,000</u>

The scheduled maturities of the revenue bonds are as follows:

Year	Principal	Interest	Total Payments
2006	\$ 575,000	\$ 703,203	\$ 1,278,203
2007	590,000	687,690	1,277,690
2008	625,000	664,315	1,289,315
2009	650,000	638,438	1,288,438
2010	675,000	609,873	1,284,873
2011-2015	4,015,000	2,511,030	6,526,030
2016-2020	4,390,000	1,459,877	5,849,877
2021-2023	3,110,000	340,412	3,450,412
Total Bonds Outstanding	14,630,000	7,614,838	22,244,838
Unamortized Bond Premium	247,102	-	247,102
Total Bonds Payable	<u>\$ 14,877,102</u>	<u>\$ 7,614,838</u>	<u>\$ 22,491,940</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Principal and interest on these revenue bonds are collateralized by a first lien on and pledge of either (1) Student Center Building Fees, net revenues derived from the operation of the Auxiliary Enterprise System and investment income of the bond security reserve funds or (2) Stadium Facilities Student Building Fees and investment income on the bond security reserve funds. The University is required to maintain certain debt service reserves aggregating \$1,607,000.

Defeased Revenue Bonds - In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds and various bond revenues in irrevocable trusts 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. The total principal amount of the defeased bonds held in irrevocable trusts at June 30, 2005, is \$361,000.

Notes Payable - Notes Payable include a State of Utah Energy Services, interest-free, unsecured note with equal semi-annual installments of \$11,125 due December and June continuing through June 2008 and an interest-free Driggs Trust note with equal annual installments of \$29,328 due each December through 2008 with conversion of unpaid installments to a gift should the donor's death occur prior to the final payment.

Notes payable consisted of the following at June 30, 2005:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2004-2005	Balance June 30, 2005
Notes Payable:					
Jones Theatre Energy	7/1/2000	0.000%	178,000	22,250	66,750
Margaret Driggs Trust	5/15/2004	0.000%	146,640	29,500	117,140
Festival City Development Foundation		0.000%	459,056	224,022	-
Total Notes Payable			<u>\$ 783,696</u>	<u>\$ 275,772</u>	<u>\$ 183,890</u>

The scheduled maturities of the notes payable are as follows:

Year	Principal	Interest	Total Payments
2006	\$ 51,578	\$ -	\$ 51,578
2007	51,578	-	51,578
2008	51,578	-	51,578
2009	29,156	-	29,156
Total	<u>\$ 183,890</u>	<u>\$ -</u>	<u>\$ 183,890</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Contracts Payable - Contracts payable are due in equal installments, including principal and interest, until the last payment comes due in February 2009 and are secured by equipment costing \$322,841.

Future minimum lease payments for all contracts and capital leases payable as of June 30, 2005 are as follows:

Year	Principal	Interest	Total Payments
2006	\$ 73,088	\$ 8,683	\$ 81,771
2007	42,356	3,176	45,532
2008	10,195	783	10,978
2009	4,926	119	5,045
Total	<u>\$ 130,565</u>	<u>\$ 12,761</u>	<u>\$ 143,326</u>

Remainder Annuity and Unitrusts Payable - Remainder Annuity and Unitrust payable are due in monthly or annual installments for the lifetime of the donors or through the end of the agreement.

Annuities payable consisted of the following at June 30, 2005:

	Date Created	Interest Rate	Present Value of Annuity Payable	Current Portion
Charitable Remainder Annuity Trusts:				
A M & M M Jones	1/12/2001	5.000%	\$ 142,107	\$ 40,741
J & C Wadsworth	9/25/2001	6.200%	413,149	14,387
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	111,347	4,296
Total Annuities Payable			<u>\$ 666,603</u>	<u>\$ 59,424</u>

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2006	\$ 59,424	40,960	\$ 100,384
2007	62,679	37,727	100,406
2008	66,116	34,313	100,429
2009	36,257	30,707	66,964
2010	24,060	28,573	52,633
2011-2015	146,093	117,475	263,568
2016-2020	198,832	63,373	262,205
2021-2022	73,142	6,860	80,002
Total	<u>\$ 666,603</u>	<u>\$ 359,988</u>	<u>\$ 1,026,591</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Note K. Auxiliary System Bond Revenue Fund

The following schedule reflects the pledged receipts and disbursements of the Bond Revenue Fund of the Auxiliary System and the Stadium Bond System for the year ended June 30, 2005:

Pledged Receipts:

Student Center Building Fees		\$ 197,596
Investment Income on Reserve Funds		15,760
Operating Revenues	\$ 7,800,931	
Operating & Maintenance Expenses	<u>(6,220,984)</u>	
Net Operating Receipts		1,579,947
Total Pledged Net Receipts		<u><u>\$ 1,793,303</u></u>

Disbursements:

Transfers to:		
Debt Service		\$ 1,274,875
Renewal & Replacement Reserves		238,722
Other Lawful Purposes		279,706
Total Disbursements of Pledged Receipts		<u><u>\$ 1,793,303</u></u>

Note L. Retirement Plans

As required by state law, the University participates in two retirement plans covering substantially all of its regular employees. Faculty and administrative employees participate in the Teachers Insurance and Annuity Association, and all other staff employees participate in the Utah State Retirement System. The total payroll expenses for the years ended June 30, 2005, 2004, and 2003 were \$32,759,581, \$30,404,025, and \$29,815,803, respectively.

The covered payroll expenses and the retirement contributions for each year were as follows:

Retirement Program	<u>Covered Payroll Expenses</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
TIAA	\$ 18,719,270	\$ 17,152,030	\$ 17,125,880
State-Contributory	71,681	67,062	66,311
State-Noncontributory	7,244,173	6,884,320	6,819,194
State-Public Safety	64,808	69,118	54,076
	<u><u>\$ 26,099,932</u></u>	<u><u>\$ 24,172,530</u></u>	<u><u>\$ 24,065,461</u></u>

Retirement Program	<u>Retirement Contributions</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
TIAA	\$ 2,658,136	\$ 2,435,588	\$ 2,431,875
State-Contributory	10,673	8,859	7,898
State-Noncontributory	1,083,111	909,994	811,484
State-Public Safety	15,204	14,618	10,242
	<u><u>\$ 3,767,124</u></u>	<u><u>\$ 3,369,059</u></u>	<u><u>\$ 3,261,499</u></u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

The Retirement Contributions amount represents the funds which were contributed by the University, which includes 14.89% of covered employees' salaries participating in the Utah State Retirement Contributory System, 14.88% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 24.96% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Public Safety Noncontributory System and 14.20% of covered employees' salaries participating in the Teachers Insurance and Annuity Association. The employees' and employer's shares of the contributions were paid by the University.

Utah Public Employee Contributory, Noncontributory, and Public Safety Retirement Systems (Systems) are multi-employer, cost-sharing, defined benefits plans that are administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board (Board). Beginning July 1, 1986 all new participants in the System must be enrolled in the Noncontributory system or the Public Safety system. Employees enrolled prior to that date could elect to participate in either the Contributory or Noncontributory system.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System, State and School Noncontributory Retirement System, and Public Safety Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772. Teacher's Insurance and Annuity Association issues individual retirement contracts with each participating employee; therefore, the University has no liability for this retirement program.

In addition to providing pension benefits, the University as authorized by its Board of Trustees provided certain health care benefits for retired employees age 65 or older that retired before June 30, 1990. Substantially all regular University employees were eligible for those benefits at normal retirement age 65. These health care benefits for retiree's age 65 or older are not available to employees retiring after June 30, 1990. The cost of retiree health care benefits is funded on a pay-as-you go basis. The total normal retiree health care benefits payments for the years ended June 30, 2005 and 2004, were \$120,238 and \$130,267, respectively. The number of participants for the years ended June 30, 2005 and 2004 was 35 and 36, respectively.

The University, as authorized by its Board of Trustees, offers an early retirement incentive option to eligible employees that included payment of an amount equal to 22% of the retiree's final salary and the continuation of certain health care insurance premiums until age 65. Substantially all regular University employees are eligible for those benefits after age 56. The cost of early retiree benefits is funded on a pay-as-you-go basis. The total early retiree benefits payments for the years ended June 30, 2005 and 2004 were \$465,338 and \$382,416, respectively. The number of participants for the years ended June 30, 2005 and 2004 was 24 and 23, respectively.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Note M. Funds Held in Trust by Others

Funds held in trust by others are neither in the possession of nor under the management of the University. These funds, which are not recorded on the University's financial records and which arose from contributions, are held and administered by external fiscal agents, selected by the donors, who distribute net income earned by such funds to the University, where it is recorded when received. Funds held in trust at June 30, 2005 were \$341,935 at cost and \$367,661 at fair value.

Note N. Functional Classifications

The University's operating expenses by functional classification were as follows:

Instruction	\$ 20,753,283
Public Service	11,823,758
Academic Support	3,873,659
Student Services	6,938,881
Institutional Support	8,593,982
Operation and Maintenance of Plant	7,027,662
Student Aid	5,234,714
Auxiliary Enterprises Expenses	6,132,853
Depreciation	4,160,591
Total Operating Expenses	<u>\$ 74,539,383</u>

Note O. Insurance Coverage

The University insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage through policies administered by the State of Utah Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a \$1,000 per occurrence deductible. All revenues from the University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils. Additionally, the University is protected against employee dishonesty exposures under a \$10 million blanket bond. The Utah State Risk Management Fund provides coverage to the University for general, automobile, personal injury, errors or omissions, and malpractice liability at \$10 million per occurrence. The University qualifies as a "governmental body" under the Utah Governmental Immunity Act which limits applicable claim settlements to \$553,500 for one person in any one occurrence or \$1,107,000 for two or more persons in any one occurrence and \$221,400 for property damage liability in any one occurrence. All University employees are covered by worker's compensation insurance, including employer's liability coverage, by the Worker's Compensation Fund of Utah.

On July 1, 2003, the University established a self-insurance fund for employee dental care that is administered through Blue Cross Blue Shield Insurance Company. GASB Statement No. 10 requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2005
(continued)

Changes in the University's estimated self-insurance claims liability are as follows:

	<u>2005</u>	<u>2004</u>
Estimated Claims Liability - Beginning of Year	\$ 67,121	\$ -
Current Year Contributions and Changes in Estimates	448,494	429,468
Claim Payments, Including Related Legal and Administrative Expenses	<u>(463,293)</u>	<u>(362,347)</u>
Estimated Claims Liability - End of Year	<u>\$ 52,322</u>	<u>\$ 67,121</u>

The University has recorded the investments of the dental care funds at June 30, 2005 and the estimated liability for self-insurance claims at that date in the Statement of Net Assets. The income and expenses related to the administration of the self-insurance and estimated provision for the claims liabilities for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Assets.

Note P. Related Party Transactions

The University receives from the Festival City Development Foundation an in-kind contribution of a portion of the housing needs for actors and technicians participating in the Shakespearean Festival. The value of the donated housing is estimated to be \$80,000. The University (Shakespeare Festival) in turn pays for utilities and maintenance on the buildings owned by the Festival City Development Foundation. The University has not reported the value of the donated housing as gift revenue and (or) operating expenses in the financial statements.

Note Q. Subsequent Events

On September 28, 2005 the University completely retired the 1995A and 1996A Revenue Bonds through the issuance of new Revenue Bonds. Interest rates were reduced from 6.3% and 6.5% to 3.9% resulting in an estimated net present value savings of \$90,000. The new bond payments will begin June 2006 and continue through June 2014.

SOUTHERN UTAH UNIVERSITY

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Annual Financial Report
Prepared by:

Southern Utah University
Controller's Office
351 West University Boulevard
Administration Building Room 207
Cedar City, Utah 84720

(435) 586-7724
Fax (435) 865-8064