



SUU

2005-06

ANNUAL FINANCIAL REPORT
SOUTHERN UTAH UNIVERSITY

A component unit of the State of Utah





From the President

What a pleasure it is to be addressing you from the Interim Presidency position here at Southern Utah University. Like you, I care deeply about SUU; both acknowledging the value it has added to so many people's lives in the past and looking forward to an even brighter tomorrow as the campus constantly builds on its traditions and expands its horizons.

In the last year, several new initiatives have materialized on the SUU campus. The long-awaited niche degree program in Outdoor Recreation in Parks and Tourism commenced in the Fall semester of 2006. This baccalaureate program, enhanced by the burgeoning Student Services' Outdoor Recreation Center, and the University's Alliance for

Education formalized with Bryce Canyon National Park this summer, will truly serve to make SUU a leader in this market.

Within the institution's Strategic Plan, we are expanding our Regional Services role in our rural communities, in order to better serve the state's citizens. Long a cultural center for the region, with performances sponsored by the College of Performing Arts and the Utah Shakespearean Festival, SUU's regional involvement extends from such established programs as Head Start, the Small Business Development Center, Utah Summer Games, and the sponsorship of 16 NCAA Division I sports, to the many lead roles we serve in programs for rural communities. Organizational changes have recently taken place to renew our role and increase our regional services programs.

Following closely on the heels of the Master in Professional Communication degree begun last year, this Fall we ushered in the initial classes being taught in the Master in Forensic Science degree program. This is the only master program of its kind in the state. Additional graduate and niche undergraduate degrees are in various stages of preparation as well. These expanded offerings will occur with a vigilant eye on maintaining our current student faculty ratio, and quality faculty.

Numerous facilities projects and improvements took place over the summer, including the groundbreaking for a new, state-of-the-art Teacher Education building. This project is happening simultaneously with a significant renovation of our beloved Old Main. SUU and the community are all looking forward to seeing these two structures, signifying the beginning and the future of the institution and its Teacher Education roots, together at the heart of campus.

Even as the search for the institution's next permanent leader moves forward, the campus continues to forge ahead with its own initiatives. When asked by the Regents to serve in this Interim capacity, my statement to them was that we would not stand still, but would continue to build on the positive momentum in place, making our institution ever more attractive both for leadership candidates and for potential and current students. Let me say how confident I am that our goal will be fulfilled, due to the talents and passions of the many people of SUU who dedicate their time and their hearts to this educational enterprise.

With the beginning of the 2006-07 academic year, there are nearly 700 employees at SUU. At rates far higher than other institutions, our classrooms are led by full-time members of the faculty, with more than 75 percent of whom have doctorates or the highest degree available in their field. This means that it is experienced faculty, not teaching assistants, who lead the way in our classroom instruction, calling upon their students by name.

Another exciting, wonderful number that we have reason to celebrate is our record-breaking enrollment number for Fall 2006. . . .7,029! The highest enrollment SUU has ever enjoyed at this juncture is, in part, due to also having the largest freshman class in SUU's history this Fall as well! SUU is one of only three institutions in the Utah System of Higher Education which showed an increase in enrollment this semester, and the one who has led enrollment in the system the last three years.

These numbers are due to the work and passion of all our employees--from the caring professor in the classroom, to the conscientious accountant pushing numbers in the administration building, to the congenial consultant in the Financial Aid Office. And, to our students as well — from SUUSA representatives, to Presidential Ambassadors, to tireless tutors, to athletes who play with integrity. Successful recruitment and retention is occurring at SUU because of the sincere work and efforts of the SUU family.

We are a comprehensive teaching university that offers more than 125 undergraduate programs, and six master's degrees. The institution is accredited by the Northwest Commission of College and Universities, and numerous academic programs across campus possess the highest accreditation possible from the leading national and international accrediting agencies in their discipline. They include: National Council for the Accreditation of Teacher Education (NCATE); International—Association to Advance Collegiate Schools of Business (AACSB); Commission on Collegiate Nursing Education (CCNE); the National Association of Schools of Music (NASM); the National Athletic Trainers Association (NATA); National Association of Schools of Dance (NASD); 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 by ABET.

SUU is garnering national recognition ever more frequently, and justifiably so. Two years ago, SUU was nationally rated a Top 10 University by Consumers Digest based on both academic quality and economic value. Shortly thereafter, The Princeton Review affirmed SUU as one of the Best in the West among institutions of higher education; an award received two years in a row. Just recently, much to our delight, The Princeton Review named SUU as one of America's Best Value Colleges; and the granddaddy of such rankings, U.S. News World and Report, named SUU among its list of America's Best Colleges.

Last summer, a well-known consultant in the field of higher education was on our campus. This consultant commented that SUU is favorably regarded throughout the region as a great "public ivy" institution. What an accurate description of SUU in that it emphasizes one of our strengths and differentiations—that is, our position as a "public private" (public college governance and pricing combined with private college quality experience). I'm proud of the fact that all of us at SUU are committed daily to maintaining and enhancing the "personalized learning climate within a gorgeous park-like setting" that makes our institution unique.

For all these reasons and more, SUU continues to be an outstanding value; the students who graduate from our institution continue to be sought after. I am honored to serve in my present role at SUU as we "promote personalized learning and academic integrity (to) enable students and graduates to honor thought in all its finest forms and to excel in life."

Sincerely,

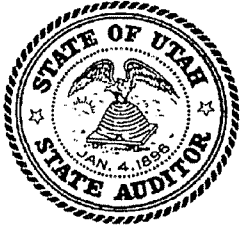
A handwritten signature in black ink, appearing to read "Gregory L. Stauffer". The signature is fluid and cursive, with a large initial "G" and "S".

Dr. Gregory L. Stauffer

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	28



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 Board of Trustees, Audit Committee
and
Gregory L. Stauffer, Interim President
Southern Utah University

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, 2006, 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 2005 financial statements and, in our report dated December 9, 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 on the effectiveness of the University'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, 2006, 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 29, 2006 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 as listed in the Table of Contents 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 29, 2006

SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006

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, 2006. 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 109-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 nearly 7,000 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 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, 2006 and 2005.

Condensed Statement of Net Assets				
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 27,138,932	\$ 14,560,030	\$ 12,578,902	86.4%
Noncurrent Assets				
Capital Assets	96,701,546	99,148,060	(2,446,514)	-2.5%
Other Noncurrent Assets	19,740,313	21,045,179	(1,304,866)	-6.2%
Total Assets	<u>143,580,791</u>	<u>134,753,269</u>	<u>8,827,522</u>	<u>6.6%</u>
Liabilities				
Current Liabilities	8,313,064	7,561,307	751,757	9.9%
Noncurrent Liabilities	15,015,492	16,207,404	(1,191,912)	-7.4%
Total Liabilities	<u>23,328,556</u>	<u>23,768,711</u>	<u>(440,155)</u>	<u>-1.9%</u>
Net Assets				
Invested in Capital Assets	82,275,491	83,911,633	(1,636,142)	-1.9%
Restricted Nonexpendable	7,730,753	5,580,217	2,150,536	38.5%
Restricted Expendable	14,570,821	9,746,882	4,823,939	49.5%
Unrestricted	15,675,170	11,745,826	3,929,344	33.5%
Total Net Assets	<u>\$ 120,252,235</u>	<u>\$ 110,984,558</u>	<u>\$ 9,267,677</u>	<u>8.4%</u>

SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006
(continued)

Current Assets increased from a shift of funds invested in United States Government debt securities (Noncurrent Assets) to investment in the Utah Public Treasurer's Investment Fund (PTIF) as well as Pledges Receivable which increased significantly as the University began the new Teacher Education building and the Old Main renovation projects. Depreciation expense in excess of asset additions accounts for the decrease in Capital Assets for the fiscal year. Noncurrent Assets decreased due to the change in types of investments as mentioned above, while that decrease was offset by an increase in Restricted Cash due to additions to permanent endowments and the construction project gifts.

Current Liability increases are attributable to increases in amounts due to the Utah Division of Facility Construction and Management for the Teacher Education building and Old Main projects, Resident Living Deposits, and an increase in the current portion of Compensated Absences liability. Noncurrent Liabilities decreased as payments were made reducing outstanding bond debt along with a decrease in noncurrent Compensated Absences liability.

Depreciation expense offset by the reduction in outstanding capital debt accounts for the decrease to Invested in Capital Assets. Restricted Nonexpendable Net Assets increases resulted from additional gifts to the University endowment fund and through increases in endowment earnings in excess of endowment spending. Restricted Expendable Net Assets increased due to increased gift revenues for the Teacher Education building and Old Main renovation. The increase in Unrestricted Net Assets can be attributed to the increase in Tuition and Fee revenue combined with only moderate expense increases and a solid year for Auxiliary Enterprises.

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, 2006 and 2005.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 17,843,026	\$ 14,176,195	\$ 3,666,831	25.9%
Grants and Contracts	13,428,247	13,309,140	119,107	0.9%
Sales and Services	10,409,454	10,098,579	310,875	3.1%
Auxiliary Enterprises	5,720,555	5,175,642	544,913	10.5%
Other	43,870	49,117	(5,247)	-10.7%
Total Operating Revenues	<u>47,445,152</u>	<u>42,808,673</u>	<u>4,636,479</u>	<u>10.8%</u>
Operating Expenses	<u>77,242,155</u>	<u>74,539,383</u>	<u>2,702,772</u>	<u>3.6%</u>
Operating Loss	(29,797,003)	(31,730,710)	1,933,707	-6.1%
Nonoperating Revenues (Expenses)				
State Appropriations	28,821,441	27,999,204	822,237	2.9%
Gifts	2,192,558	2,846,539	(653,981)	-23.0%
Investment Income	1,813,296	858,218	955,078	111.3%
Other Nonoperating Revenues	(156,486)	4,558	(161,044)	N/A
Interest Expense	(728,267)	(749,821)	21,554	-2.9%
Net Nonoperating Revenue	<u>31,942,542</u>	<u>30,958,698</u>	<u>983,844</u>	<u>3.2%</u>
Other Revenues	<u>7,122,138</u>	<u>976,043</u>	<u>6,146,095</u>	<u>629.7%</u>
Net Increase (Decrease) in Net Assets	9,267,677	204,031	9,063,646	N/A
Net Assets - Beginning of Year	<u>110,984,558</u>	<u>110,780,527</u>	<u>204,031</u>	<u>0.2%</u>
Net Assets - End of Year	<u>\$ 120,252,235</u>	<u>\$ 110,984,558</u>	<u>\$ 9,267,677</u>	<u>8.4%</u>

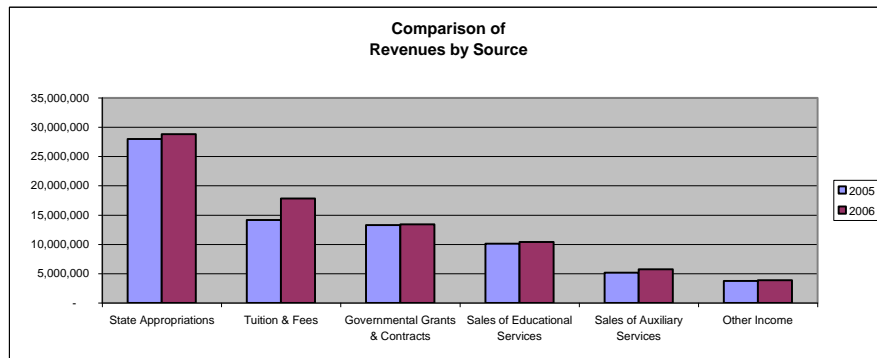
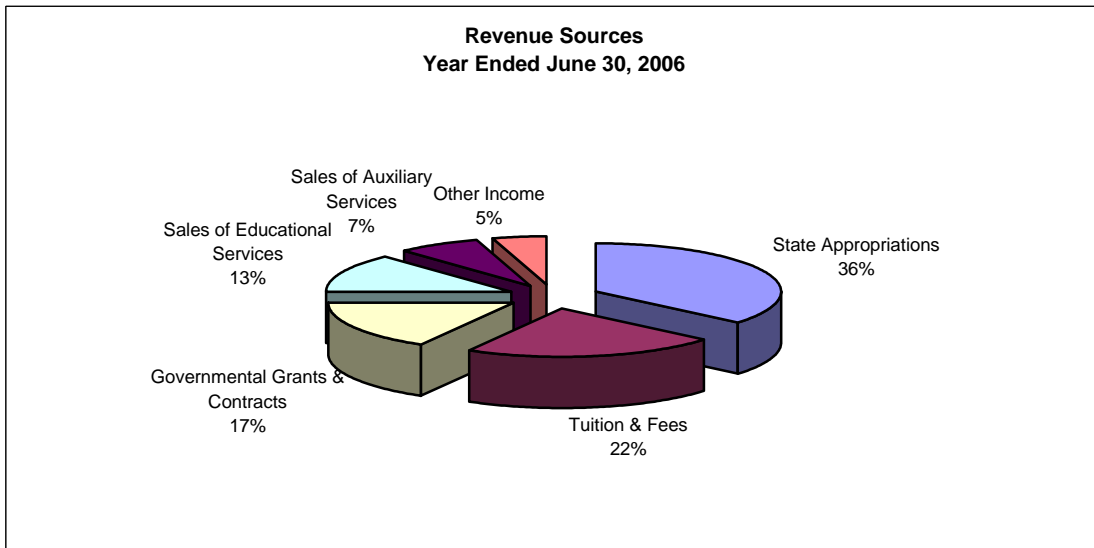
**SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006
(continued)**

Enrollment increases, tuition rate increases and course fee increases resulted in higher Tuition and Fee revenue. Auxiliary Enterprises revenues increased for the current year as Resident Living enjoyed a strong year with Food Services experiencing an increase in its revenues.

Nonoperating Gift revenue (e.g. scholarship and operational gifts) decreased during the year due to efforts by the University directing gifts toward the Old Main and Teacher Education project, (Capital Grants and Gifts) and Endowments (Additions to Endowments) whose funds are included in the Other Revenues category. Investment Income changes were the result of Investment Interest and Gains & Losses on Sale of Investments increases offset by a decrease in Market Value adjustment. Interest income increased due to increased rates and the change in the mix of investments. Many of the University's equity investments were sold (per new Investment Policy restrictions) during the year resulting in realized gains rather than market value adjustments for those investments. The negative amount in Other Nonoperating Revenues is due to the write-off of University assets (equipment) disposed of during the fiscal year.

Other Revenues increased due to the Capital Gifts and Additions to Endowments as mentioned above.

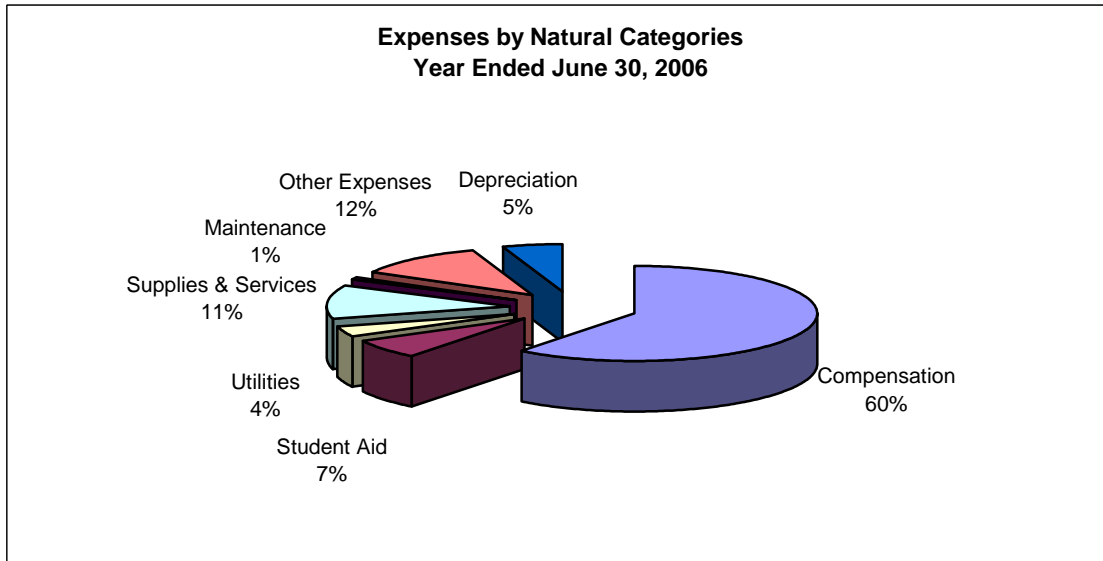
The following graphs illustrate all funding sources, except Capital Appropriations, Capital Grants and Gifts and Additions to Permanent Endowments, of the University for the year ended June 30, 2006 and a comparison with the prior year:



SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006
(continued)

Compensation, including benefits, increased by 4.2% from the prior year due to salary increases coupled with benefit cost increases. Utilities expense increased by 17.9 % due to higher utility rates. Repairs and Maintenance decreased by 44.2% as several academic remodels occurred during 04-05 with no comparable activity in the current year. Services and Supplies increased by 13.5% due mainly to increased computer purchases for labs and Engineering programs. Student Aid remained relatively constant over the two year period.

The following graph illustrates expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2006:



A comparative summary of the University's operating expenses by functional classification for the years ended June 30, 2006 and 2005 is included below:

Expenses by Functional Classification

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Instruction	\$ 21,392,702	\$ 20,753,283
Public Service	11,750,052	11,823,758
Academic Support	4,201,073	3,873,659
Student Services	7,475,980	6,938,881
Institutional Support	9,672,787	8,593,982
Operation and Maintenance of Plant	6,885,879	7,027,662
Student Aid	5,260,302	5,234,714
Auxiliary Enterprises	6,443,755	6,132,853
Depreciation	4,159,625	4,160,591
Total Operating Expenses	<u>\$ 77,242,155</u>	<u>\$ 74,539,383</u>

**SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006
(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, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (25,665,980)	\$ (28,587,045)	\$ 2,921,065
Noncapital Financing Activities	32,635,007	30,621,736	2,013,271
Capital Financing Activities	(2,277,067)	(1,632,947)	(644,120)
Investing Activities	<u>7,486,223</u>	<u>(7,838,212)</u>	<u>15,324,435</u>
Net Increase (Decrease)			
in Cash	12,178,183	(7,436,468)	19,614,651
Cash - Beginning of Year	<u>7,839,693</u>	<u>15,276,161</u>	<u>(7,436,468)</u>
Cash - End of Year	<u>\$ 20,017,876</u>	<u>\$ 7,839,693</u>	<u>\$ 12,178,183</u>

Noncapital Financing Activities include state appropriations, noncapital gifts, other nonoperating revenue and agency fund activity. Capital Financing Activities are those associated with capital assets such as capital appropriations, gifts, proceeds from capital debt, purchase of assets and capital debt payments. Investing Activities include proceeds from the sale of investments and interest/dividend earnings reduced by the purchase of investments.

Operating activities generally increased as a result of higher tuition and fee revenues as discussed previously. Noncapital Financing Activities increased due to rising Additions to Permanent Endowments and State Appropriations during the year. Higher interest rates and the sale of equity securities combined with lower investment purchases for the year resulted in the increases in the Investing Activities section of the statement.

Economic Factors that May Affect the Future

The State of Utah continues to experience a growth path that began in 2004 with low unemployment and strong economic activity. Utah's economy is expected to continue and the State is well positioned for positive long-term economic growth due to its industrial diversity, population growth, and a young and highly educated workforce.

Prioritizing student recruitment and retention, the University has experienced enrollment increases during a time when others have had enrollment decreases. The University looks forward to fulfilling its roll in the State's and the Region's economic growth.

Summary

The accompanying financial statements, including footnotes, indicate the University's condition is stronger due to improved reserves, stable expenses, rising enrollment and higher tuition rates.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2006

	<u>2006</u>	Comparative Only <u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note B)	\$ 9,856,652	\$ 2,365,133
Short-term Investments (Note B)	7,123,888	5,370,798
Accounts, Interest, Pledges and Notes Receivable (Note C)	5,364,907	1,960,757
Due from Division of Facility Construction and Management		23,107
Loans Receivable, Net (Note D)	407,495	482,030
Inventories (Note E)	1,308,713	1,235,011
Prepaid Expenses (Note F)	<u>3,077,277</u>	<u>3,123,194</u>
Total Current Assets	27,138,932	14,560,030
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note B)	10,161,224	5,474,560
Investments (Note B)	5,893,371	13,287,557
Notes and Pledges Receivable (Note C)	1,431,357	57,301
Loans Receivable, Net (Note D)	2,018,861	1,988,261
Real Estate	235,500	237,500
Capital Assets, Net of Accumulated Depreciation (Note G)	<u>96,701,546</u>	<u>99,148,060</u>
Total Noncurrent Assets	116,441,859	120,193,239
Total Assets	<u>143,580,791</u>	<u>134,753,269</u>
LIABILITIES		
Current Liabilities:		
Accounts and Interest payable (Note H)	1,081,578	974,076
Due to Division of Facility Construction and Management	114,739	
Payroll and Withholding Taxes Payable	307,350	313,225
Deposits and Other Liabilities	530,395	238,445
Deferred Revenues (Note F)	3,874,730	3,826,999
Compensated Absences & Termination Benefits (Note I)	1,612,013	1,431,472
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>792,259</u>	<u>777,090</u>
Total Current Liabilities	8,313,064	7,561,307
Noncurrent Liabilities:		
Compensated Absences & Termination Benefits (Note I)	803,493	1,126,334
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>14,211,999</u>	<u>15,081,070</u>
Total Noncurrent Liabilities	15,015,492	16,207,404
Total Liabilities	<u>23,328,556</u>	<u>23,768,711</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	82,275,491	83,911,633
Restricted:		
Nonexpendable - Scholarships	5,852,435	4,904,334
Nonexpendable - Other	1,878,318	675,883
Expendable - Scholarships	3,780,668	3,456,955
Expendable - Capital Projects	6,816,912	2,588,890
Expendable - Loans	2,684,387	2,666,100
Expendable - Other	1,288,854	1,034,937
Unrestricted	<u>15,675,170</u>	<u>11,745,826</u>
Total Net Assets	<u>\$ 120,252,235</u>	<u>\$ 110,984,558</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, 2006

	<u>2006</u>	Comparative Only <u>2005</u>
Operating Revenues:		
Student Tuition and Fees (Note K)	\$ 17,843,026	\$ 14,176,195
(net of scholarship discounts and allowances of \$5,921,703 for 2006 and \$6,140,118 for 2005)		
Governmental Grants and Contracts	13,428,247	13,309,140
Sales and Services of Educational Activities	10,409,454	10,098,579
Sales and Services of Auxiliary Enterprises (Note K)	5,720,555	5,175,642
(net of scholarship discounts and allowances of \$515,421 for 2006 and \$513,240 for 2005)		
Interest Income on Student Loans	43,870	49,117
Total Operating Revenues	<u>47,445,152</u>	<u>42,808,673</u>
Operating Expenses:		
Salaries	34,018,898	32,759,581
Benefits	13,169,720	12,515,083
Depreciation	4,159,625	4,160,591
Repairs and Maintenance	641,826	1,149,843
Services and Supplies	8,853,575	7,801,879
Student Aid	5,260,302	5,234,714
Utilities	2,772,758	2,350,997
Other Operating Expenses	8,365,451	8,566,695
Total Operating Expenses	<u>77,242,155</u>	<u>74,539,383</u>
Operating Income (Loss)	<u>(29,797,003)</u>	<u>(31,730,710)</u>
Nonoperating Revenues (Expenses)		
Government Appropriations - State	28,821,441	27,999,204
Private Gifts and Grants	2,192,558	2,846,539
Investment Income	1,813,296	858,218
Other Nonoperating Revenue (Expense)	(156,486)	4,558
Interest on Indebtedness	(728,267)	(749,821)
Net Nonoperating Revenue	<u>31,942,542</u>	<u>30,958,698</u>
Income (Loss) Before Other Revenue	<u>2,145,539</u>	<u>(772,012)</u>
Other Revenue		
Capital Grants & Gifts	5,460,795	627,198
Additions to Permanent Endowments	1,661,343	348,845
Total Other Revenue	<u>7,122,138</u>	<u>976,043</u>
Increase (Decrease) in Net Assets	9,267,677	204,031
Net Assets - Beginning of Year	110,984,558	110,780,527
Net Assets - End of Year	<u>\$ 120,252,235</u>	<u>\$ 110,984,558</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, 2006

	<u>2006</u>	Comparative Only <u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 17,362,420	\$ 14,462,351
Receipts from Grants/Contracts	13,621,712	13,198,425
Receipts from Auxiliary and Educational Services	16,220,515	15,126,298
Collection of Loans to Students and Employees	454,192	474,169
Loans Issued to Students and Employees	(449,247)	(543,560)
Payments for Employee Services and Benefits	(47,359,424)	(45,454,360)
Payments to Suppliers	(20,255,846)	(20,615,654)
Payments for Student Financial Aid	<u>(5,260,302)</u>	<u>(5,234,714)</u>
Net Cash Provided (Used) by Operating Activities	<u>(25,665,980)</u>	<u>(28,587,045)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	28,836,026	27,571,495
Gifts/Grants for Other Than Capital Purposes	2,132,810	2,698,433
Receipts for Permanent Endowments	1,661,343	348,845
Other Nonoperating Revenue (Expense)	(13,813)	14,205
Agency Account Receipts	852,588	639,868
Agency Account Payments	<u>(833,947)</u>	<u>(651,110)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>32,635,007</u>	<u>30,621,736</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from Capital Grants/Gifts	1,075,532	627,198
Proceeds (Loss) from Sale of Capital Assets	(142,674)	(9,647)
Proceeds from Capital Debt	975,000	19,545
Purchases of Capital Assets	(1,690,004)	(609,908)
Principal Paid on Capital Debt/Leases	(1,802,953)	(948,436)
Interest Paid on Capital Debt/Leases	<u>(691,968)</u>	<u>(711,699)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(2,277,067)</u>	<u>(1,632,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	7,122,345	1,307,392
Receipt of Interest/Dividends from Investments	2,344,615	817,447
Purchase of Investments	<u>(1,980,737)</u>	<u>(9,963,051)</u>
Net Cash Provided (Used) by Investing Activities	<u>7,486,223</u>	<u>(7,838,212)</u>
Net Increase (Decrease) in Cash	12,178,183	(7,436,468)
Cash & Cash Equivalents--Beginning of Year	<u>7,839,693</u>	<u>15,276,161</u>
Cash & Cash Equivalents--End of Year	<u>\$ 20,017,876</u>	<u>\$ 7,839,693</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, 2006
(continued)

	<u>2006</u>	Comparative Only <u>2005</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (29,797,003)	\$ (31,730,710)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,159,625	4,160,591
Repair and Maintenance Expense paid by Division of Facility Construction and Management	-	413,124
Changes in Assets and Liabilities:		
Receivables (Net)	(437,358)	(229,971)
Student Loans Receivable	43,935	(1,100)
Inventories	(76,202)	(125,965)
Prepaid Expenses	45,917	(367,473)
Accounts Payable	222,241	(1,018,323)
Accrued Liabilities	273,309	5,541
Accrued Payroll	(5,875)	(193,774)
Deferred Revenues	47,731	375,345
Compensated Absences	(142,300)	125,670
Net Cash Provided (Used) by Operating Activities	<u>\$ (25,665,980)</u>	<u>\$ (28,587,045)</u>

Noncash Investing, Noncapital Financing, and Capital Financing Transactions

Change in Fair Value of Investments Recognized as Investment Income	\$ (512,588)	\$ (45,575)
Donation of Investment Securities	430,717	77,813
Division of Facility Construction and Management Projects		413,124

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

Cash and Cash Equivalents Classified as Current Assets	\$ 9,856,652	\$ 2,365,133
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>10,161,224</u>	<u>5,474,560</u>
Total Cash and Cash Equivalents	<u>\$ 20,017,876</u>	<u>\$ 7,839,693</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, 2006

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.

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.



SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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. The Utah State Treasurer's Office operates the Utah Public Treasurer's Investment Fund (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*. 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.

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 3 to 20 years for equipment.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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.

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.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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.

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, 2005, 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.

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.

As of July 1, 2005 for endowment funds, the entity follows the requirements of the Uniform Management of Institutional Funds Act (UMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

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 and unrealized, of

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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, 2006 is 3.5% 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, 2006 was approximately \$1,876,000. The net 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, 2006, \$286,734 of the University's bank balances of \$486,734 was uninsured and uncollateralized.

Investments – The 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, one of which must be Moody's Investors Services or Standard

& Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; 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 UMIFA and Rule 541 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: professionally managed pooled or commingled investment funds registered with the Securities and Exchange

Commission or the Comptroller of the Currency (e.g., mutual funds); professionally managed pooled or commingled investment funds created under 501(f) of the Internal Revenue Code which satisfy the conditions for exemption from registration under Section 3(c) of the Investment Company Act of 1940; any investment made in accordance with the donor's directions in a written instrument; and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital, private equity, both domestic and international), 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.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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, 2006, 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	\$ 21,149,011	\$ 21,149,011	\$ -	\$ -	\$ -
Bond Mutual Fund	\$ 197,457		\$ 197,457		
Utah Housing Securities	767,547			767,547	
U.S. Government Securities	7,513,461	7,019,511	493,950	-	-
	<u>29,627,476</u>	<u>\$ 28,168,522</u>	<u>\$ 691,407</u>	<u>\$ 767,547</u>	<u>\$ -</u>
<u>Other Investments</u>					
Equity Securities	163,899				
Equity Mutual Funds	4,257,517				
Total Investments	<u>\$ 34,048,892</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 State's Money Management Act or UMIFA and Rule 541, 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

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 2 years. For endowment funds, Rule 541 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.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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, 2006, 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	\$ 21,149,011	\$ -	\$ -	\$ -	\$ 21,149,011
Bond Mutual Fund	197,457				197,457
Utah Housing Securities	767,547	767,547			
U.S. Government Securities	7,513,461	7,513,461	-	-	-
Total	\$ 29,627,476	\$ 8,281,008	\$ -	\$ -	\$ 21,346,468



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 UMIFA and Rule 541, 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, Rule 541 requires that a minimum of 25% of the equity portfolio must be invested in companies with an average market capitalization of at least \$10 billion; also a

minimum of 25% of the overall endowment portfolio should be invested in investment grade fixed income securities as defined by Moody’s Investors Service or Standard and Poor’s. The overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments to no more than 3% in any one sector fund that is concentrated within one sector of the U.S. market and no more than 5% in equity or fixed income funds of developing markets. It also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the University’s endowment fund.

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, 2006, the University had \$7,781,487 in Utah Housing Securities and U.S. Government Securities which were held by the investment’s counterparty.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

Note C. Accounts, Interest, Pledges and Notes Receivable

Accounts, Interest, Pledges and Notes Receivable consisted of the following at June 30, 2006:

	Balance	Current Portion
Student Tuition and Fees	\$ 524,130	\$ 524,130
Federal, State, and Private Grants and Contracts	405,600	405,600
Auxiliary Service Charges	278,902	278,902
Continuing & Professional Studies Fees	235,812	235,812
Utah Shakespearean Festival Ticket Sales	391,497	391,497
Interest and Dividends Receivable	145,287	145,287
Contributions and Gifts (Pledges)	4,567,811	3,181,494
Note Receivable	57,301	12,261
Other Operating	189,924	189,924
Total	\$ 6,796,264	\$ 5,364,907

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, 2006 the allowance for uncollectible loans was \$112,200.

as, Bookstore and Food Service inventories in the amounts of \$1,200,412 and \$87,688 respectively.



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 \$20,613, as well

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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, 2006, consist of the following:

	Prepaid Expenses	Deferred Revenues
Utah Shakespearean Festival	\$ 2,982,836	\$ 2,671,231
Student Tuition and Fees	-	876,362
Grants and Contracts	-	255,876
Miscellaneous	94,441	71,261
Total	<u>\$ 3,077,277</u>	<u>\$ 3,874,730</u>

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, 2005	Additions	Retirements	Balance June 30, 2006
Land	\$ 7,961,332	\$ -	\$ -	\$ 7,961,332
Land Imp/Infrastructure	6,016,090	108,792		6,124,882
Buildings	120,361,772	-		120,361,772
Equipment	10,368,556	833,480	(2,059,808)	9,142,228
Art Work/Collections	836,427	3,000	(100,000)	739,427
Library Collections	5,477,596	472,414	(331,047)	5,618,963
Construction in Progress	803,815	531,552	-	1,335,367
Total	<u>151,825,588</u>	<u>1,949,238</u>	<u>(2,490,855)</u>	<u>151,283,971</u>
Less: Accumulated Depreciation				
Land Imp/Infrastructure	4,216,094	207,156	(500)	4,422,750
Buildings	37,211,514	2,956,781		40,168,295
Equipment	7,948,692	780,874	(1,990,793)	6,738,773
Art Work/Collections	427,869	26,256	(21,650)	432,475
Library Collections	2,873,359	188,558	(241,785)	2,820,132
Total	<u>52,677,528</u>	<u>4,159,625</u>	<u>(2,254,728)</u>	<u>54,582,425</u>
Capital Assets, net	<u>\$ 99,148,060</u>	<u>\$ (2,210,387)</u>	<u>\$ (236,127)</u>	<u>\$ 96,701,546</u>

Construction in progress at June 30, 2006 of \$1,335,367 relates to the construction of the following project, funded by a state grant and private gifts:

Project	Estimated Costs	Construction in Progress	Percent Completed
Utah Shakespeare Festival Centre	\$ 78,000,000	\$ 961,482	1%
Old Main Renovation	5,000,000	289,008	6%
Teacher Education Building	12,500,000	84,877	1%
Total	<u>\$ 95,500,000</u>	<u>\$ 1,335,367</u>	

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

Note H. Accounts and Interest Payable

Accounts and Interest Payable consisted of the following at June 30, 2006

	Balance
Vendors	\$ 888,633
Sales Tax	19,637
Other	66,357
Interest	106,951
Total	\$ 1,081,578

Note I. Long-Term Liabilities

Activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Bonds, Notes, and Contracts Payable					
Bonds Payable	\$ 14,630,000	\$ 975,000	\$ 1,661,290	\$ 13,943,710	\$ 619,040
Unamortized Bond Premium	247,102	-	18,000	229,102	17,650
Notes Payable	183,890	-	51,578	132,312	51,578
Contracts/Leases Payable	130,565	-	72,085	58,480	42,977
Remainder Annuity Trusts	666,603	-	25,949	640,654	61,014
Total	15,858,160	975,000	1,828,902	15,004,258	792,259
Other Liabilities					
Compensated Absences	1,059,880	1,010,741	974,740	1,095,881	1,019,940
Termination Benefits	1,497,926	415,368	650,382	1,262,912	592,073
Total	2,557,806	1,426,109	1,625,122	2,358,793	1,612,013
Total Long-Term Liabilities	\$ 18,415,966	\$ 2,401,109	\$ 3,454,024	\$ 17,363,051	\$ 2,404,272



SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

Note J. Bonds, Notes and Contracts Payable

Revenue bonds payable consisted of the following at June 30, 2006:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2005-2006	Balance June 30, 2006
Bonds Payable:					
Pavilion/Stadium, Series 1995A	6/1/1995	4.600-6.500%	900,000	630,000	-
Pavilion/Stadium, Series 1996A	6/1/1997	4.850-6.300%	570,000	415,000	-
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	4,540,000	85,000	4,265,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	425,000	8,810,000
Pavilion/Stadium, Series 2005	12/1/2005	3.900%	975,000	106,290	868,710
Total Bonds Payable			\$ 17,045,000	\$ 1,661,290	\$ 13,943,710

The scheduled maturities of the revenue bonds are as follows:

Year	Principal	Interest	Total Payments
2007	\$ 619,040	\$ 658,650	\$ 1,277,690
2008	653,402	635,912	1,289,314
2009	677,620	610,817	1,288,437
2010	701,677	583,195	1,284,872
2011	740,698	550,559	1,291,257
2012-2016	3,911,273	2,221,902	6,133,175
2017-2021	4,505,000	1,243,424	5,748,424
2022-2023	2,135,000	177,650	2,312,650
Total Bonds Outstanding	13,943,710	6,682,109	20,625,819
Unamortized Bond Premium	247,102	18,000	229,102
Total Bonds Payable	\$ 14,190,812	\$ 6,700,108	\$ 20,854,921

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 \$454,000.

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, 2006, is \$324,000.

Early Retirement of Bonds - On September 28, 2005 the University completely retired the Pavilion/Stadium Facilities Expansion Student Building Fee Revenue Bonds, Series 1995A and 1996A in the amount of \$1,045,000 with an average interest rates of 6.3 and 6.5 percent and a final maturity dates of June 1, 2015 and 2016, respectively. The source of the advance payment of these bonds was proceeds from Pavilion/Stadium Facilities Expansion Student Building Fee Refunding Revenue Bonds, Series 2005.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

The University undertook this refunding in order to reduce its total debt service payments currently and over the next ten years by \$340,818 and to obtain an economic gain (net present value savings) of \$90,000.

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, 2006:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2005-2006	Balance June 30, 2006
Notes Payable:					
Jones Theatre Energy	7/1/2000	0.000%	178,000	22,250	44,500
Margaret Driggs Trust	5/15/2004	0.000%	117,140	29,328	87,812
Total Notes Payable			<u>\$ 295,140</u>	<u>\$ 51,578</u>	<u>\$ 132,312</u>

The scheduled maturities of the notes payable are as follows:

Year	Principal	Interest	Total Payments
2007	51,578	-	51,578
2008	51,578	-	51,578
2009	29,156	-	29,156
Total	<u>\$ 132,312</u>	<u>\$ -</u>	<u>\$ 132,312</u>

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 \$288,959.

Future minimum lease payments for all contracts and capital leases payable as of June 30, 2006 are as follows:

Year	Principal	Interest	Total Payments
2007	42,977	3,330	46,307
2008	10,578	792	11,370
2009	4,926	119	5,044
Total	<u>\$ 58,480</u>	<u>\$ 4,242</u>	<u>\$ 62,722</u>



SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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, 2006:

	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%	\$ 134,658	\$ 41,113
J & C Wadsworth	9/25/2001	6.200%	398,753	15,279
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	107,243	4,622
Total Annuities Payable			<u>\$ 640,654</u>	<u>\$ 61,014</u>

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2007	\$ 61,014	39,393	\$ 100,407
2008	64,369	36,061	100,430
2009	67,912	32,542	100,454
2010	29,110	28,825	57,935
2011	25,634	27,025	52,659
2012-2016	155,679	108,035	263,714
2017-2021	199,291	50,313	249,604
2022	37,645	2,357	40,002
Total	<u>\$ 640,654</u>	<u>\$ 324,551</u>	<u>\$ 965,205</u>

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, 2006:

Pledged Receipts:

Student Center Building Fees	\$ 201,323
Investment Income on Reserve Funds	27,961
Auxiliary Operating Revenues	\$ 8,413,835
Auxiliary Operating & Maintenance Expenses	<u>(6,553,677)</u>
Auxiliary Net Operating Receipts	1,860,158
Total Pledged Net Receipts	<u>\$ 2,089,442</u>

Disbursements:

Transfers to:	
Debt Service	\$ 1,280,565
Renewal & Replacement Reserves	409,814
Other Lawful Purposes	399,063
Total Disbursements of Pledged Receipts	<u>\$ 2,089,442</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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, 2006, 2005, and 2004 were \$33,985,397, \$32,759,581, and \$30,404,025, respectively.

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

Retirement Program	Covered Payroll Expenses		
	2006	2005	2004
TIAA	\$ 19,419,384	\$ 18,719,270	\$ 17,152,030
State-Contributory	73,310	71,681	67,062
State-Noncontributory	7,324,513	7,244,173	6,884,320
State-Public Safety	76,869	64,808	69,118
	<u>\$ 26,894,076</u>	<u>\$ 26,099,932</u>	<u>\$ 24,172,530</u>

Retirement Program	Retirement Contributions		
	2006	2005	2004
TIAA	\$ 2,757,553	\$ 2,658,136	\$ 2,435,588
State-Contributory	10,916	10,673	8,859
State-Noncontributory	1,096,668	1,083,111	909,994
State-Public Safety	18,212	15,204	14,618
	<u>\$ 3,883,349</u>	<u>\$ 3,767,124</u>	<u>\$ 3,369,059</u>

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 are multi-employer, cost-sharing, defined benefit pension

plans that are administered by the Utah Retirement Systems (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 Title 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

Systems Administration in Title 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, 540 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, 2006 and 2005, were \$111,499 and \$120,238, respectively. The number of participants for the years ended June 30, 2006 and 2005 was 31 and 35, 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 for those retiring prior to July 1, 2006 and 20% for those retiring after June 30, 2006 along with the continuation of certain health care insurance premiums for the lesser of 5 years or Social

Security full retirement age. 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 benefits payments for the years ended June 30, 2006 and 2005 were \$538,883 and \$465,338, respectively. The number of participants for the years ended June 30, 2006 and 2005 was 26 and 24, respectively.

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, 2006 were \$372,770 at cost and \$386,560 at fair value.

Note N. Functional Classification

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

Instruction	\$21,392,702
Public Service	11,750,052
Academic Support	4,201,073
Student Services	7,475,980
Institutional Support	9,672,787
Operation and Maintenance of Plant	6,885,879
Student Aid	5,260,302
Auxiliary Enterprises Expenses	6,443,755
Depreciation	4,159,625
	<u>\$77,242,155</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

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 \$583,900 for one person in any one occurrence or \$1,167,900 for two or more persons in any one occurrence and \$233,600 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.

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

	2006	2005
Estimated Claims Liability - Beginning of Year	\$ 52,322	\$ 67,121
Current Year Contributions and Changes in Estimates	555,930	448,494
Claim Payments, Including Related Legal and Administrative Expenses	(523,666)	(463,293)
Estimated Claims Liability - End of Year	\$ 84,586	\$ 52,322

The University has recorded the investments of the dental care funds at June 30, 2006 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.

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 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



SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2006
(continued)

Note Q. Subsequent Events

During the 2006 Legislative session the Legislature appropriated \$587,000 to the University (available July 1, 2006) for payment to Iron County to retire the County's Bond debt for construction costs of the Convention Center portion of the Sharwan Smith Student Center on the University campus. In return for the payment, Iron County conveyed all their interest in the

Sharwan Smith Center to the University. Payment was made shortly after July 1, 2006.

On August 1, 2006 the University purchased a 30-unit apartment complex building on .28 acres of land adjacent to the campus. The property was purchased using Auxiliary Services reserve funds and will be operated as part of the University's Housing and Residence Life organization.



SOUTHERN UTAH UNIVERSITY

UTAH STATE BOARD OF REGENTS

Jed H. Pitcher, Chair	Bountiful
Bonnie Jean Beesley, Vice-Chair	Salt Lake City
Jerry C. Atkin	St. George
Daryl C. Barrett	Salt Lake City
Janet A. Cannon	Salt Lake City
Rosanita Cespedes	Salt Lake City
Katharine B. Garff	Bountiful
David J. Grant	Cedar City
Ali Hasnain	Salt Lake City
Greg W. Haws	Hooper
Meghan Holbrook	Salt Lake City
James S. Jardine	Salt Lake City
Michael R. Jensen	Price
David J. Jordan	Bountiful
Nolan E. Karras	Roy
Josh Reid	Cottonwood Heights
Sara V. Sinclair	Logan
Marlon O. Snow.....	Orem
Dr. Richard E. Kendell, Commissioner and Chief Executive Officer	Salt Lake City

SOUTHERN UTAH UNIVERSITY BOARD OF TRUSTEES

Dwayne O. Nielson, Chair	Alpine
Marsha Fetzer	Salt Lake City
Lee Fife	St. George
David Jeppson	Toquerville
Anne Judd	Cedar City
Steve T. Kiisel	Cedar City
Dane Leavitt	Cedar City
Gayle Pollock	Tropic
Mark Russell	Sandy
Renn Zaphiropoulos	Cedar City
Dialea S. Adams, Secretary to the Board	Cedar City

ADMINISTRATIVE OFFICERS

Gregory L. Stauffer	Interim President
Dorian G. Page, Administrative and Financial Services	Interim Vice President
A. Mitchell Bealer, Financial Services	Controller
Abe Harraf	Provost
Georgia B. Thompson, Student Services	Vice President
D. Mark Barton, Advancement	Vice President



SUU
SOUTHERN
UTAH
UNIVERSITY

ANNUAL FINANCIAL REPORT PREPARED BY

Southern Utah University

Contoller's Office

351 W. University Blvd., Cedar City, UT 84720

Tel 435.586.7724 Fax 435.865.8064