



2013-14

ANNUAL FINANCIAL REPORT

SOUTHERN UTAH UNIVERSITY
A COMPONENT UNIT OF THE STATE OF UTAH



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From the President

It is a privilege for me to serve as President of Southern Utah University. In my first year at SUU I find myself extremely impressed by the high volume of both individual and collective achievements of so many members of our campus community. SUU is able to attract some of the best and brightest students and has one of the highest graduation rates in the state and region.

I am pleased to be able to highlight a few of the many recent accomplishments of our students, faculty and staff, and University as a whole that make SUU such an extraordinary place.

ACADEMICS

- For the eighth consecutive year, The Princeton Review named SUU among its Best Colleges: Region by Region.
- Within the last year, SUU raised its graduation rate by 7 percent.
- SUU is one of just 27 schools in the nation, and the only school in Utah, to gain membership in the elite Council of Public Liberal Arts Colleges.
- SUU faculty and staff are leaders in the Utah Alliance for Arts Education, which recently secured a national partnership with the John F. Kennedy Center for the Performing Arts to create partnerships and programs to promote arts education throughout Utah.
- SUU now joins an elite group of institutions for higher learning to be granted accreditation from the Network of Schools of Public Policy, Affairs and Administration, the recognized global accreditor of master's degrees in public administration, affairs and policy.
- SUU was named a national 2014 Best Value College by The Princeton Review and is one of only 12 public schools in the western U.S. and the only Utah school to be included.
- SUU's masters of professional communication was named one of the nation's best according to Best Online College for the Best Online Communications and Public Relations Degree Program, making it the only program in the state with this designation.

UNIVERSITY ADVANCEMENT

- In March 2014 SUU administrators broke ground on the Beverly Taylor Sorenson Center for the Arts, predicted to establish Cedar City as a regional arts mecca.
- Raising a total of \$105.5 million to advance every facet of the institution, SUU announced the completion of its \$100 million The Future is Rising fundraising campaign.

- The U.S. Department of Interior met with SUU faculty in January 2014 to recognize the University's Intergovernmental Internship Cooperative with the Secretary's Partners in Conservation Award from the Department of Interior.
- Cultivating a spirit of service on campus, SUU faculty, staff and students completed 190,000 hours of service, a 74 percent increase from the previous year.
- SUU Softball defeated Idaho State with a score of 8-5 to win the Big Sky Conference Tournament, which then lead them to the 2014 NCAA Regional Tournament to play UCLA and Long Beach State.
- The Thunderbird Women's Basketball team went up against Northern Colorado University to share Big Sky regular season championship. The ladies won their last five games of the year to match North Dakota for the best record in the conference and accumulated the highest win total in program history.
- Great Value Colleges nominated Cedar City as the ninth most affordable college town in America.

INDIVIDUAL ACHIEVEMENTS

- SUU's Hispanic Center for Academic Excellence was recognized when Dean James McDonald received the Latinos in Action Administrator of the Year Award for his efforts to advance collegiate opportunities for Hispanic students.
- For their outstanding academic achievements, 100 SUU athletes were named to the Fall 2013 and Spring 2014 Academic All-Big Sky team in their respective sport.
- Alumnus Justin Harding ('00) was appointed chief of staff for Utah Governor Gary Herbert after spending 14 years on Capitol Hill with several state representatives and senators.
- SUU art professor Ron Spears was selected to create one iconic image for the limited edition U.S. Postal Service Forever Stamp to celebrate Nevada's sesquicentennial, resulting in an oil painting of the Valley of Fire.
- Sixth grade teacher and alumna, Julie Hammari ('06), was honored with the Presidential Award for Excellence in Math and Science Teaching in the state of Utah for her innovation and effectiveness.
- In a newly reimagined revival of Alain Boubill and Claude-Michael Schönberg's *Les Misérables*, SUU Theatre Arts alumna Keala Settle steals the show as the "mistress of the house" who is winning acclaim as Madame Thérnardier, which opened on Broadway March 2014.
- SUU alumna Sarah Pirzada was the lone undergraduate student at the 58th session of the Commission on the Status of Women at United Nations Headquarters, a co-sponsored event through the Sociologist for Women and Society. She was invited to speak as the 2014 recipient of the Undergraduate Social Action Award.

Again, these are only a few of the many accomplishments, successes and initiatives that motivate all of us in moving SUU forward. I am honored to be a part of this terrific institution and am proud of the significant influence for good it has on students, the campus, the local community and beyond.

Thank you for your interest in and support of Southern Utah University.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line that ends in a small arrowhead pointing to the right.

President Scott L Wyatt



OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Scott L. Wyatt, President
Southern Utah University

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Utah University (the University), a component unit of the State of Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Letter from the President and the listing of the governing boards and officers have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Office of the Utah State Auditor

Office of the Utah State Auditor
December 19, 2014

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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 117-year history, the University has evolved from a teacher training school into its current role as a comprehensive, regional university. Historically, it has served the southern region of Utah and the contiguous counties of two states with undergraduate and graduate programs and applied technology training. More recently, it has expanded its reach both nationally and internationally. People 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 8,000 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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; 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 support, promote, sponsor, and carryout educational and related activities and objectives at the University.

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014

Statement of Net Position

The Statement of Net Position reports the assets, liabilities, and net position of the University at June 30. Net Position is categorized as “Net Investment in Capital Assets”, “Restricted” (Expendable or Nonexpendable), or “Unrestricted.” Net Investment in Capital Assets includes fixed assets of the University reduced by accompanying debt and accumulated depreciation. Restricted Nonexpendable assets include endowment and similar funds that are held in perpetuity. Restricted Expendable assets are subject to externally imposed restrictions governing their use. All other assets are listed as Unrestricted. Below is a Condensed Statement of Net Position as of June 30, 2014 and 2013.

Condensed Statement of Net Position				
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 56,697,158	\$ 49,776,899	\$ 6,920,259	13.9%
Noncurrent Assets				
Other Noncurrent Assets	59,865,013	41,336,551	18,528,462	44.8%
Capital Assets	<u>126,170,881</u>	<u>130,839,062</u>	<u>(4,668,181)</u>	<u>-3.6%</u>
Total Assets	<u>242,733,052</u>	<u>221,952,512</u>	<u>20,780,540</u>	<u>9.4%</u>
Liabilities				
Current Liabilities	20,125,330	14,649,545	5,475,785	37.4%
Noncurrent Liabilities	<u>19,353,540</u>	<u>20,476,773</u>	<u>(1,123,233)</u>	<u>-5.5%</u>
Total Liabilities	<u>39,478,870</u>	<u>35,126,318</u>	<u>4,352,552</u>	<u>12.4%</u>
Net Position				
Net Investment in Capital Assets	106,870,287	110,341,762	(3,471,475)	-3.1%
Restricted Nonexpendable	18,574,093	16,382,120	2,191,973	13.4%
Restricted Expendable	35,661,301	31,206,665	4,454,636	14.3%
Unrestricted	<u>42,148,501</u>	<u>28,895,647</u>	<u>13,252,854</u>	<u>45.9%</u>
Total Net Position	<u>\$ 203,254,182</u>	<u>\$ 186,826,194</u>	<u>\$ 16,427,988</u>	<u>8.8%</u>

Current Asset increases were mainly a result of net increases in cash and cash equivalents and receivables, along with a net decrease in short-term investments. Changes in cash and cash equivalents and short-term investments were a result of investment strategies and daily operations. Receivable increases were mainly due to large pledges for the Beverly Taylor Sorenson Center for the Arts (Center for the Arts). Other Noncurrent Assets increased as a result of a net increase in noncurrent investments due to investment acquisitions, and decrease in restricted cash and cash equivalents. The decrease in Capital Assets was caused by depreciation and asset retirements in excess of net additions. Capital asset commitments for capital expenditures increased as a result of moving forward with the Center for the Arts project (see Note H and Note S in the accompanying Notes to the Financial Statements).

The increase in Current Liabilities is a result of increases in accounts and interest payable and unearned revenues as well as a decrease in accrued health benefits. The increases to accounts payable and unearned revenues were due to the addition of the Aviation program and the contracts formed with Upper Limit Aviation and the US Department of Veteran Affairs. The decrease in accrued health benefits is due to higher than average insurance claims, paid during the current fiscal year. Noncurrent Liabilities decreased as payments were made reducing outstanding long-term bond debt.

The University’s Net Position increased as a result of the following: Net Investment in Capital Assets decreased as a result of net depreciation and net asset retirements over capital additions during the year as well as an increased

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014

construction in progress balance. Increases in Restricted Nonexpendable Net Position resulted from the receipt of generous endowment donations from University friends and alumni for both scholarships and other operating needs. Increases in Restricted Expendable Net Position resulted from the additions in funding for the Center for the Arts in the form of gifts and grants. The increases in Unrestricted Net Position is attributed to the increased tuition and fee revenues, private gifts and grants revenues, and investment income.



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the year ended June 30. Below is a Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 46,346,728	\$ 35,085,930	\$ 11,260,798	32.1%
Grants and Contracts	466,569	1,383,092	(916,523)	-66.3%
Sales and Services	15,548,067	17,006,369	(1,458,302)	-8.6%
Auxiliary Enterprises	3,925,692	4,054,074	(128,382)	-3.2%
Other	31,930	36,520	(4,590)	-12.6%
Total Operating Revenues	66,318,986	57,565,985	8,753,001	15.2%
Operating Expenses				
Salaries	48,586,209	49,360,224	(774,015)	-1.6%
Benefits	20,558,394	20,269,164	289,230	1.4%
Depreciation	6,515,704	6,405,846	109,858	1.7%
Repairs and Maintenance	3,343,226	1,074,510	2,268,716	211.1%
Services and Supplies	23,140,485	14,649,930	8,490,555	58.0%
Student Aid	6,859,815	8,385,822	(1,526,007)	-18.2%
Utilities	2,375,500	2,644,593	(269,093)	-10.2%
Other Operating Expenses	10,950,892	10,595,773	355,119	3.4%
Total Operating Expenses	122,330,225	113,385,862	8,944,363	7.9%
Operating Loss	(56,011,239)	(55,819,877)	(191,362)	-0.3%
Nonoperating Revenues (Expenses)				
State Appropriations	31,583,161	30,649,260	933,901	3.0%
Grants and Contracts	22,242,823	20,825,103	1,417,720	6.8%
Private Gifts and Grants	10,187,914	3,001,796	7,186,118	239.4%
Investment Income	2,408,367	1,379,729	1,028,638	74.6%
Other Nonoperating Revenues				
(Expenses)	(13,481)	(28,980)	15,499	53.5%
Interest on Indebtedness	(698,262)	(1,026,147)	327,885	32.0%
Net Nonoperating Revenue	65,710,522	54,800,761	10,909,761	19.9%
(Expenses)	9,699,283	(1,019,116)	10,718,399	1051.7%
Income (Loss) Before Other Revenue	6,728,705	14,965,714	(8,237,009)	-55.0%
Other Revenues	16,427,988	13,946,598	2,481,390	17.8%
Change in Net Position	186,826,194	172,879,596	13,946,598	8.1%
Net Position - Beginning of Year	\$ 203,254,182	\$ 186,826,194	\$ 16,427,988	8.8%
Net Position - End of Year	203,254,182	186,826,194	16,427,988	8.8%

The increases to Tuition and Fees were a result of the addition of the Aviation Program and the contracts formed with Upper Limit Aviation and the US Department of Veteran Affairs. Operating Grants and Contracts decreased due to

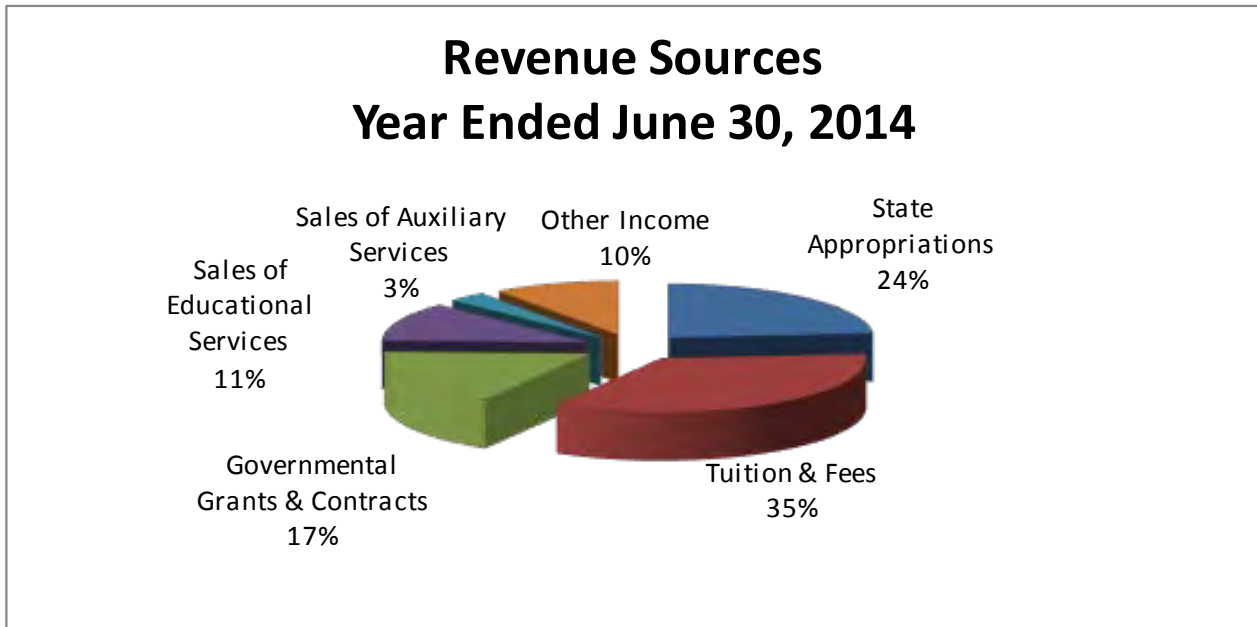
SOUTHERN UTAH UNIVERSITY

finalizing the Youth Intern Partnership with the National Parks Service. Sales and Services decreased primarily as a result of decreased credit card fees, Athletics game guarantees and Utah Shakespeare Festival Admissions. Auxiliary Enterprises revenues decreased primarily from lower Bookstore sales and Housing rentals.

The decrease in salary was due to several retirements allowing the University to hire replacement employees at a lower salary. Benefits increased as a result of continual health insurance cost increases. Repairs and Maintenance increased as a result of Division of Facilities Construction and Management (DFCM) maintenance projects being completed and expensed. Services and supplies increased as a result of payments to Upper Limit Aviation for operating costs associated with the new Aviation Program. Student Aid expenses decreased as a result of increased third party payments for student tuition and fees.

Non-Operating Grants and Contracts increased as a result of increased non-capital construction projects transferred from DFCM. Private gifts and grants increased as a result of additional fund raising efforts for the Center for the Arts. Investment income increased primarily from increases in market value for investments held during the year. Interest on Indebtedness decreased as a result of total repayment of the 2002A bond series. Other Revenues decreased as a result of decreased capital gifts and grants and less additions to permanent endowments, offset by an increase in capital appropriations.

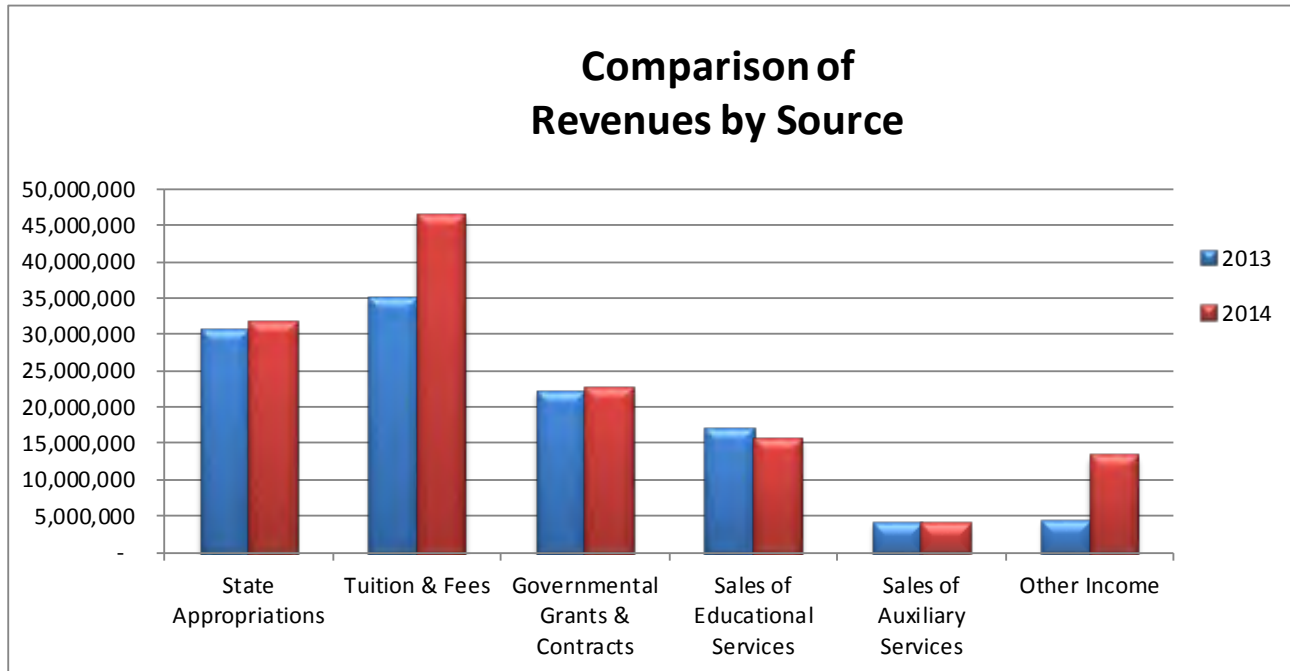
The following graphs illustrate all funding sources, except Capital Appropriations, Capital Grants and Gifts and Additions to Permanent Endowments of the University, as a percentage of total revenues for the year ended June 30, 2014, with a comparison to the prior year:



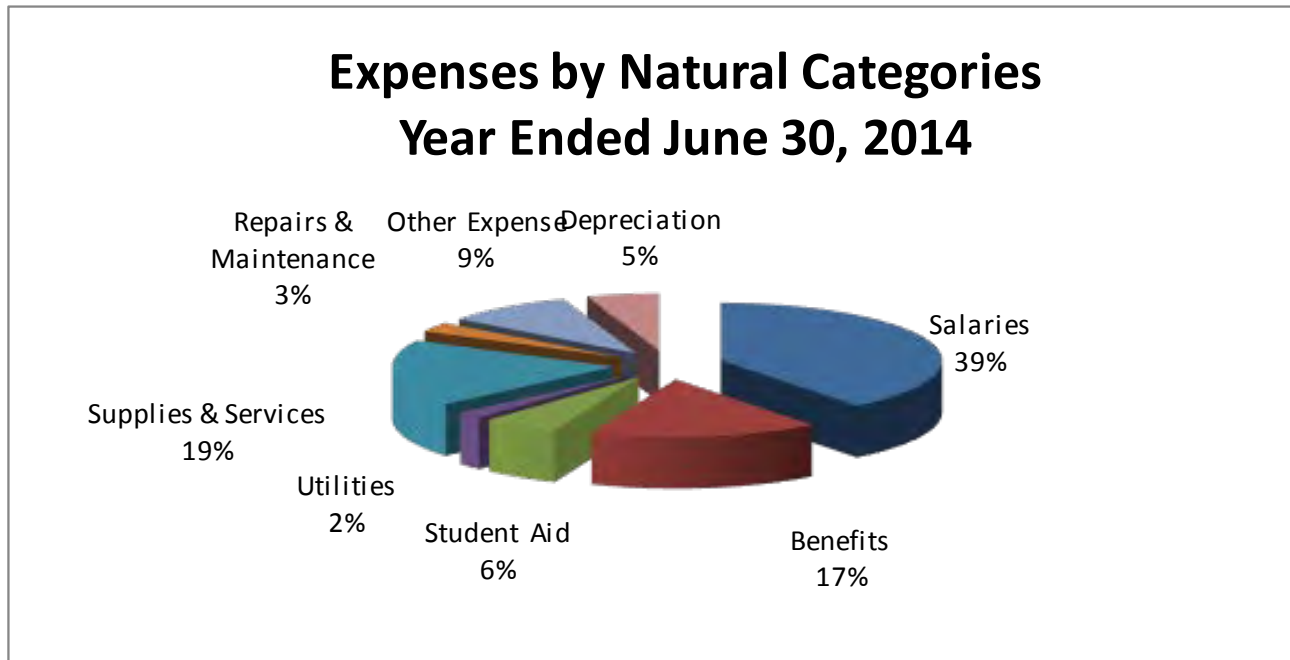
SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014



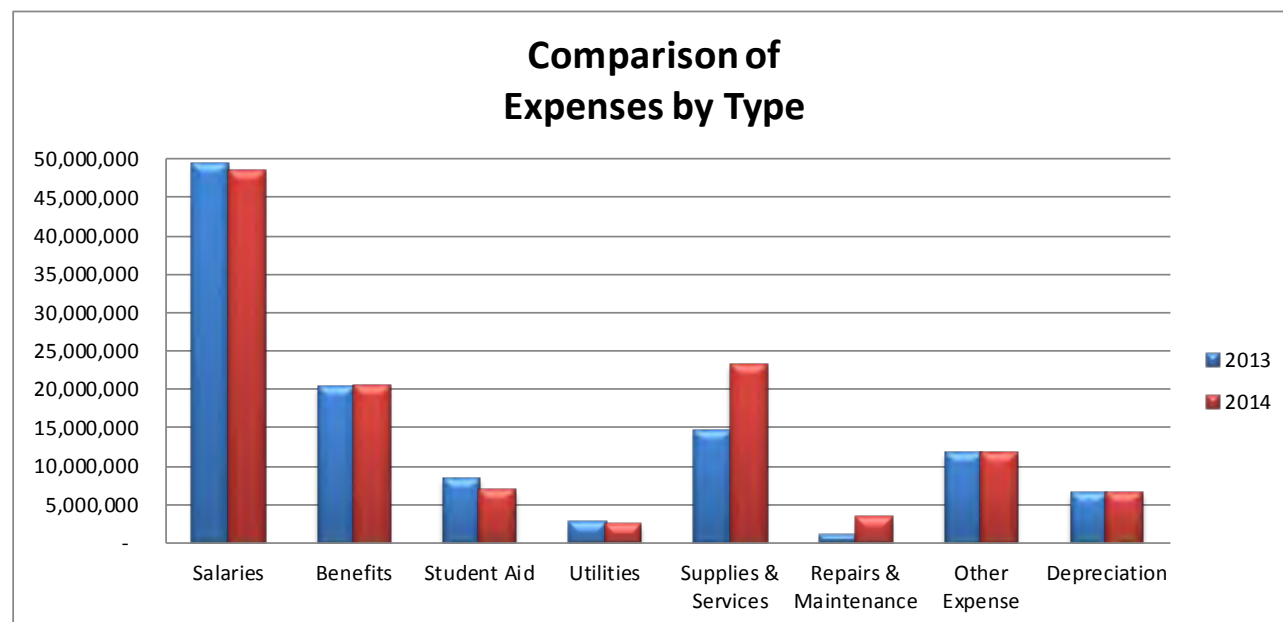
The following graphs illustrate expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2014, with a comparison to the prior year:



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MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014



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 including Operations, Noncapital Financing Activities, Capital Financing Activities and Investing Activities. Below is a Condensed Statement of Cash Flows for the fiscal years ended June 30, 2014 and 2013.

Condensed Statement of Cash Flows				
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>	<u>% Change</u>
Cash Provided (Used) by:				
Operating Activities	\$ (43,605,753)	\$ (47,511,317)	\$ 3,905,564	8.2%
Noncapital Financing Activities	54,220,864	55,681,380	(1,460,516)	-2.6%
Capital Financing Activities	3,472,797	4,827,537	(1,354,740)	-28.1%
Investing Activities	<u>(15,730,999)</u>	<u>7,593,508</u>	<u>(23,324,507)</u>	<u>-307.2%</u>
Net Increase (Decrease)				
in Cash	(1,643,091)	20,591,108	(22,234,199)	-108.0%
Cash - Beginning of Year	<u>52,974,131</u>	<u>32,383,023</u>	<u>20,591,108</u>	<u>63.6%</u>
Cash - End of Year	<u>\$ 51,331,040</u>	<u>\$ 52,974,131</u>	<u>\$ (1,643,091)</u>	<u>-3.1%</u>

Noncapital Financing Activities include state appropriations, most grants and contracts, noncapital gifts, other non-operating revenue and agency fund activity. Capital Financing Activities are those associated with capital assets such as capital appropriations, gifts, proceeds from capital debt, capital debt payments, proceeds from the sale of capital assets, and capital asset purchases. Investing Activities include proceeds from the sale of investments and interest/dividend earnings and payments for the purchase of investments.

Cash used by Operating Activities was reduced as a result of increased receipts from tuition and fees, decreased payments to employees, and decreased payments for student financial aid. These changes were offset by increased

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MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2014

payments to suppliers and decreased receipts from auxiliary and educational services and from operating grants/contracts. Cash provided by Noncapital Financing Activities remained somewhat constant as a result of increased receipts from state appropriations, offset by decreased receipts for permanent endowments and for non-operating and noncapital gifts/grants. Cash flows from Capital Financing Activities decreased primarily as a result of decreased capital grants and gifts. Cash flows from Investing Activities decreased because of significantly increased investment purchases; although, receipts from the sale/maturity of investment also increased.

Economic Factors that May Affect the Future

Economists and business leaders continue to be optimistic about the state's economy and forecast that economic growth in the state will continue to grow at a rate higher than the national average. Continued growth has been seen in most areas that account for the majority of state and local tax revenues. It is anticipated that job growth and new home starts will continue to rise modestly throughout the coming year. However, concerns about rising mortgage rates, foreclosures, and bankruptcies keep adding to consumer reservations. Also, the Federal Government's inability to develop a long-term balanced budget creates some additional uncertainty.

The University believes, like many economists that 2015 will see continued modest economic improvement. The University's Fiscal Year 2015 budget includes an increase from the state General Fund. Although gross tuition is expected to increase in 2015 because of a four percent increase in tuition rates accompanied by a less than one percent drop in enrollment, net tuition is not expected to increase significantly in 2015 because tuition waivers are expected to increase, especially for non-resident students. The University believes it is well positioned to manage current and future budget challenges.

Summary

The accompanying financial statements, including footnotes, reflect the budgeting challenges of this past year while continuing to show that the University's financial position remains solid during these challenging times.



SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2014

	University	Southern Utah University Foundation	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note B)	\$ 32,756,470	\$ 62,532	\$ 32,819,002
Short-term Investments (Note B)	2,006,337	257,000	2,263,337
Receivables, Net of Allowance (Note C)	7,908,301	7,664,051	15,572,352
Due From Related Parties (Notes C & D)	405,346		405,346
Loans Receivable, Net (Note E)	430,067		430,067
Inventories (Note F)	785,105		785,105
Prepaid Expenses (Note G)	4,421,949		4,421,949
Total Current Assets	48,713,575	7,983,583	56,697,158
Noncurrent Assets:			
Restricted Cash and Cash Equivalents (Note B)	18,512,038		18,512,038
Investments (Note B)	35,664,917		35,664,917
Pledges Receivable (Note C)	3,050,566		3,050,566
Loans Receivable, Net (Note E)	1,351,611		1,351,611
Real Estate Held for Sale (Note H)	51,400	1,234,481	1,285,881
Capital Assets, Net of Accumulated Depreciation (Note H)	126,170,881		126,170,881
Total Noncurrent Assets	184,801,413	1,234,481	186,035,894
Total Assets	233,514,988	9,218,064	242,733,052
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable (Note I)	4,807,743	255	4,807,998
Due to Related Parties (Note D)	814,443		814,443
Payroll and Withholding Taxes Payable (Note I)	740,096		740,096
Accrued Health Insurance Benefits (Note Q)	1,158,804		1,158,804
Deposits and Other Liabilities (Note J)	469,390		469,390
Unearned Revenues (Note G)	8,348,867		8,348,867
Compensated Absences and Termination Benefits (Note K)	2,122,178		2,122,178
Bonds, Notes, and Contracts Payable (Notes K & L)	1,638,831	24,723	1,663,554
Total Current Liabilities	20,100,352	24,978	20,125,330
Noncurrent Liabilities:			
Compensated Absences and Termination Benefits (Note K)	1,409,936		1,409,936
Bonds, Notes, and Contracts Payable (Notes K & L)	17,721,883	221,721	17,943,604
Total Noncurrent Liabilities	19,131,819	221,721	19,353,540
Total Liabilities	39,232,171	246,699	39,478,870
NET POSITION:			
Net Investment in Capital Assets	106,870,287		106,870,287
Restricted Nonexpendable:			
Scholarships	10,706,209		10,706,209
Other	7,867,884		7,867,884
Restricted Expendable:			
Scholarships	3,217,846		3,217,846
Capital Projects	24,762,230		24,762,230
Loans	2,159,570		2,159,570
Other	4,904,088	617,567	5,521,655
Unrestricted	33,794,703	8,353,798	42,148,501
Total Net Position	\$ 194,282,817	\$ 8,971,365	\$ 203,254,182

The accompanying notes are an integral part of these financial statements.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2014

	University	Southern Utah University Foundation	Total
Operating Revenues:			
Student Tuition and Fees (net of scholarship discounts and allowances of \$15,934,339)	\$ 46,346,728	\$ -	\$ 46,346,728
Governmental Grants and Contracts	466,569		466,569
Sales and Services of Educational Activities	15,525,924	22,143	15,548,067
Sales and Services of Auxiliary Enterprises (net of scholarship discounts and allowances of \$919,726)	3,925,692		3,925,692
Interest Income on Student Loans	31,930		31,930
Total Operating Revenues	66,296,843	22,143	66,318,986
Operating Expenses:			
Salaries	48,586,209		48,586,209
Benefits	20,558,394		20,558,394
Depreciation	6,515,704		6,515,704
Repairs and Maintenance	3,341,428	1,798	3,343,226
Services and Supplies	23,139,736	749	23,140,485
Student Aid	6,859,815		6,859,815
Utilities	2,371,977	3,523	2,375,500
Other Operating Expenses	10,927,563	23,329	10,950,892
Total Operating Expenses	122,300,826	29,399	122,330,225
Operating Income (Loss)	(56,003,983)	(7,256)	(56,011,239)
Nonoperating Revenues (Expenses)			
Government Appropriations - State	31,583,161		31,583,161
Government Grants and Contracts	22,242,823		22,242,823
Private Gifts and Grants	2,700,432	7,487,482	10,187,914
Investment Income	2,408,124	243	2,408,367
Other Nonoperating Revenue (Expense)	(13,481)		(13,481)
Interest on Indebtedness	(698,262)		(698,262)
Net Nonoperating Revenue	58,222,797	7,487,725	65,710,522
Income (Loss) Before Other Revenue	2,218,814	7,480,469	9,699,283
Other Revenue			
Capital Appropriations	2,919,461		2,919,461
Capital Grants & Gifts	3,647,335		3,647,335
Additions to Permanent Endowments	161,909		161,909
Total Other Revenue	6,728,705	-	6,728,705
Increase (Decrease) in Net Position	8,947,519	7,480,469	16,427,988
Net Position - Beginning of Year	185,335,298	1,490,896	186,826,194
Net Position - End of Year	\$ 194,282,817	\$ 8,971,365	\$ 203,254,182

The accompanying notes are an integral part of these financial statements.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2014

	University	Southern Utah University Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	\$ 48,714,736	\$ -	\$ 48,714,736
Receipts from Grants/Contracts	481,288		481,288
Receipts from Auxiliary and Educational Services	17,544,359	20,300	17,564,659
Collection of Loans to Students and Employees	384,847		384,847
Loans Issued to Students and Employees	(418,323)		(418,323)
Payments for Employee Services and Benefits	(69,020,862)		(69,020,862)
Payments to Suppliers	(34,422,509)	(29,774)	(34,452,283)
Payments for Student Financial Aid	(6,859,815)		(6,859,815)
Net Cash Provided (Used) by Operating Activities	<u>(43,596,279)</u>	<u>(9,474)</u>	<u>(43,605,753)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Appropriations	31,583,161		31,583,161
Receipts from Grants/Contracts	19,742,790		19,742,790
Gifts/Grants for Other Than Capital Purposes	2,720,389	(19,270)	2,701,119
Receipts for Permanent Endowments	161,909		161,909
Agency Account Receipts	1,552,050		1,552,050
Agency Account Payments	(1,520,165)		(1,520,165)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>54,240,134</u>	<u>(19,270)</u>	<u>54,220,864</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Receipts from Capital Appropriations	2,662,743		2,662,743
Receipts from Capital Grants/Gifts	4,088,610		4,088,610
Proceeds from Sale of Capital Assets	227,714		227,714
Purchases of Capital Assets	(1,611,300)		(1,611,300)
Principal Paid on Capital Debt/Leases	(1,196,708)		(1,196,708)
Interest Paid on Capital Debt/Leases	(698,262)		(698,262)
Net Cash Provided (Used) by Capital Financing Activities	<u>3,472,797</u>		<u>3,472,797</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale/Maturity of Investments	26,906,691		26,906,691
Receipt of Interest/Dividends from Investments	490,996	243	491,239
Purchase of Investments	(43,125,362)	(3,567)	(43,128,929)
Net Cash Provided (Used) by Investing Activities	<u>(15,727,675)</u>	<u>(3,324)</u>	<u>(15,730,999)</u>
Net Increase (Decrease) in Cash	(1,611,023)	(32,068)	(1,643,091)
Cash & Cash Equivalents - Beginning of Year	<u>52,879,531</u>	<u>94,600</u>	<u>52,974,131</u>
Cash & Cash Equivalents - End of Year	<u>\$ 51,268,508</u>	<u>\$ 62,532</u>	<u>\$ 51,331,040</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2014

	University	Southern Utah University Foundation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (56,003,983)	\$ (7,256)	\$ (56,011,239)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,515,704		6,515,704
Operations and Maintenance Expense paid by Division of Facility Construction and Management	2,636,162		2,636,162
Changes in Assets and Liabilities:			
Receivables (Net)	(3,010,924)		(3,010,924)
Due from Related Parties	88,082		88,082
Student Loans Receivable	64,715		64,715
Inventories	259,465		259,465
Prepaid Expenses	524,746		524,746
Accounts Payable	2,928,101	(375)	2,927,726
Due to Related Parties	14,880		14,880
Accrued Liabilities	(1,076,445)	(1,843)	(1,078,288)
Accrued Payroll	(175,824)		(175,824)
Deferred Revenues	3,206,802		3,206,802
Compensated Absences	432,240		432,240
Net Cash Provided (Used) by Operating Activities	\$ (43,596,279)	\$ (9,474)	\$ (43,605,753)
Noncash Investing, Noncapital Financing, and Capital Financing Transactions			
Change in Fair Value of Investments Recognized as Investment Income	\$ 1,825,260	\$ -	\$ 1,825,260
Donation of Investment Securities	126,817		126,817
Re-investment of Investment Dividends and Interest	321,337		321,337
Repairs and Maintenance paid by Division of Facility Construction and Management	2,636,162		2,636,162
Capital Projects paid by Division of Facility Construction and Management	256,718		256,718
Loss on Retirement of Capital Assets	(13,481)		(13,481)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents Classified as Current Assets	\$ 32,756,470	\$ 62,532	\$ 32,819,002
Cash and Cash Equivalents Classified as Noncurrent Assets	18,512,038		18,512,038
Total Cash and Cash Equivalents	\$ 51,268,508	\$ 62,532	\$ 51,331,040

The accompanying notes are an integral part of these financial statements.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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. In addition, the financial statements include the Southern Utah University Foundation (the Foundation).

The Foundation is a legally separate, non-profit organization, incorporated under Utah law in 1996. The Foundation is included in the University's financial statements as a blended component unit because the University appoints a controlling number of positions on the Board of Directors of the Foundation and the University has the ability to impose their will on the Foundation, significantly influencing the programs, projects and activities of the Foundation. Additionally, the Foundation provides services entirely or almost entirely to the University.

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. 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.

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 Position or Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows, and notes to the financial statements. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting.

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 (PTIF) are also considered cash equivalents. The Utah State Treasurer's Office operates the Utah PTIF which is invested in accordance with the State Money Management Act. The State Money Management Council provides regulatory oversight for the PTIF.

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* and GASB Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments*. 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 Position. The valuation of real estate investments at June 30, 2014 is based on an analysis of changes in the local market applied to the most recent appraisals for all material real estate investments.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff, and other private parties. 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. Accounts receivable are recorded net of estimated uncollectible amounts. Donor pledges are also included as accounts receivable. Only those pledges deemed by management as collectible are recorded; therefore, no estimate is made for uncollectible amounts.

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

FISCAL YEAR ENDED JUNE 30, 2014

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 Position.

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 is 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 and intangibles, 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, 3 to 20 years for equipment, and 3 to 5 years for intangibles.

Unearned Revenues

Unearned 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. Unearned 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 Position, and as a component of salaries and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Position.

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.

Net Position

The University's Net Position is classified as follows:

Net investment in capital assets: 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 position 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 position 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 position 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.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses: Operating revenues and expenses 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) some federal, state, and local grants and contracts, (4) interest on institutional student loans (5) the cost of providing services, (6) administration expenses, and (7) depreciation of capital assets.

Non-operating Revenues and Expenses: Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, expenses not meeting the definition of operating expenses, and other revenue sources that are defined as non-operating cash flows by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as state appropriations, grants, 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 Position. 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 non-operating 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.

Effect of New GASB Pronouncements

Effective for fiscal year 2015, GASB issued Statement No. 68, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27*. This new

standard will impact the University's recognition and timing of assets and liabilities in the financial statements. The requirements of this statement will require restating the beginning net position of the University. The University is not planning to early implement this Standard and has made no estimation of the effect this Standard will have on the financial statements.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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 noncurrent investments (instruments having an original maturity greater than 3 months and equity type investments) are recorded at fair value. At June 30, 2014, cash and cash equivalents and short-term investments consisted of:

	<u>University</u>	<u>Foundation</u>	<u>Total</u>
<u>Cash and Cash Equivalents - Current</u>			
Cash	\$ 1,816,275	\$ 2,412	\$ 1,818,687
Utah PTIF	30,940,195	60,120	31,000,315
Total (fair value)	\$ 32,756,470	\$ 62,532	\$ 32,819,002
 <u>Cash and Cash Equivalents - Restricted</u>			
Cash	\$ 872,878	\$ -	\$ 872,878
Money Market	729,476		729,476
Utah PTIF	16,909,684		16,909,684
Total (fair value)	\$ 18,512,038	\$ -	\$ 18,512,038
 <u>Short-term Investments</u>			
Certificates of Deposit	\$ 1,006,023	\$ -	\$ 1,006,023
Securities	1,000,314		1,000,314
Other Equity Investments		257,000	257,000
Total (fair value)	\$ 2,006,337	\$ 257,000	\$ 2,263,337

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.

Except for endowment 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.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of

Institutional Funds Act (UPMIFA) and State Board of Regents R541, Management and Reporting of Institutional Investments (R541).

According to the Uniform Prudent 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 and 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, 2014, was 2.0% 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 amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2014 was approximately \$4,900,000. The net appreciation was a component of restricted, expendable net position.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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, 2014, the University's bank balances were \$3,600,937, of which \$2,850,937 was uninsured and uncollateralized.

Investments

The Utah Money Management Act defines the types of securities authorized as appropriate investments for the University's non-endowment funds 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.

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes 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 Money Management Act; and the Utah State Public Treasurer's Investment Fund.

The UPMIFA and R541 allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission; investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative

investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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 was approximately equal to the value of the pool shares.

At June 30, 2014, the investment portfolio composition was as follows:

<u>Noncurrent Investments</u>	
Mutual Funds	\$ 10,707,954
Common Stocks	670,786
Securities	24,159,927
Alternative Equity Investments	126,250
Total (fair value)	<u>\$ 35,664,917</u>

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 Utah Money Management Act or UPMIFA and R541, as applicable. For non-endowment funds, 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. The Act further limits the remaining term to maturity on all investments in

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. For endowment funds, R541 is more general, requiring

only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2014, the University had the following investments with the following maturities:

<u>Investment Type</u>	Fair Value	<u>Investment Maturities (in Years)</u>			
		Less than 1	1-5	6-10	More than 10
State of Utah PTIF	\$ 47,909,999	\$ 47,909,999	\$ -	\$ -	\$ -
Corporate Securities	13,663,714		13,663,714		
U. S. Agencies	11,496,527	1,000,314	10,496,213		
	<u>\$ 73,070,240</u>	<u>\$ 48,910,313</u>	<u>\$ 24,159,927</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other Investments/ Endowment Funds</u>					
Equity Mutual Funds	10,707,954				
Equity Investments	797,036				
Total Investments	<u>\$ 84,575,230</u>				

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 Utah Money Management Act, UPMIFA, and R541 as previously discussed.

invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments.

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 or the UPMIFA and R541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. For endowment funds, R541 requires that a minimum of 25% of the overall endowment portfolio be

R541 also limits investments in alternative investment funds based on the size of the University's endowment fund. SUU's endowment fund size limits these alternative investment funds to between 0% and 10%.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. As of June 30, 2014, the University had \$25,160,241 in debt securities and \$670,786 in equity securities which were held by Wells Fargo Bank, N.A. but not in the University's name.

At June 30, 2014, the University had the following investments with the following quality ratings:

<u>Investment Type</u>	Fair Value	<u>Quality Ratings</u>			
		AA	A	BBB	Unrated
State of Utah PTIF	\$ 47,909,999	\$ -	\$ -	\$ -	\$ 47,909,999
Corporate Notes	13,663,714		1,131,645	12,532,069	
U. S. Agencies	11,496,527	11,496,527			
Total	<u>\$ 73,070,240</u>	<u>\$ 11,496,527</u>	<u>\$ 1,131,645</u>	<u>\$ 12,532,069</u>	<u>\$ 47,909,999</u>

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

NOTE C. Receivables and Due From Related Parties

Receivables and amounts due from related parties consisted of the following at June 30, 2014:

	University	Foundation	Total	Current Portion
Student Tuition and Fees	\$ 2,697,215	\$ -	\$ 2,697,215	\$ 2,697,215
Federal, State, and Private Grants and Contracts	1,008,994		1,008,994	1,008,994
Auxiliary Service Charges	544,277		544,277	544,277
Continuing & Professional Studies Fees	336,644		336,644	336,644
Utah Shakespearean Festival Ticket Sales	484,012		484,012	484,012
Interest and Dividends Receivable	149,276		149,276	149,276
Contributions and Gifts (Pledges)	4,522,374	7,483,482	12,005,856	8,955,290
Other Operating	1,827,421	254,087	2,081,508	2,081,508
Allowance for Doubtful Accounts	(206,000)	(73,518)	(279,518)	(279,518)
Total	\$ 11,364,213	\$ 7,664,051	\$ 19,028,264	\$ 15,977,698



NOTE D. Due To/Due From Related Parties

Southern Utah University receives and provides services, supplies, repairs and maintenance, and capital projects through departments, agencies, and other component units of the State of Utah. The following tables are a summary

of the net amount due to the Division of Facilities and Construction Management (DFCM) for repairs and maintenance and capital projects and amounts due from and due to all other related parties for services and supplies as of the year ended June 30, 2014.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

Related Party Receivables consisted of the following
at June 30, 2014:

	Balance
State of Utah	\$ 255,114
Governor's Office of Econ Dev	48,613
Utah State University	40,288
University of Utah	37,187
Salt Lake Community College	24,144
Total	\$ 405,346

Related Party Payables consisted of the following
at June 30, 2014:

	Balance
DFCM	\$ 672,446
Utah State Retirement Systems	119,967
Other related parties	22,030
Total	\$ 814,443

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, 2014, the current and long-term loans receivable amounts net of allowance were \$430,067 and \$1,351,611, respectively. The allowance for uncollectible loans was \$80,100.

NOTE F. Inventories

Total inventories at June 30, 2014 were \$785,105. They consisted of a gifted collection of *Westward America*, *Deluxe* and *Collector Editions* held for resale in the amount of \$12,580, as well as *Bookstore inventory* in the amount of \$772,525.

NOTE G. Prepaid Expenses and Unearned Revenues

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

Prepaid Expenses and Unearned Revenues at June 30,
2014, consisted of the following:

	Prepaid Expenses	Unearned Revenues
Utah Shakespeare Festival	\$ 3,188,769	\$ 2,617,150
Student Tuition and Fees		5,386,754
Grants and Contracts		95,924
Miscellaneous	1,233,180	249,039
Total	\$ 4,421,949	\$ 8,348,867

NOTE E. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprised substantially all of the loans receivable at June 30, 2014. The Program provided for cancellations of loans at rates of 10% to 30% per year up to a maximum of 100% if the participant complied with certain provisions. In the past, the Federal Government has reimbursed the University for amounts cancelled under these provisions; however, for the past few years there have been no reimbursements. As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal

NOTE H. Capital Assets and Real Estate Held for Sale

Land held for sale is stated at the lower of cost at the date of acquisition (donation) or market. As of June 30, 2014, the University held real estate for sale recorded at \$51,400 along with \$1,234,481 held in the SUU Foundation. All of the property is donated property.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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

consisted of the following at June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Land	\$ 8,663,664		\$ (3,843)	\$ 8,659,821
Land Imp/Infrastructure	10,199,503			10,199,503
Buildings	171,296,230	513,439		171,809,669
Equipment	12,267,985	798,364	(736,594)	12,329,755
Vehicles	1,484,108	55,695	(8,487)	1,531,316
Intangibles	640,174		(68,240)	571,934
Art Work/Collections	2,596,910	216,300		2,813,210
Library Collections	6,971,870	183,698	(162,454)	6,993,114
Construction-in-Progress	454,202	297,532	(170,236)	581,498
Total	214,574,646	2,065,028	(1,149,854)	215,489,820
Less: Accumulated Depreciation				
Land Imp/Infrastructure	6,163,477	675,417		6,838,894
Buildings	62,372,061	4,028,081		66,400,142
Equipment	9,508,451	1,340,816	(701,109)	10,148,158
Vehicles	1,188,718	102,330	(15,800)	1,275,248
Intangibles	547,092	66,754	(68,240)	545,606
Art Work/Collections	582,162	19,469		601,631
Library Collections	3,373,623	282,837	(147,200)	3,509,260
Total	83,735,584	6,515,704	(932,349)	89,318,939
Capital Assets, net	\$ 130,839,062	\$ (4,450,676)	\$ (217,505)	\$ 126,170,881

The Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for State institutions, maintains records, and furnishes cost information for recording capital assets on the books of the University. Construction projects are recorded on the books of the University as funds are expensed or when projects are substantially completed if funded through State Appropriations administered through DFCM. The University is committed to the completion of all projects that are added to construction-in-progress. Total

estimated costs to complete these projects as of June 30, 2014, was \$35,554,000. Remaining (unpaid) costs of \$33,477,018 were contractually committed to DFCM as of June 30, 2014. A remaining commitment of \$24,498,486 exists for the Engelstad Shakespeare Theatre project, of which \$13,000,000 is the University's portion, and \$11,498,486 is the portion owned by the Utah Shakespeare Festival Foundation (a separate legal, non-profit entity).

Construction commitments at June 30, 2014 represent the University's estimated cost related to the construction of the following projects funded by state grants and private gifts, less construction in progress, as well as the University's guarantee of the portion of the Theatre project being funded by the Utah Shakespeare Festival Foundation (see Note S):

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

Project	Estimated Costs	Amounts Billed to DFCM	Remaining Commitment	Amounts Paid by SUU	Construction In Progress
Valley Farm Arena	\$ 554,000	\$ 10,895	\$ 543,105	\$ -	\$ 10,895
SUMA	9,000,000	564,573	8,435,427	6,030	570,603
Theatre	13,000,000	-	13,000,000	-	-
SUU Total	<u>\$ 22,554,000</u>	<u>\$ 575,468</u>	<u>\$ 21,978,532</u>	<u>\$ 6,030</u>	<u>\$ 581,498</u>

Portion owned by Utah Shakespeare Festival Foundation

Theatre	\$ 13,000,000	\$ 1,501,514	\$ 11,498,486	\$ -	\$ -
Total Projects	<u>\$ 35,554,000</u>	<u>\$ 2,076,982</u>	<u>\$ 33,477,018</u>	<u>\$ 6,030</u>	<u>\$ 581,498</u>

NOTE I. Accounts, Interest, and Payroll Related Payables

Accounts and Interest payable consisted of the following at June 30, 2014:

	University	Foundation	Total
Vendors	\$ 3,782,250	\$ 255	\$ 3,782,505
Interest	128,590		128,590
Sales Tax	9,326		9,326
Other	887,577		887,577
Total	<u>\$ 4,807,743</u>	<u>\$ 255</u>	<u>\$ 4,807,998</u>

Payroll and Withholding Taxes payable consisted of the following at June 30, 2014:

	Balance
Accrued Payroll	\$ 695,019
FICA & Medicare	41,600
Unemployment	3,610
Garnishments	(133)
Total	<u>\$ 740,096</u>

NOTE J. Deposits and Other Liabilities

Deposits and Other Liabilities consisted of the following at June 30, 2014:

	Balance
Agency Funds	\$ 192,866
Enrollment	122,100
Housing	5,836
Gift Certificates - USF	124,599
Gift Certificates - Bookstore	11,669
Other	12,320
Total	<u>\$ 469,390</u>



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

NOTE K. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Bonds, Notes, and Contracts Payable					
Bonds Payable	\$ 19,410,000	\$ -	\$ (1,085,000)	\$ 18,325,000	\$ 1,135,000
Unamortized Bond Premium	737,663		(114,572)	623,091	113,298
Unamortized Bond Discount	(35,362)		2,864	(32,498)	(2,787)
Notes Payable	385,000			385,000	385,000
Remainder Annuity Trusts	67,712		(7,591)	60,121	8,320
Remainder Annuity Trusts - Foundation	269,714		(23,270)	246,444	24,723
Total	20,834,727	-	(1,227,569)	19,607,158	1,663,554
Compensated Absences & Termination Benefits					
Compensated Absences	1,669,522	1,415,571	(1,450,243)	1,634,850	1,537,853
Termination Benefits	1,430,352	835,705	(368,793)	1,897,264	584,325
Total	3,099,874	2,251,276	(1,819,036)	3,532,114	2,122,178
Total Long-Term Liabilities	\$ 23,934,601	\$ 2,251,276	\$ (3,046,605)	\$ 23,139,272	\$ 3,785,732



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

NOTE L. Bonds and Notes Payable

Revenue bonds payable consisted of the following at June 30, 2014:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2013-14	Balance June 30, 2014
Bonds Payable					
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	\$ 4,540,000	\$ 625,000	\$ -
Auxiliary System, Series 2008	7/22/2008	3.500-5.250%	12,025,000	350,000	10,395,000
Auxiliary System, Series 2011	8/11/2011	2.000-4.000%	8,285,000	110,000	7,930,000
Total Bonds Payable			\$ 24,850,000	\$ 1,085,000	\$ 18,325,000

The scheduled maturities of the revenue bonds are as follows at June 30, 2014:

Year	Principal	Interest	Total
2015	1,135,000	771,544	1,906,544
2016	1,165,000	733,844	1,898,844
2017	1,205,000	695,144	1,900,144
2018	1,250,000	655,094	1,905,094
2019	1,300,000	605,094	1,905,094
2020-2024	6,260,000	2,175,630	8,435,630
2025-2029	3,020,000	1,179,938	4,199,938
2030-2033	2,990,000	371,500	3,361,500
Total Bonds payable before unamortized premium	\$ 18,325,000	\$ 7,187,788	\$ 25,512,788

Principal and interest on these revenue bonds are collateralized by a first lien on and pledge of Student Center Building Fees, net revenues derived from the operation of the Auxiliary Enterprise System and investment income of the bond security reserve funds (See Note M).

The University is required to maintain certain debt service reserves aggregating \$1,909,456. As of June 30, 2014, the balance in the debt service reserve funds met or exceeded this requirement.

Note Payable

The University holds a note payable in the amount of \$385,000 that bears interest at zero percent, due on demand.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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, 2014:

	Date Created	Interest Rate	Present Value	Current Portion
Charitable Remainder Annuity Trusts:				
J & C Wadsworth	9/25/2001	6.200%	\$ 246,444	\$ 24,723
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	60,121	8,320
Total Annuities Payable			\$ 306,565	\$ 33,043

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2015	33,043	19,728	52,771
2016	35,213	17,589	52,802
2017	37,527	15,306	52,833
2018	39,996	12,869	52,865
2019	42,629	10,270	52,899
2020-2022	118,157	14,226	132,383
Total	\$ 306,565	\$ 89,988	\$ 396,553



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

Operating Lease

Southern Utah University has entered into operating leases to rent both additional office space and classroom space. The terms of the leases vary depending on the lease and the lessor. While one of the leases includes annual escalations to the amount due based on the Consumer Price Index (CPI), the remainder of the leases do not include any escalation clauses with respect to the annual charges. For the fiscal year ended June 30, 2014, payments of \$429,354 were paid on these leases and are included in Other Operating Expenses on the Statement of Revenues, Expenses, and changes in Net Position.

Future minimum payments of the operating leases, adjusted for an average CPI of 1.42% where applicable, are as follows:

Year	Payments
2015	355,134
2016	204,776
2017	97,083
2018	74,547
2019	52,011
2020	26,006
Total	\$ 809,557

NOTE M. Auxiliary System Bond Revenue Fund

The following schedule reflects the pledged receipts and disbursements of the Bond Revenue Fund of the Auxiliary System for the year ended June 30, 2014:

Pledged Receipts:

Operating Revenues	\$ 8,102,829
Operating & Maintenance Expenses	(5,335,530)
Total Pledged Net Receipts	\$ 2,767,299
Transfers to:	
Debt Service	\$ 1,436,485
Trustee and Other Fees	9,537
Renewal & Replacement Reserves	1,152,278
Other Lawful Purposes	168,999
Total Transfers of Pledged Receipts	\$ 2,767,299
Debt Service Reconciliation:	
Debt Service Principal and Interest payments	\$ 1,902,656
Bond Reserve Interest applied to Debt Service	(466,171)
Total Transfer to Debt Service	\$ 1,436,485

NOTE N. Retirement Plans

As required by state law, the University participates in three retirement plans covering substantially all of its regular employees. Faculty and administrative employees participate in the Teachers Insurance and Annuity

Association (TIAA) and/or Fidelity Investments while all other staff employees participate in the Utah State Retirement System. The total payroll expenses for the years ended June 30, 2014, 2013, and 2012 were \$48,586,013, \$49,360,224, and \$47,659,575, respectively.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

The covered payroll expenses and the retirement contributions were as follows for the years ended June 30:

Retirement Program	Covered Payroll Expenses		
	2014	2013	2012
TIAA	\$ 20,101,334	\$20,480,890	\$ 20,545,464
Fidelity	7,836,260	7,591,344	6,661,475
State-Contributory	815,641	461,157	53,977
State-Noncontributory	9,999,209	10,507,318	10,767,228
State-Public Safety	224,732	216,787	197,089
	\$ 38,977,176	\$39,257,496	\$ 38,225,233

Retirement Program	Retirement Contributions		
	2014	2013	2012
TIAA	\$ 2,854,389	\$2,908,286	\$ 2,917,456
Fidelity	1,112,749	1,077,971	945,929
State-Contributory	138,293	48,614	9,892
State-Noncontributory	1,961,572	2,117,860	1,963,091
State-Public Safety	88,342	80,840	67,024
Salary Deferral 401(k) - Employer	193,570	184,667	191,500
Salary Deferral 401(k) and 457 - Employee	249,647	292,411	314,129
	\$ 6,598,562	\$6,710,649	\$ 6,409,021

Retirement Contributions represent the funds which were contributed by the University, which includes 21.97% of covered employees' salaries participating in the Utah State Retirement Contributory System, 21.96% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 40.81% (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 or Fidelity Investments. The employees' and employer's shares of the contributions were paid by the University. Total contributions made were equal to the required contributions for those years.

Utah Public Employee Contributory, Noncontributory, and Public Safety Retirement Systems are multi-employer, cost-sharing, defined benefit pension plans that are administered by the Utah Retirement Systems (the Systems). The 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 Systems must be enrolled in the Noncontributory system or the Public Safety systems. Employees enrolled prior to that date could elect to participate in either the Contributory or Noncontributory systems.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Systems Administration in Title 49 provides for the administration of the 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, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772. Teacher's Insurance and Annuity Association and Fidelity Investments issue individual retirement contracts with each participating employee; therefore, the University has no liability for this retirement program.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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 full 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 full retiree health care benefits payments for the year ended June 30, 2014 was \$73,395. The number of participants for the year ended June 30, 2014 was 13.

The University, as authorized by its Board of Trustees, offers an early retirement incentive option to eligible employees that includes a stipend of an amount equal to the lesser of 20 percent of the employee's annual base salary at the time of early retirement or the employee's estimated Social Security benefit at full retirement age, along with the continuation of certain health care insurance premiums for a period of the lesser of 5 years or until the employee reaches Social Security full retirement age. Eligible employees were offered a stipend of 23 percent if they retired between March 1, 2009 and July 31, 2009. Full-time University employees whose accumulated age plus years of service equal at least 75 and are at least 57 are eligible to apply. The cost of early retiree benefits is funded on a pay-as-you-go basis. The total early retiree stipend and benefits payments for the year ended June 30, 2014 was \$295,398. The number of participants for the year ended June 30, 2014 was 24.

The projected future cost of the full retiree health care benefits, early retirement stipends, and early retirement medical and dental insurance benefits has been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 9.18, .45, and 3.49 percent, respectively. These increases are based on historical data. The net present value of the total projected costs is calculated using the estimated yield (0.47 percent) for short term investments. The net present value is the amount recognized on the financial statements as a liability for termination benefits.

NOTE O. Funds Held in Trust by Others

Funds held in trust by others were neither in the possession of nor under the management of the University. These funds, which were not recorded on the University's financial records and which arose from

contributions, were held and administered by external fiscal agents, selected by the donors, who distributed net income earned by such funds to the University, where it was recorded when received. Funds held in trust at June 30, 2014 were \$355,455 at cost and \$402,404 at fair value.

NOTE P. Functional Classification

At June 30, 2014, the University's operating expenses by functional classification were as follows:

Instruction	\$ 37,085,351
Research	104,656
Public Service	14,390,510
Academic Support	9,628,709
Student Services	12,079,430
Institutional Support	21,023,528
Operation and Maintenance of Plant	9,488,173
Student Aid	6,859,815
Auxiliary Enterprises Expenses	5,377,260
Depreciation	6,292,793
Total	<u>\$ 122,330,225</u>

NOTE Q. 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 crime policy. 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 \$703,000 for one person in any one occurrence or \$2,407,700 for two or more persons in any one occurrence and \$281,300 for property damage liability in any one occurrence.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

All University employees are covered by worker's compensation insurance, including employer's liability coverage, by the Worker's Compensation Fund of Utah. The University has established a self-insurance fund for employee medical and dental care plans that are administered through Educators Mutual Insurance Company (both plans referred to as Health Care Plan). 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. The University has recorded the investments of the Health Care Plan funds at June 30, 2014 and the estimated liability for self-insurance claims at that date in the Statement of Net Position. 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 Position.

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

	Medical	Dental	Total
Estimated Claims Liability - Beginning of Year	\$ 2,081,712	\$ 87,999	\$ 2,169,711
Net Current Year Claims and Administration Expenses	9,073,394	551,424	9,624,818
Cash Paid for Claims	(10,056,676)	(579,049)	(10,635,725)
Estimated Claims Liability - End of Year	\$ 1,098,430	\$ 60,374	\$ 1,158,804

NOTE R. Festival City Development Foundation 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 \$240,000. 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 S. Subsequent Events

On August 13, 2014 Southern Utah University Foundation entered into a temporary line of credit with a financial institution in the amount of \$7,500,000. The initial interest rate on the line of credit is 3.250% and is subject to change based on changes in an index which is the floating rate equal to the Prime Rate set by the lender and is due September 5, 2016. The line of credit is secured by a pledge of Gifts Receivable from the Southern Utah University Foundation, the proceeds of which are designated by the Foundation as a commitment to future construction projects.

The University entered into a joint venture arrangement with the Utah Shakespeare Festival Foundation to construct a new theater facility. The theater is estimated to cost approximately \$27,000,000, of which \$26,000,000 was committed at June 30, 2014 (see Footnote H), and approximately \$1,000,000 was committed subsequent to year end. Separate unaudited financial statements can be obtained from the Utah Shakespeare Festival Foundation.



SOUTHERN UTAH UNIVERSITY

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SOUTHERN UTAH UNIVERSITY BOARD OF TRUSTEES

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Stephen Allen, Student Services	Interim Vice President
Stuart C. Jones, Advancement and Regional Services	Vice President
Dean O'Driscoll, University Relations	Vice President

The image features a large, semi-circular seal of Southern Utah University in the background. The seal is rendered in a dark, semi-transparent grey. It contains the text "SOUTHERN" at the top and "UNIVERSITY" at the bottom. In the center of the seal is a stylized illustration of a mountain range with a tree in the foreground.

SUU

Annual Financial Report prepared by
Southern Utah University Controller's Office
351 W. University Blvd., Cedar City, UT 84720
435.586.7724