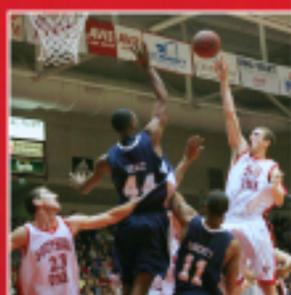


# SOUTHERN UTAH UNIVERSITY

A COMPONENT UNIT OF THE STATE OF UTAH



ANNUAL FINANCIAL REPORT

2007 - 08



## *From the President...*



I am pleased to once again address you as President of Southern Utah University. Since taking the helm, I've been impressed with the hard-working faculty, staff and students who labor to continuously improve opportunities for all here at SUU, and I am pleased to share our recent accomplishments with those who hold a vested interest in the success of this great institution.

SUU is fast establishing itself as a leader in providing a private school type education at a public school price, and the measures we take to ensure every one of our students gets the individual attention necessary to personalize their education is gaining recognition on a national scale. In addition to our current ranking on *Consumers Digest's* list of the top ten schools in the nation for quality and value, Southern Utah University has been recognized by *U.S. News and World Report* as a regional best for our graduate-level offerings. The *Princeton Review*, has also

turned its eye to the University, listing SUU as one of the best colleges in the West. This ranking places us in the top 25 percent of all colleges and universities nationwide. But most importantly, as the only ranking system that considers actual student opinion and word of mouth, rather than just a formal comparison of one school on paper versus another, the *Princeton Review* most closely echoes the true SUU experience.

As to the SUU Experience, we've re-focused our efforts to help students develop as well-rounded professionals and citizens prepared to responsibly engage within their communities. To this end, we've defined the SUU Experience as an education that provides a global perspective, opportunities for service learning, an emphasis on research and on leadership, internship opportunities, a diverse campus community, and additional opportunities for our most successful young academics through SUU's honors program. While we do not seek to be all things to all people, the University's leaders are committed to providing our students every opportunity to engage their minds far beyond the walls of the classroom.

Of particular note, is SUU's Service and Learning Center. This past academic year marked a record in campus-supported service projects. Through the Center, our students completed a total of 36,196 hours of community service. These initiatives ranged from tying quilts for the homeless to building homes with Habitat for Humanity, and students had their pick year-round of projects that engaged their interests.

Along these lines, I am particularly excited to report that 50 of SUU's medically-minded students traveled to Mexico this year with the help of the University's Rural Health Scholars program. In addition to working at an orphanage and in soup kitchens, these students were able to work in local hospitals to observe the state of medical care in developing countries—an invaluable experience that surely improves medical school acceptance amongst SUU's own. Case in point, the 2008 graduating included a 91 percent acceptance rate for students seeking entry into medical school, as well as an 86 percent acceptance rate for dentistry school and 100

percent acceptance rates amongst those looking to pursue careers in pharmacies and as physician's assistants.

Beyond the Service & Learning Center, SUU provided many other opportunities for SUU's students to carry their studies off campus throughout the year. These programs ranged from internship opportunities through the Michael O. Leavitt Center for Politics and Public Service that place students in Washington, D.C., to formal study abroad programs that, in the past year, included trips for SUU students to study art in Europe, construction management in Ireland, English literature in London, French in Paris, German in Austria, Spanish in Spain or Mexico, tourism management in Austria and international management in France.

On our own campus, we continue to provide the best educational value in the region. In fact, this past year has seen many faculty accomplishments that stand as credit to the high-caliber professors we seek to join our team year after year:

- SUU Music Professor Virginia Stitt was named as the Utah Music Educators Association's Outstanding Music Educator.
- Economics and Finance Professor Joe Baker received the Utah System of Higher Education's Exemplary Use of Technology Award in May.
- SUU Dance Professor Paul Ocampo was featured in the Utah Arts Council's Individual Artist Showcase this year.
- Communication Department Chair Jon Smith's work with SUTV students on a one-hour documentary won an honorable mention at the prestigious Accolade Competition.
- SUU faculty Nick Winowich and Jim Burns are part of an effort to design a vehicle that will break electric-powered land speed records.
- Professor Mark Colberg worked with two students to present on a variety of themes including fossil research at the Geological Society of America's annual gathering.

With a dedicated Undergraduate Research and Scholarship Program, many of SUU's top students credit the unique opportunities for undergraduate research with faculty members as one of the top reasons they selected Southern Utah University for their undergraduate education. This is a luxury many larger institutions cannot provide.

To academics, we welcomed two new leaders, Dr. James McDonald as dean of the College of Humanities and Social Sciences, and Dr. Robert Eves as dean of the College of Science. With over 98 percent of all SUU classes taught by faculty, and new perspectives in two of the University's largest colleges, SUU's prospects look bright.

These are all just a few examples of the exciting happenings on SUU's campus, which I am honored to lead. I look forward to continued success as we expand our services and programming to meet the increasing educational needs of the southern Utah region. Go T-Birds!

Sincerely,

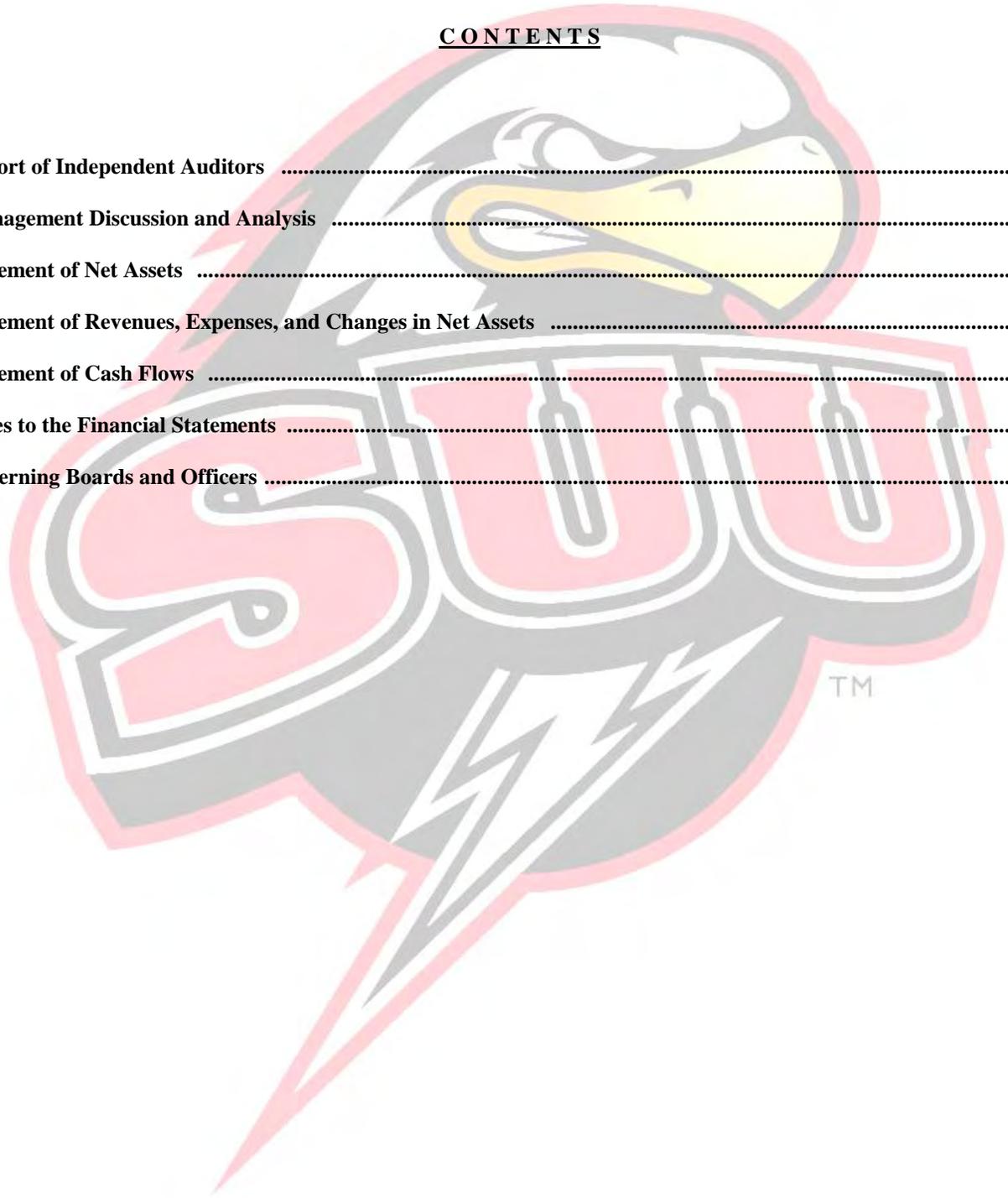


President Michael T. Benson

# SOUTHERN UTAH UNIVERSITY

## CONTENTS

	Page
Report of Independent Auditors .....	1
Management Discussion and Analysis .....	4
Statement of Net Assets .....	9
Statement of Revenues, Expenses, and Changes in Net Assets .....	10
Statement of Cash Flows .....	11
Notes to the Financial Statements .....	13
Governing Boards and Officers .....	31





**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

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Jon T. Johnson, CPA

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, Audit Committee  
and  
Michael T. Benson, 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, 2008, 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 2007 financial statements and, in our report dated December 20, 2007, 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, 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, 2008, 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 23, 2008 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's 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.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a large initial "A" and "J".

Auston G. Johnson, CPA  
Utah State Auditor  
December 23, 2008



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# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2008

## 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, 2008. 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 111-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 just over 7,050 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 are 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, 2008 and 2007.

	<b>Condensed Statement of Net Assets</b>			
	<b><u>June 30, 2008</u></b>	<b><u>June 30, 2007</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
<b>Assets</b>				
Current Assets	\$ 30,895,869	\$ 27,282,233	\$ 3,613,636	13.2%
Noncurrent Assets				
Capital Assets	114,594,271	99,985,489	14,608,782	14.6%
Other Noncurrent Assets	22,099,237	22,242,328	(143,091)	-0.6%
<b>Total Assets</b>	<b>167,589,377</b>	<b>149,510,050</b>	<b>18,079,327</b>	<b>12.1%</b>
<b>Liabilities</b>				
Current Liabilities	9,938,149	8,754,160	1,183,989	13.5%
Noncurrent Liabilities	14,039,623	14,763,613	(723,990)	-4.9%
<b>Total Liabilities</b>	<b>23,977,772</b>	<b>23,517,773</b>	<b>459,999</b>	<b>2.0%</b>
<b>Net Assets</b>				
Invested in Capital Assets	101,614,252	86,247,656	15,366,596	17.8%
Restricted Nonexpendable	11,639,313	10,373,483	1,265,830	12.2%
Restricted Expendable	8,682,736	12,140,734	(3,457,998)	-28.5%
Unrestricted	21,675,304	17,230,404	4,444,900	25.8%
<b>Total Net Assets</b>	<b>\$ 143,611,605</b>	<b>\$ 125,992,277</b>	<b>\$ 17,619,328</b>	<b>14.0%</b>



# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2008

Current Assets increases from the previous year resulted from Tuition and Fee, Sales and Services of Educational Activities, Auxiliary Enterprise and State Appropriation revenue increases that outpaced operating expense increases resulting in additional funds available for short-term investment. Increases in Prepaid Expenses for the Shakespeare Festival '08 Season offset by Pledges Receivable decreases contributed to the total change in Current Assets. The Capital Assets increase reflects the addition of the Emma Eccles Jones Teacher Education building, Old Main remodel, Carter Carillon Bell Tower and improvements to the Heat Plant.

Current Liability increases are attributable to increases in amounts due to the Utah Division of Facilities Construction and Management for campus projects, and increases in deferred revenues for the Shakespeare Festival '08 Season and Summer Semester tuition for the current year. Noncurrent liabilities decreases resulted from debt-service on long-term Liabilities paid during the fiscal year.

Capitalization of the items listed above offset by Depreciation expense account for the increase to Invested in Capital Assets. Restricted Nonexpendable Net Assets increases resulted from gifts to the University. Restricted Expendable Net Assets decreases resulted as funds were expended on the various construction projects on campus. The increase in Unrestricted Net Assets can be attributed to the increases in Tuition and Fee revenue, Sales and Services of Educational Activities, Auxiliary Enterprises and State Appropriations combined with only moderate expense increases.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents 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, 2008 and 2007.

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Tuition and Fees	\$ 22,457,312	\$ 19,882,885	\$ 2,574,427	12.9%
Grants and Contracts	190,118	380,332	(190,214)	-50.0%
Sales and Services	12,254,746	11,653,338	601,408	5.2%
Auxiliary Enterprises	6,435,003	6,249,075	185,928	3.0%
Other	48,618	45,801	2,817	6.2%
<b>Total Operating Revenues</b>	<u>41,385,797</u>	<u>38,211,431</u>	<u>3,174,366</u>	<u>8.3%</u>
<b>Operating Expenses</b>	<u>92,728,648</u>	<u>85,515,284</u>	<u>7,213,364</u>	<u>8.4%</u>
<b>Operating Loss</b>	<u>(51,342,851)</u>	<u>(47,303,853)</u>	<u>(4,038,998)</u>	<u>8.5%</u>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	34,086,758	30,621,224	3,465,534	11.3%
Grants and Contracts	14,395,038	13,387,618	1,007,420	7.5%
Gifts	4,763,469	2,860,735	1,902,734	66.5%
Investment Income	1,625,627	3,052,815	(1,427,188)	-46.7%
Other Nonoperating Revenues	160,962	(80,677)	241,639	299.5%
Interest Expense	(653,924)	(680,867)	26,943	-4.0%
<b>Net Nonoperating Revenue</b>	<u>54,377,930</u>	<u>49,160,848</u>	<u>5,217,082</u>	<u>10.6%</u>
<b>Other Revenues</b>	<u>14,584,249</u>	<u>3,883,047</u>	<u>10,701,202</u>	<u>275.6%</u>
<b>Net Increase (Decrease)         in Net Assets</b>	<u>17,619,328</u>	<u>5,740,042</u>	<u>11,879,286</u>	<u>207.0%</u>
<b>Net Assets - Beginning of Year</b>	<u>125,992,277</u>	<u>120,252,235</u>	<u>5,740,042</u>	<u>4.8%</u>
<b>Net Assets - End of Year</b>	<u>\$ 143,611,605</u>	<u>\$ 125,992,277</u>	<u>\$ 17,619,328</u>	<u>14.0%</u>



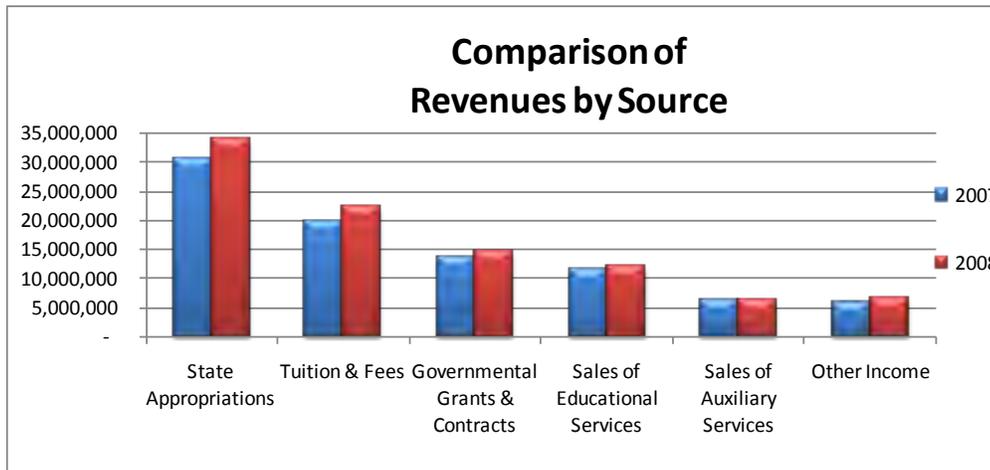
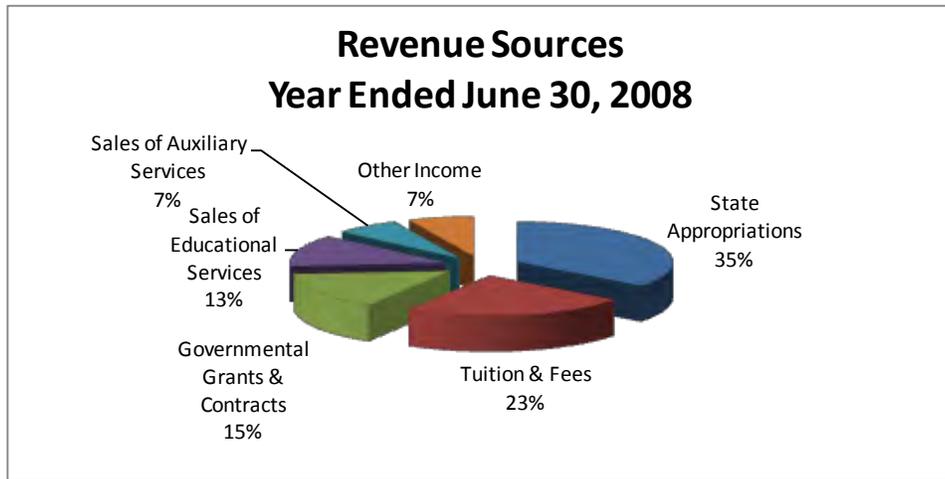
# SOUTHERN UTAH UNIVERSITY

Enrollment increases and tuition rate increases (7%) resulted in higher Tuition and Fee revenue. Operating Grants and Contracts decreases are due to the conclusion of a rural development grant during fiscal year 2007. Sales and Services increases resulted from additional customers (students) and increases in rates at several University service locations. The book store experienced increases in revenue during the year contributing to the Auxiliary Enterprises revenue increase.

State Appropriations increases were the result of additional funding from the State of Utah. Nonoperating Gift revenue increased during the year as the focus of fundraising efforts shifted from capital projects to scholarship funding. Investment Income changes were the result of a significant decrease in market value for equity investments and declining interest rates. Other Nonoperating Revenues increases were due to the sale of University land and building that was being utilized by the Shakespeare Festival for storage.

Other Revenues increases were due to the Capital State Appropriations funding for the Education building and Old Main projects completed during the year.

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, 2008 and a comparison with the prior year:



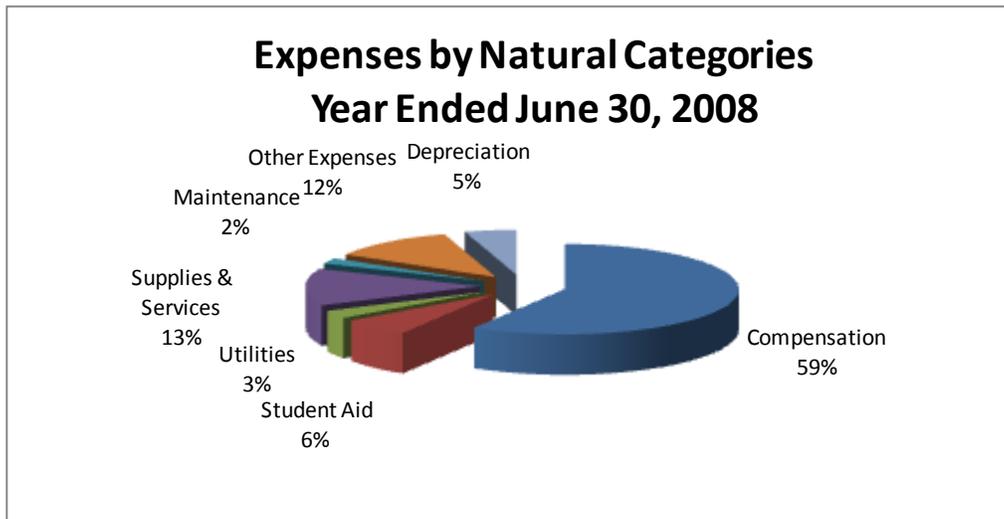
# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2008

Compensation, including benefits, increases of 8.1% from the prior year are attributable to salary increases coupled with benefit cost increases. Services and Supplies increases of 26.6% are due to increases in costs and operational budget increases across the board for supplies and services. Student Aid increases of 16.3% were to keep pace with tuition increases and a University focus on providing financial aid to students. Repairs and Maintenance, Utilities and Other Operating Expense 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, 2008:



A comparative summary of the University's operating expenses by natural classification for the years ended June 30, 2008 and 2007 is included below:

### Expenses by Natural Classification

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Salaries	\$ 39,245,731	\$ 35,866,724
Benefits	15,565,180	14,860,395
Depreciation	4,475,711	4,096,026
Repairs and Maintenance	1,922,864	1,889,919
Services and Supplies	12,432,094	9,818,218
Student Aid	6,034,008	5,186,954
Utilities	2,691,103	2,730,111
Other Operating Expenses	10,361,957	11,066,937
Total Operating Expenses	<u>\$ 92,728,648</u>	<u>\$ 85,515,284</u>



# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2008

## 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, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (46,566,156)	\$ (39,874,050)	\$ (6,692,106)
Noncapital Financing Activities	50,106,925	46,441,154	3,665,771
Capital Financing Activities	(4,346,109)	(2,535,720)	(1,810,389)
Investing Activities	(7,921,616)	2,583,980	(10,505,596)
Net Increase (Decrease) in Cash	(8,726,956)	6,615,364	(15,342,320)
Cash - Beginning of Year	<u>26,633,240</u>	<u>20,017,876</u>	<u>6,615,364</u>
Cash - End of Year	<u>\$ 17,906,284</u>	<u>\$ 26,633,240</u>	<u>\$ (8,726,956)</u>

Noncapital Financing Activities include state appropriations, most grants and contracts, 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.

Use of cash from Operating activities increased as salary, benefit and operating expense increases outpaced tuition and fee revenue, auxiliary and educational revenues. Cash provided from Noncapital Financing Activities increased due to additional State Appropriations for the year. Cash used by Capital Financing Activities increased as gift funds previously received were expended on capital projects completed during the year. A reduction in sales of securities combined with additional investment purchases for the year resulted in the use of cash in the current year versus cash provided in the prior year for the Investing Activities section of the statement.

## Economic Factors that May Affect the Future

While this year's economic growth has been sluggish by Utah's historical standards, our state's economy is well-positioned due to the significant expansion of the past several years combined with strong fundamentals that include a young, dynamic and well-educated workforce and the public and private sector commitment to economic development. Over the past 20 years, Utah's economy has diversified and become more broadly integrated with the national economy; therefore the state's 2009 economic outlook closely depends on developments at the national level.

The State of Utah, like most states, is currently experiencing a decline in projected revenues which has resulted in moderate budget reductions for state agencies and institutions. The University will absorb these reductions through prudent fiscal management and strategic planning. SUU enrollments continue to increase, we continue to raise more private funds than ever in our history, we continue to garner more recognition and accreditations while state support is being cut putting additional pressure on tuition and other sources of revenue.

## Summary

The accompanying financial statements, including footnotes, indicate the University's financial position will continue to enable the University to prioritize strategic initiatives moving the University forward during these turbulent times.



# SOUTHERN UTAH UNIVERSITY

## STATEMENT OF NET ASSETS

As of June 30, 2008

	<u>2008</u>	Comparative Only <u>2007</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note B)	\$ 6,841,048	\$ 13,514,675
Short-term Investments (Note B)	16,684,813	6,674,535
Accounts, Interest, Pledges and Notes Receivable (Note C)	2,223,298	3,085,797
Loans Receivable, Net (Note D)	424,968	418,232
Inventories (Note E)	1,170,231	1,231,960
Prepaid Expenses (Note F)	<u>3,551,511</u>	<u>2,357,034</u>
Total Current Assets	30,895,869	27,282,233
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note B)	11,065,236	13,118,565
Investments (Note B)	6,555,630	6,951,846
Loans Receivable, Net (Note D)	2,109,851	1,994,517
Real Estate	2,368,520	177,400
Capital Assets, Net of Accumulated Depreciation (Note G)	<u>114,594,271</u>	<u>99,985,489</u>
Total Noncurrent Assets	136,693,508	122,227,817
Total Assets	<u>167,589,377</u>	<u>149,510,050</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts and Interest payable (Note H)	1,476,019	1,537,870
Due to Division of Facilities Construction and Management	1,050,541	415,202
Payroll and Withholding Taxes Payable	441,693	903,878
Deposits and Other Liabilities	432,492	324,105
Deferred Revenues (Note F)	4,093,921	3,090,809
Compensated Absences & Termination Benefits (Note I)	1,673,314	1,681,496
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>770,169</u>	<u>800,800</u>
Total Current Liabilities	9,938,149	8,754,160
Noncurrent Liabilities:		
Compensated Absences & Termination Benefits (Note I)	1,342,937	1,303,863
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>12,696,686</u>	<u>13,459,750</u>
Total Noncurrent Liabilities	14,039,623	14,763,613
Total Liabilities	<u>23,977,772</u>	<u>23,517,773</u>
<b>NET ASSETS</b>		
Invested in Capital Assets Net of Related Debt	101,614,252	86,247,656
Restricted:		
Nonexpendable - Scholarships	10,085,474	9,174,855
Nonexpendable - Other	1,553,839	1,198,628
Expendable - Scholarships	1,404,276	1,264,949
Expendable - Capital Projects	1,629,566	5,591,973
Expendable - Loans	2,708,861	2,697,093
Expendable - Other	2,940,033	2,586,719
Unrestricted	<u>21,675,304</u>	<u>17,230,404</u>
Total Net Assets	<u>\$ 143,611,605</u>	<u>\$ 125,992,277</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, 2008

	<u>2008</u>	Comparative Only <u>2007</u>
Operating Revenues:		
Student Tuition and Fees (Note K)	\$ 22,457,312	\$ 19,882,885
(net of scholarship discounts and allowances of \$7,518,595 for 2008 and \$7,085,453 for 2007)		
Governmental Grants and Contracts	190,118	380,332
Sales and Services of Educational Activities	12,254,746	11,653,338
Sales and Services of Auxiliary Enterprises (Note K)	6,435,003	6,249,075
(net of scholarship discounts and allowances of \$719,697 for 2008 and \$669,399 for 2007)		
Interest Income on Student Loans	48,618	45,801
Total Operating Revenues	<u>41,385,797</u>	<u>38,211,431</u>
Operating Expenses:		
Salaries	39,245,731	35,866,724
Benefits	15,565,180	14,860,395
Depreciation	4,475,711	4,096,026
Repairs and Maintenance	1,922,864	1,889,919
Services and Supplies	12,432,094	9,818,218
Student Aid	6,034,008	5,186,954
Utilities	2,691,103	2,730,111
Other Operating Expenses	10,361,957	11,066,937
Total Operating Expenses	<u>92,728,648</u>	<u>85,515,284</u>
Operating Income (Loss)	<u>(51,342,851)</u>	<u>(47,303,853)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Government Appropriations - State	34,086,758	30,621,224
Government Grants and Contracts	14,395,038	13,387,618
Private Gifts and Grants	4,763,469	2,860,735
Investment Income	1,625,627	3,052,815
Other Nonoperating Revenue (Expense)	160,962	(80,677)
Interest on Indebtedness	(653,924)	(680,867)
Net Nonoperating Revenue	<u>54,377,930</u>	<u>49,160,848</u>
Income (Loss) Before Other Revenue	<u>3,035,079</u>	<u>1,856,995</u>
<b>Other Revenue</b>		
Capital Appropriations	13,372,403	2,590,009
Capital Grants & Gifts	457,944	584,716
Additions to Permanent Endowments	753,902	708,322
Total Other Revenue	<u>14,584,249</u>	<u>3,883,047</u>
Increase (Decrease) in Net Assets	17,619,328	5,740,042
Net Assets - Beginning of Year	125,992,277	120,252,235
Net Assets - End of Year	<u>\$ 143,611,605</u>	<u>\$ 125,992,277</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, 2008

	<u>2008</u>	Comparative Only <u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 22,540,083	\$ 19,905,351
Receipts from Grants/Contracts	165,863	247,171
Receipts from Auxiliary and Educational Services	19,364,579	17,513,599
Collection of Loans to Students and Employees	343,701	498,448
Loans Issued to Students and Employees	(510,058)	(526,628)
Payments for Employee Services and Benefits	(55,982,079)	(49,148,939)
Payments to Suppliers	(26,454,237)	(23,176,098)
Payments for Student Financial Aid	(6,034,008)	(5,186,954)
Net Cash Provided (Used) by Operating Activities	<u>(46,566,156)</u>	<u>(39,874,050)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	34,086,758	30,621,224
Receipts from Grants/Contracts	12,886,789	13,510,080
Gifts/Grants for Other Than Capital Purposes	2,402,453	1,624,200
Receipts for Permanent Endowments	753,902	708,322
Other Nonoperating Revenue (Expense)	(35,905)	587
Agency Account Receipts	1,136,158	973,280
Agency Account Payments	(1,123,230)	(996,539)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>50,106,925</u>	<u>46,441,154</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Receipts from Capital Appropriations	13,372,403	2,590,009
Receipts from Capital Grants/Gifts	1,916,312	3,694,159
Proceeds (Loss) from Sale of Capital Assets	196,867	(81,264)
Proceeds from Capital Debt	-	17,256
Purchases of Capital Assets	(18,449,154)	(7,379,969)
Principal Paid on Capital Debt/Leases	(766,218)	(734,261)
Interest Paid on Capital Debt/Leases	(616,319)	(641,650)
Net Cash Provided (Used) by Capital Financing Activities	<u>(4,346,109)</u>	<u>(2,535,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale/Maturity of Investments	6,186,224	9,483,140
Receipt of Interest/Dividends from Investments	2,320,217	2,235,977
Purchase of Investments	(16,428,057)	(9,135,137)
Net Cash Provided (Used) by Investing Activities	<u>(7,921,616)</u>	<u>2,583,980</u>
Net Increase (Decrease) in Cash	(8,726,956)	6,615,364
Cash & Cash Equivalents - Beginning of Year	<u>26,633,240</u>	<u>20,017,876</u>
Cash & Cash Equivalents - End of Year	<u>\$ 17,906,284</u>	<u>\$ 26,633,240</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, 2008  
(continued)

	<u>2008</u>	Comparative Only <u>2007</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ (51,342,851)	\$ (47,303,853)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,475,711	4,096,026
Repair and Maintenance Expense paid by Division of Facility Construction and Management	1,377,580	1,171,228
Changes in Assets and Liabilities:		
Receivables (Net)	(424,163)	396,375
Student Loans Receivable	(122,070)	13,607
Inventories	58,687	76,140
Prepaid Expenses	(1,194,476)	720,243
Accounts Payable	(61,851)	756,755
Accrued Liabilities	95,458	(183,031)
Accrued Payroll	(462,185)	596,528
Deferred Revenues	1,003,112	(783,921)
Compensated Absences	30,892	569,853
Net Cash Provided (Used) by Operating Activities	<u>\$ (46,566,156)</u>	<u>\$ (39,874,050)</u>

**Noncash Investing, Noncapital Financing, and Capital  
Financing Transactions**

Change in Fair Value of Investments Recognized as Investment Income	\$ (741,652)	\$ 841,724
Donation of Investment Securities	84,364	1,534,295
Donation of Real Estate	2,214,611	
Division of Facility Construction and Management Projects	1,377,580	1,171,228

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

Cash and Cash Equivalents Classified as Current Assets	\$ 6,841,048	\$ 13,514,675
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>11,065,236</u>	<u>13,118,565</u>
Total Cash and Cash Equivalents	<u>\$ 17,906,284</u>	<u>\$ 26,633,240</u>

The accompanying notes are an integral part of these financial statements

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

## **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 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

FISCAL YEAR ENDED JUNE 30, 2008

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## **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. Accounts receivable are recorded net of estimated uncollectible amounts.

## **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

FISCAL YEAR ENDED JUNE 30, 2008

## **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 and Expenses**

The University has classified its revenues and expenses as either operating or nonoperating 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



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

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.

*Nonoperating Revenues and Expenses:*  
Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, expenses not meeting the definition of operating expenses, and other revenue sources that are defined as nonoperating 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 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, 2007, 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



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

For endowment funds, the entity follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

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, 2008 is 4.5% 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, 2008 was approximately \$2,670,000. 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, 2008, \$7,468,098 of the University's bank balances of \$8,468,098 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 UPMIFA 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: 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



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

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 is approximately equal to the value of the pool shares.

As of June 30, 2008, 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>		
			1-5	6-10	More than 10
State of Utah Public					
Treasurer's Investment Fund	\$ 19,526,613	\$ 19,526,613	\$ -	\$ -	\$ -
Bond Mutual Fund	206,430		206,430		
Corporate Notes	8,752,231	8,752,231		-	-
	28,485,274	\$ 28,278,844	\$ 206,430	\$ -	\$ -
<u>Other Investments</u>					
Equity Mutual Funds	6,349,200				
Total Investments	\$ 34,834,474				



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

*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 UPMIFA 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.

*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, UPMIFA, and Rule 541 as previously discussed. Securities rated less than “A” met the investment criteria at the time of purchase.

At June 30, 2008, the University had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA - AA	A	BBB	Unrated
State of Utah Public					
Treasurer's Investment Fund	\$ 19,526,613	\$ -	\$ -	\$ -	\$ 19,526,613
Bond Mutual Fund	206,430				206,430
Corporate Notes	8,752,231		2,776,091	5,976,140	-
Total	<u>\$ 28,485,274</u>	<u>\$ -</u>	<u>\$ 2,776,091</u>	<u>\$ 5,976,140</u>	<u>\$ 19,733,043</u>

*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 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 overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment

portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments in alternative investment funds to between 0% and 30% based on the size of the University’s endowment fund.



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

*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, 2008, the University had \$398,505 in repurchase agreements where the underlying securities were uninsured and held by Wells Fargo Bank, but not in the University's name and \$8,752,231 in debt securities which were held by Wells Fargo Bank, but not in the University's name.

## **Note C. Accounts, Interest, Pledges and Notes Receivable**

Accounts, Interest, Pledges and Notes Receivable consisted of the following at June 30, 2008:

	Balance	Current Portion
Student Tuition and Fees	\$ 697,474	\$ 697,474
Federal, State, and Private Grants and Contracts	413,807	413,807
Auxiliary Service Charges	366,868	366,868
Continuing & Professional Studies Fees	176,237	176,237
Utah Shakespearean Festival Ticket Sales	338,260	338,260
Interest and Dividends Receivable	156,618	156,618
Other Operating	294,034	294,034
Allowance for Doubtful Accounts	(220,000)	(220,000)
Total	<u>\$ 2,223,298</u>	<u>\$ 2,223,298</u>

## **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, 2008 the allowance for uncollectible loans was \$104,800.

## **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 \$16,957, as well as, Bookstore inventory in the amount of \$1,153,274.

## **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.



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

Prepaid Expenses and Deferred Revenues at June 30, 2008, consist of the following:

	Prepaid Expenses	Deferred Revenues
Utah Shakespearean Festival	\$ 3,313,362	\$ 2,790,152
Student Tuition and Fees		1,041,222
Grants and Contracts		98,460
Miscellaneous	238,149	164,087
Total	<u>\$ 3,551,511</u>	<u>\$ 4,093,921</u>



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

**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, 2007	Additions	Retirements	Balance June 30, 2008
Land	\$ 8,255,483	\$ 100,000	\$ (10,000)	\$ 8,345,483
Land Imp/Infrastructure	7,518,336	6,340		7,524,676
Buildings	122,065,216	18,252,449	(69,606)	140,248,059
Equipment	8,747,937	1,192,751	(640,365)	9,300,323
Vehicles	1,273,906	40,142	(18,717)	1,295,331
Art Work/Collections	741,927	9,300		751,227
Library Collections	5,970,396	494,923	(325,916)	6,139,403
Construction in Progress	3,704,824	1,609,141	(2,558,793)	2,755,172
Total	158,278,025	21,705,046	(3,623,397)	176,359,674
 Less: Accumulated Depreciation				
Land Imp/Infrastructure	4,668,211	230,355		4,898,566
Buildings	43,145,868	3,213,062	(25,837)	46,333,093
Equipment	6,349,286	691,664	(633,024)	6,407,926
Vehicles	821,175	114,657	(18,067)	917,765
Art Work/Collections	458,768	25,332		484,100
Library Collections	2,849,228	200,641	(325,916)	2,723,953
Total	58,292,536	4,475,711	(1,002,844)	61,765,403
Capital Assets, net	\$ 99,985,489	\$ 17,229,335	\$ (2,620,553)	\$ 114,594,271

Construction in progress at June 30, 2008 of \$2,755,172 represents the University's cost related to the construction of the following projects, funded by state grants and private gifts:

Project	Estimated Costs	Construction in Progress	Percent Completed
Utah Shakespeare Festival Centre	\$ 78,000,000	\$ 1,352,816	2%
Resident Living - Phase II	14,583,061	974,353	7%
Multi-Purpose Building Remodel	600,000	428,003	71%
Total	\$ 93,183,061	\$ 2,755,172	



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

**Note H. Accounts and Interest Payable**

Accounts and Interest Payable consisted of the following at June 30, 2008:

	Balance
Vendors	\$ 1,339,064
Interest	99,637
Sales Tax	13,255
Other	24,063
Total	\$ 1,476,019

**Note I. Long-Term Liabilities**

Activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
<b>Bonds, Notes, and Contracts Payable</b>					
Bonds Payable	\$ 13,324,670	\$ -	\$ 653,402	\$ 12,671,268	\$ 677,620
Unamortized Bond Premium	211,452		17,598	193,854	17,513
Notes Payable	80,734		80,734		
Contracts/Leases Payable	29,743		14,484	15,259	7,819
Remainder Annuity Trusts	613,951		27,478	586,473	67,217
Total	14,260,550	-	793,696	13,466,854	770,169
<b>Other Liabilities</b>					
Compensated Absences	1,141,904	1,126,041	1,049,680	1,218,265	1,139,600
Termination Benefits	1,843,455	410,164	455,633	1,797,986	533,714
Total	2,985,359	1,536,205	1,505,313	3,016,251	1,673,314
Total Long-Term Liabilities	\$ 17,245,909	\$ 1,536,205	\$ 2,299,009	\$ 16,483,105	\$ 2,443,483



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

**Note J. Bonds, Notes and Contracts Payable**

Revenue bonds payable consisted of the following at June 30, 2008:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2007-2008	Balance June 30, 2008
Bonds Payable:					
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	\$ 4,540,000	\$ 475,000	\$ 3,320,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	75,000	8,685,000
Pavilion/Stadium, Series 2005	12/1/2005	3.900%	975,000	103,402	666,268
<b>Total Bonds Payable</b>			<b>\$ 15,575,000</b>	<b>\$ 653,402</b>	<b>\$ 12,671,268</b>

The scheduled maturities of the revenue bonds are as follows:

Year	Principal	Interest	Total Payments
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	769,430	515,967	1,285,397
2013	802,983	482,569	1,285,552
2014-2018	4,023,860	1,846,771	5,870,631
2019-2023	4,955,000	797,668	5,752,668
Total Bonds Outstanding	12,671,268	5,387,546	18,058,814
Unamortized Bond Premium	193,854		193,854
Total Bonds Payable	<b>\$ 12,865,122</b>	<b>\$ 5,387,546</b>	<b>\$ 18,252,668</b>

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 (See Note K). 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, 2008, is \$247,000.

**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.



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

**Contracts Payable** - Contracts payable are due in equal installments, including principal and interest, until the last payment comes due in February 2012 and are secured by equipment costing \$84,186.

Future minimum lease payments for all contracts and capital leases payable as of June 30, 2008 are as follows:

Year	Principal	Interest	Total Payments
2009	\$ 7,819	\$ 905	\$ 8,724
2010	4,402	464	4,866
2011	2,274	136	2,410
2012	764	25	789
Total	\$ 15,259	\$ 1,530	\$ 16,789

**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, 2008:

	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%	\$ 121,199	\$ 44,816
J & C Wadsworth	9/25/2001	6.200%	367,248	17,233
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	98,026	5,168
Total Annuities Payable			\$ 586,473	\$ 67,217

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2009	\$ 67,217	28,483	\$ 95,700
2010	71,728	23,971	95,699
2011	54,000	22,390	76,390
2012	27,150	20,704	47,854
2013	28,950	18,904	47,854
2014-2018	176,279	62,988	239,267
2019-2022	161,149	14,562	175,711
Total	\$ 586,473	\$ 192,002	\$ 778,475



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

**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, 2008:

**Pledged Receipts:**

	Auxiliary System	Stadium System
Operating Revenues	\$ 9,588,902	
Operating & Maintenance Expenses	<u>(7,459,912)</u>	
Net Operating Receipts	2,128,990	
Student Center Building Fees		\$ 219,570
Investment Income on Reserve Funds	22,667	202
Total Pledged Net Receipts	<u>\$ 2,151,657</u>	<u>\$ 219,772</u>

**Disbursements:**

Transfers to:		
Debt Service	\$ 1,155,895	\$ 133,419
Renewal & Replacement Reserves	876,779	86,336
Other Lawful Purposes	118,983	17
Total Disbursements of Pledged Receipts	<u>\$ 2,151,657</u>	<u>\$ 219,772</u>



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

**Note L. 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 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, 2008, 2007, and 2006 were \$39,245,731, \$35,866,724, and \$34,018,898, respectively.

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

<b>Retirement Program</b>	Covered Payroll Expenses		
	2008	2007	2006
TIAA	\$ 20,204,344	\$ 20,185,519	\$ 19,419,384
Fidelity	2,156,941		
State-Contributory	87,574	78,875	73,310
State-Noncontributory	8,553,593	7,882,884	7,324,513
State-Public Safety	115,437	99,036	76,869
	\$ 31,117,889	\$ 28,246,314	\$ 26,894,076

<b>Retirement Program</b>	Retirement Contributions		
	2008	2007	2006
TIAA	\$ 2,869,017	\$ 2,866,344	\$ 2,757,553
Fidelity	306,286		
State-Contributory	13,775	12,407	10,916
State-Noncontributory	1,216,323	1,217,725	1,096,668
State-Public Safety	30,879	26,492	18,212
Salary Deferral 401(k) - Employer	133,367	120,236	117,355
Salary Deferral 401(k) and 457 - Employee	294,759	261,437	270,058
	\$ 4,864,406	\$ 4,504,641	\$ 4,270,762

The Retirement Contributions amount represents the funds which were contributed by the University, which includes 15.73% of covered employees' salaries participating in the Utah State Retirement Contributory System, 15.72% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 28.25% (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.

*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



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

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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 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 and Fidelity Investments issue 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, 2008 and 2007, were \$98,446 and \$110,746 respectively. The number of participants for the years ended June 30, 2008 and 2007 was 24 and 29, 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, 2008 and 2007 were \$357,187 and \$406,558, respectively. The number of participants for the years ended June 30, 2008 and 2007 was 25 and 20, respectively.

The projected future cost of these stipends, 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 3.7 percent for stipends, and 4.2-5.6 percent for medical and dental premiums. These increases are based on historical data. The net present value of the total projected costs is calculated using the estimated yield (3.02 percent) for University investments. The net present value is the amount recognized on the financial statements as the liability for early retirement.



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

## 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, 2008 were \$404,706 at cost and \$391,274 at fair value.

## Note N. Functional Classification

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

Instruction	\$	25,876,749
Research		36,339
Public Service		12,422,148
Academic Support		5,133,050
Student Services		10,672,209
Institutional Support		12,540,633
Operation and Maintenance of Plant		8,047,282
Student Aid		6,032,058
Auxiliary Enterprises Expenses		7,492,469
Depreciation		4,475,711
	\$	<u>92,728,648</u>

## Note O. Insurance Coverage

The University insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage through policies administered by the State of Utah Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a \$1,000 per occurrence deductible. All revenues from the University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption

caused by fire or other insurable perils. Additionally, the University is protected against employee dishonesty exposures under a \$10 million blanket bond. The Utah State Risk Management Fund provides coverage to the University for general, automobile, personal injury, errors or omissions, and malpractice liability at \$10 million per occurrence. The University qualifies as a "governmental body" under the Utah Governmental Immunity Act which limits applicable claim settlements to \$583,000 for one person in any one occurrence or \$2,000,000 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.

The University has recorded the investments of the dental care funds at June 30, 2008 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.



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

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

	<u>2008</u>	<u>2007</u>
Estimated Claims Liability - Beginning of Year	\$ 80,751	\$ 84,586
Current Year Contributions and Changes in Estimates	679,154	532,277
Claim Payments, Including Related Legal and Administrative Expenses	<u>(662,305)</u>	<u>(536,112)</u>
Estimated Claims Liability - End of Year	<u>\$ 97,600</u>	<u>\$ 80,751</u>

## **Note P. Related Party Transactions**

The University receives from the Festival City Development Foundation an in-kind contribution of a portion of the housing needs for actors and technicians participating in the Shakespearean Festival. The value of the donated housing is estimated to be \$220,000. The University (Shakespeare Festival) in turn pays for utilities and maintenance on the buildings owned by the Festival City Development Foundation. The University has not reported the value of the donated housing as gift revenue and (or) operating expenses in the financial statements.

## **Note Q. Subsequent Events**

On July 22, 2008, the University issued \$12,025,000 in Auxiliary System and Student Building Fee Revenue Bonds, Series 2008. The interest rates on the bond range from 3.50% to 5.25% and mature May 1, 2033. The Series 2008 Bonds were issued to construct new residence halls on campus. The Bonds are secured by a pledge of the net revenues derived from the operation of the Auxiliary Enterprise system.

The financial markets have experienced volatility and downward pressure on asset value since June 30, 2008, which has affected the University's investment portfolio.



# SOUTHERN UTAH UNIVERSITY

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