



Southern Utah University

A Component Unit of the State of Utah



Annual Financial Report 2009-10

From the President...



Nicholas Murray Butler, Nobel Laureate and former President of Columbia University, once stated: “Optimism is essential to achievement and it is also the foundation of courage and true progress.” Despite the challenges we have faced in the past year, I am as optimistic as ever that Southern Utah University is as strong as ever and heading in the right direction. This forward progress is thanks in large measure to the countless staff and students who labor to continuously improve opportunities for all here at SUU. Thanks to the diligent work of so many, I gladly share our University’s recent accomplishments with those who hold a vested interest in our success.

Just one month ago, Southern Utah University once again earned a spot on the *U.S. News and World Report’s* Best Regional Colleges in the West listing. Notably, this was our first designation as a Tier One institution and is indicative of the

University’s rising academic reputation.

With competitive advantages that include experience-based learning programs, a supportive academic environment and strong community partnerships, we aim to continue to raise student achievement and preparation through six initiatives that will enhance the personalized, integrative and experiential learning environment that has become SUU’s hallmark. To this end, under the direction of Provost Brad Cook, we recently finalized a new Academic Roadmap that will refine our efforts to provide an educational experience unlike any other in the state’s system of higher education.

In addition to helping our students achieve academically, we are committed to helping them become well-rounded professionals and citizens. We continue to work diligently to provide opportunities for students from all academic programs, backgrounds and interests to make a positive impact on the communities that support them. The University’s motto, “Learning Lives Forever,” aptly explains our objective to encourage students to engage their minds far beyond the walls of the classroom.

It is by our students that we measure our success as a University, and this past year saw Thunderbird students soaring high:

- SUU Gymnastics earned an eleventh NCAA Academic National Championship with a team GPA of 3.8923.
- Logging more than 42,000 hours of community service, the University community was appointed to the 2009 U.S. President’s Higher Education Community Service Honor Roll.
- T-Bird grads have enjoyed record-high graduate acceptance this past year: 100 percent of those who applied were admitted to pharmacy schools across the U.S.; 96 percent were admitted to medical schools; and 90 percent were admitted to law schools of their choosing.

- SUU gymnastics earned the 2010 Western Athletic Conference Championship.
- Our Women's Cross Country team earned the Summit League Athletic Conference Championship.
- A few of our top architectural design students produced a winning design for Brian Head City's new public safety building.
- The student body took first in the Donate for Life collegiate organ donor registration drive, thanks to more than 1,000 newly registered student donors.
- Our BSN nursing grads exceeded national and state NCLEX test scores with a 96.8 percent pass rate.
- SUU Ballroom Dance brought home the U.S. National Collegiate Ballroom Dance Formation Championship.
- Our senior business majors scored in the top ten percent nationally on the ETS Major Field Exam.

These are just a few of the many initiatives SUU's faculty and staff members help facilitate to enhance the SUU experience. Whether in a campus classroom, through an educational partnership with a nearby National Park or at one of our sister institutions in Europe, Southern Utah University continues to provide an outstanding educational value.

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. Go T-Birds!

Sincerely,

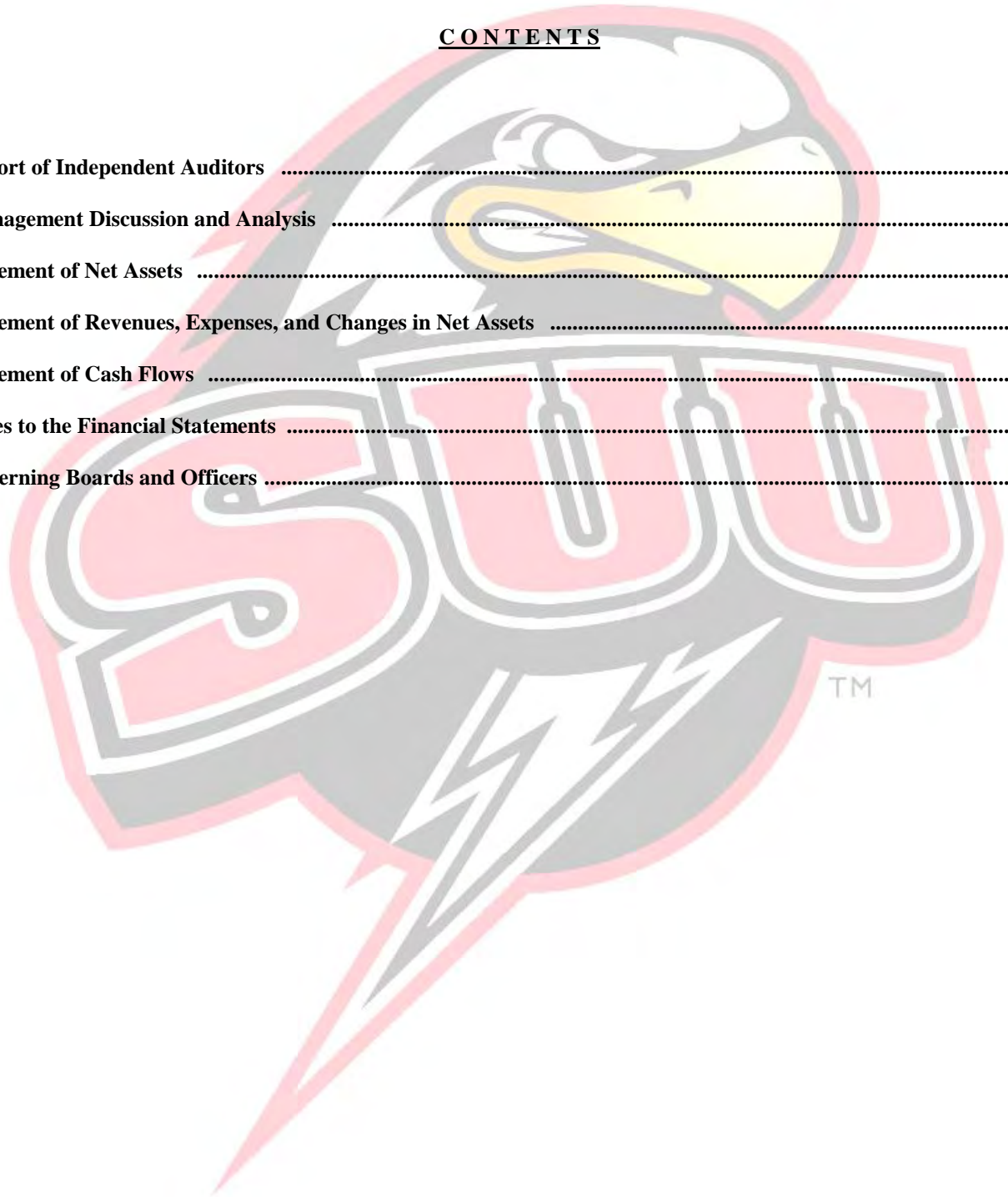
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President Michael T. Benson

SOUTHERN UTAH UNIVERSITY

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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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, 2010, 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 2009 financial statements and, in our report dated December 21, 2009, we expressed an unqualified opinion on the basic financial statements.

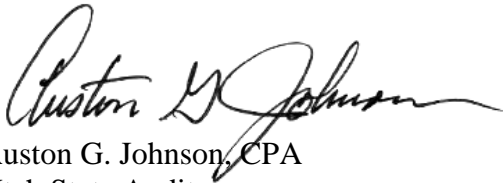
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, 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 21, 2010 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 long horizontal flourish extending to the right.

Auston G. Johnson, CPA
Utah State Auditor
December 21, 2010

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2010

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, 2010. 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 113-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 8,000 undergraduate and graduate students.

Financial

The annual report consists of three basic financial statements that provide information on the University as a whole: the Statement of Net 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 support, promote, sponsor, and carryout 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, 2010 and 2009.

	Condensed Statement of Net Assets			
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 37,624,773	\$ 38,557,994	\$ (933,221)	-2.4%
Noncurrent Assets				
Capital Assets	124,245,696	125,231,045	(985,349)	-0.8%
Other Noncurrent Assets	19,440,049	16,718,457	2,721,592	16.3%
Total Assets	181,310,518	180,507,496	803,022	0.4%
Liabilities				
Current Liabilities	10,754,844	12,963,383	(2,208,539)	-17.0%
Noncurrent Liabilities	23,420,370	25,741,442	(2,321,072)	-9.0%
Total Liabilities	34,175,214	38,704,825	(4,529,611)	-11.7%
Net Assets				
Invested in Capital Assets	101,562,398	99,565,405	1,996,993	2.0%
Restricted Nonexpendable	10,457,346	9,824,220	633,126	6.4%
Restricted Expendable	11,491,928	10,462,301	1,029,627	9.8%
Unrestricted	23,623,632	21,950,745	1,672,887	7.6%
Total Net Assets	\$ 147,135,304	\$ 141,802,671	\$ 5,332,633	3.8%



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2010

Current Assets decreases were a result of decreased Short-term Investments provided by normal operations along with a decrease in Accounts Receivable amounts for the Utah Shakespearean Festival (USF) and Center for Teaching and Excellence (CTE). The USF receivables decreased as a result of collections for the 2009 receivable relating to the international fundraising tour. The CTE receivable also decreased as a result of the receipt of funds relating to the increased 2009 receivable balance. Additionally, ending inventory in the Bookstore decreased from enhanced inventory controls. Depreciation expense in excess of net asset additions accounts for the decrease in Capital Assets for the fiscal year. A write-down of market value for real estate held-for-sale and a decrease in non-current investments coupled with an increase in restricted cash account for the increase in other noncurrent assets.

Current liabilities decreases are attributable to decreases in amounts due to the Utah Division of Facilities Construction and Management, and the payment of notes payable offset by an increase in USF deferred revenues and housing deposits. Noncurrent liability decreases the early repayment of the 2005 series revenue bonds.

Restricted Nonexpendable Net Assets increases resulted from the gain of fair market value in investments held in the Endowment accounts. The completion of Resident Living's Cedar Hall project and the retirement of the 2005 Series Revenue bonds resulted in a net increase to Restricted Expendable Net Assets.



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, 2010 and 2009.



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2010

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 25,845,830	\$ 24,923,619	\$ 922,211	3.7%
Grants and Contracts	433,662	233,175	200,487	86.0%
Sales and Services	12,151,144	13,088,620	(937,476)	-7.2%
Auxiliary Enterprises	5,390,372	5,182,160	208,212	4.0%
Other	43,887	50,626	(6,739)	-13.3%
Total Operating Revenues	43,864,895	43,478,200	386,695	0.9%
Operating Expenses				
Salaries	41,132,238	41,940,415	(808,177)	-1.9%
Benefits	16,318,651	16,694,295	(375,644)	-2.3%
Depreciation	5,132,169	4,763,532	368,637	7.7%
Repairs and Maintenance	1,931,798	1,073,025	858,773	80.0%
Services and Supplies	11,293,232	11,360,199	(66,967)	-0.6%
Student Aid	8,739,513	6,928,150	1,811,363	26.1%
Utilities	2,640,672	2,658,374	(17,702)	-0.7%
Other Operating Expenses	10,956,982	11,483,071	(526,089)	-4.6%
Total Operating Expenses	98,145,255	96,901,061	1,244,194	1.3%
Operating Loss	(54,280,360)	(53,422,861)	(857,499)	1.6%
Nonoperating Revenues (Expenses)				
State Appropriations	28,950,422	31,185,490	(2,235,068)	-7.2%
Grants and Contracts	23,002,038	16,418,031	6,584,007	40.1%
Gifts	4,835,111	3,215,914	1,619,197	50.3%
Investment Income	803,073	(837,470)	1,640,543	195.9%
Other Nonoperating Revenues	72,357	(172,795)	245,152	141.9%
Interest Expense	(1,188,295)	(639,645)	(548,650)	85.8%
Net Nonoperating Revenue	56,474,706	49,169,525	7,305,181	14.9%
Income (Loss) Before Other Revenue	2,194,346	(4,253,336)	6,447,682	151.6%
Other Revenues	3,138,287	2,401,259	737,028	30.7%
Net Increase (Decrease) in Net Assets	5,332,633	(1,852,077)	7,184,710	387.9%
Net Assets - Beginning of Year	141,802,671	143,654,748	(1,852,077)	-1.3%
Net Assets - End of Year	\$ 147,135,304	\$ 141,802,671	\$ 5,332,633	3.8%

Tuition and fee rate increases coupled with slight enrollment increases resulted in higher Tuition and Fee revenue. Operating Grants and Contracts increased due to additional daycare funding for the Center for Women & Families and additional Head Start funds. Sales and Services decreased as a result of reduced revenues for the Utah Shakespearean Festival offset by increased rental revenues in the Southern Utah University Foundation.

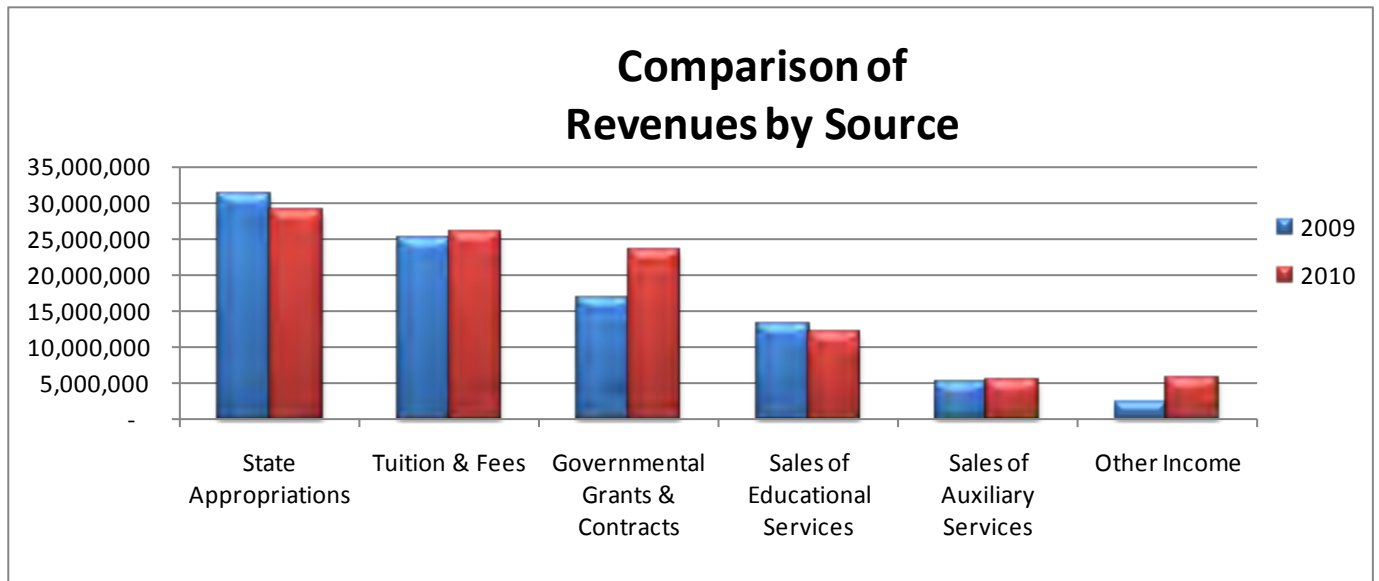
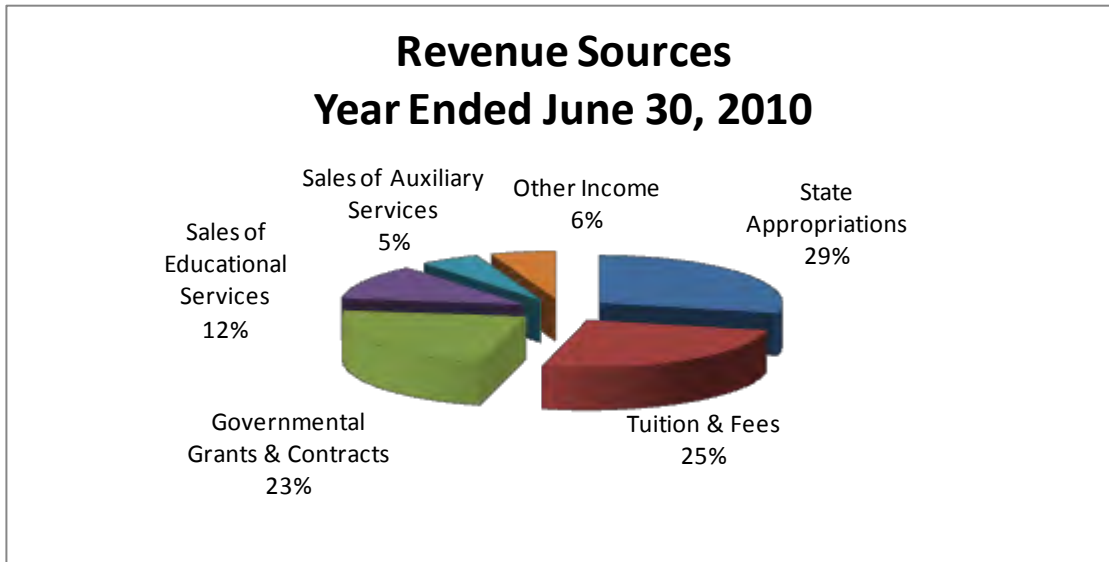
State Appropriations decreased due to budget cuts throughout the State. Grants and Contracts revenue increases were due to the American Recovery and Reinvestment Act (ARRA) funding received by the University to offset State Appropriation losses. Increased enrollment allowed for additional funding for the SMART, Pell, and Upward Bound programs. Additionally, a grant to help fund the design of the Science Center was received. Nonoperating Gift revenue increased as a result of more confident donors. Investment income increased due to a mild recovery of market value for all investments. Interest on Indebtedness increased as a result of the 2008 Series Housing bonds. Other Nonoperating Revenues increases were due to sale of multiple properties.



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Other Revenues increases were due to increased gift giving for Capital and Endowment purposes, specifically for the Southern Utah Museum of Art, the Science Center, and the USF Centre Campaign offset with a reduction in Capital State Appropriations funding for 2010.

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, 2010 and a comparison with the prior year:



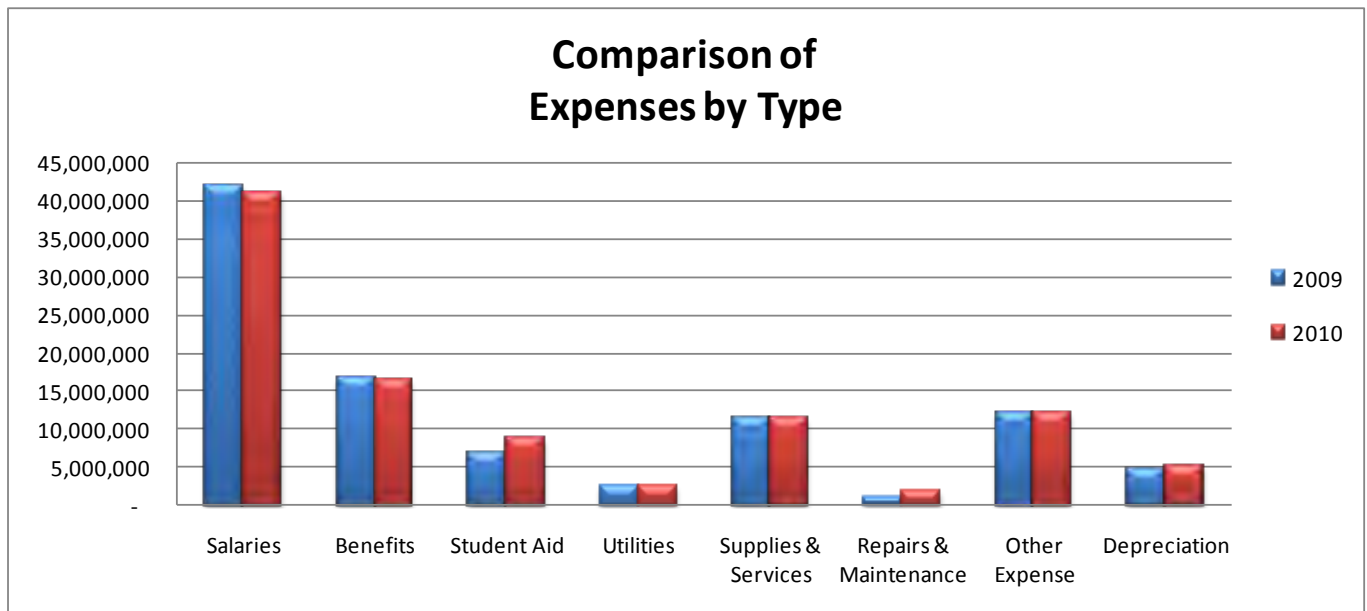
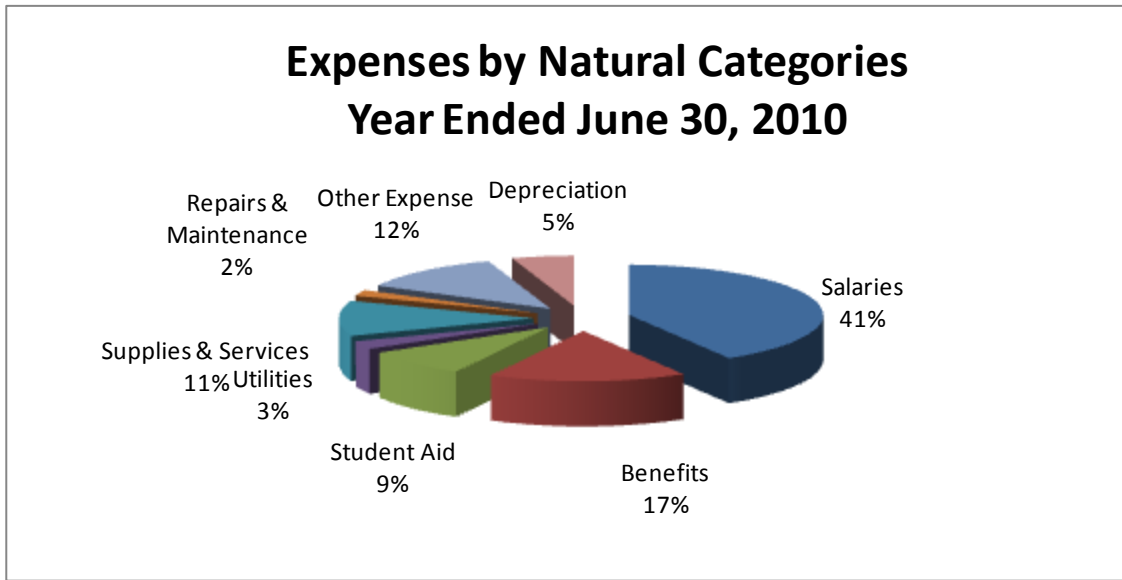
The decrease in compensation is a result of fewer average employees during the year. Student Aid increases of 26.14% were necessary to keep pace with tuition increases and the University’s effort focusing on recruiting and retaining students. Repairs and Maintenance increased as more DFCM projects were funded and completed during



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the year. Services and Supplies, 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, 2010 and a comparison with the prior year:



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.



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2010

Condensed Statement of Cash Flows			
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (47,370,811)	\$ (46,781,781)	\$ (589,030)
Noncapital Financing Activities	54,361,724	49,803,670	4,558,054
Capital Financing Activities	(6,594,868)	(1,035,182)	(5,559,686)
Investing Activities	<u>21,940,083</u>	<u>(8,286,710)</u>	<u>30,226,793</u>
Net Increase (Decrease) in Cash	22,336,128	(6,300,003)	28,636,131
Cash - Beginning of Year	<u>11,606,281</u>	<u>17,906,284</u>	<u>(6,300,003)</u>
Cash - End of Year	<u>\$ 33,942,409</u>	<u>\$ 11,606,281</u>	<u>\$ 22,336,128</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 tuition and fee and grant revenue increases were offset by payments to suppliers and student financial aid expense increased. Cash provided by noncapital financing activities increased from receipts from grants and contracts. Cash used by Capital Financing Activities increased as a result of early repayment of the Pavilion/Stadium Expansion Student Bldg Fee Revenue Refunding bonds, Series 2005 and the purchase of additional capital assets during the year. Lower investment purchases and maturity of investments held for the year resulted in the increase in the Investing Activities section of the statement.

Economic Factors that May Affect the Future

The declines in retail sales, construction, wages and employment experienced in 2009 leveled off in early 2010. Many economists predict that it is likely that the Utah economy will experience modest economic growth across most sectors during 2011. Broad-based growth will depend on an expanding U.S. economy, a precondition for economic growth at the regional and state levels.

Utahns continue to turn to higher education as a solution to their personal economic crises and the University takes its roll very seriously. The University will continue to balance the pressure of enrollment increases with the restrictions placed on the institution due to budget reductions through responsible fiscal management and strategic planning.

Summary

The accompanying financial statements, including footnotes, reflect the challenges of budget reductions this past year while indicating that the University's financial position remains solid during these challenging times.



SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2010

	<u>2010</u>	Comparative Only <u>2009</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note B)	\$ 22,843,881	\$ 6,866,823
Short-term Investments (Note B)	6,279,039	23,451,477
Accounts, Interest, Pledges and Notes Receivable (Note C)	3,978,587	3,569,101
Loans Receivable, Net (Note D)	334,463	383,290
Inventories (Note E)	797,585	1,152,428
Prepaid Expenses (Note F)	<u>3,391,218</u>	<u>3,134,875</u>
Total Current Assets	37,624,773	38,557,994
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note B)	11,098,528	4,739,458
Investments (Note B)	5,105,486	7,635,719
Pledges Receivable, Net (Note C)	587,619	343,424
Loans Receivable, Net (Note D)	1,941,802	2,041,858
Real Estate	706,614	1,957,998
Capital Assets, Net of Accumulated Depreciation (Note G)	<u>124,245,696</u>	<u>125,231,045</u>
Total Noncurrent Assets	143,685,745	141,949,502
Total Assets	<u>181,310,518</u>	<u>180,507,496</u>
LIABILITIES		
Current Liabilities:		
Accounts and Interest payable (Note H)	1,493,545	2,022,652
Due to Division of Facilities Construction and Management	635,071	2,160,336
Payroll and Withholding Taxes Payable	488,852	360,543
Deposits and Other Liabilities	468,715	441,080
Deferred Revenues (Note F)	4,925,681	4,251,886
Compensated Absences & Termination Benefits (Note I)	1,757,602	1,826,370
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>985,378</u>	<u>1,900,516</u>
Total Current Liabilities	10,754,844	12,963,383
Noncurrent Liabilities:		
Compensated Absences & Termination Benefits (Note I)	1,303,455	1,620,067
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>22,116,915</u>	<u>24,121,375</u>
Total Noncurrent Liabilities	23,420,370	25,741,442
Total Liabilities	<u>34,175,214</u>	<u>38,704,825</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	101,562,398	99,565,405
Restricted:		
Nonexpendable - Scholarships	8,882,628	8,266,120
Nonexpendable - Other	1,574,718	1,558,100
Expendable - Scholarships	1,766,989	1,444,758
Expendable - Capital Projects	4,700,454	3,825,975
Expendable - Loans	2,606,698	2,732,626
Expendable - Other	2,417,787	2,458,942
Unrestricted	<u>23,623,632</u>	<u>21,950,745</u>
Total Net Assets	<u>\$ 147,135,304</u>	<u>\$ 141,802,671</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, 2010

	<u>2010</u>	Comparative Only <u>2009</u>
Operating Revenues:		
Student Tuition and Fees (Note K)	\$ 25,845,830	\$ 24,923,619
(net of scholarship discounts and allowances of \$11,118,696 for 2010 and \$7,845,569 for 2009)		
Governmental Grants and Contracts	433,662	233,175
Sales and Services of Educational Activities	12,151,144	13,088,620
Sales and Services of Auxiliary Enterprises (Note K)	5,390,372	5,182,160
(net of scholarship discounts and allowances of \$1,088,517 for 2010 and \$677,499 for 2009)		
Interest Income on Student Loans	43,887	50,626
Total Operating Revenues	<u>43,864,895</u>	<u>43,478,200</u>
Operating Expenses:		
Salaries	41,132,238	41,940,415
Benefits	16,318,651	16,694,295
Depreciation	5,132,169	4,763,532
Repairs and Maintenance	1,931,798	1,073,025
Services and Supplies	11,293,232	11,360,199
Student Aid	8,739,513	6,928,150
Utilities	2,640,672	2,658,374
Other Operating Expenses	10,956,982	11,483,071
Total Operating Expenses	<u>98,145,255</u>	<u>96,901,061</u>
Operating Income (Loss)	<u>(54,280,360)</u>	<u>(53,422,861)</u>
Nonoperating Revenues (Expenses)		
Government Appropriations - State	28,950,422	31,185,490
Government Grants and Contracts	23,002,038	16,418,031
Private Gifts and Grants	4,835,111	3,215,914
Investment Income	803,073	(837,470)
Other Nonoperating Revenue (Expense)	72,357	(172,795)
Interest on Indebtedness	(1,188,295)	(639,645)
Net Nonoperating Revenue	<u>56,474,706</u>	<u>49,169,525</u>
Income (Loss) Before Other Revenue	<u>2,194,346</u>	<u>(4,253,336)</u>
Other Revenue		
Capital Appropriations	228,319	1,144,341
Capital Grants & Gifts	2,688,023	856,343
Additions to Permanent Endowments	221,945	400,575
Total Other Revenue	<u>3,138,287</u>	<u>2,401,259</u>
Increase (Decrease) in Net Assets	5,332,633	(1,852,077)
Net Assets - Beginning of Year	141,802,671	143,611,605
Adjustment to Beginning Net Assets		43,143
Beginning Net Assets as Adjusted		143,654,748
Net Assets - End of Year	<u>\$ 147,135,304</u>	<u>\$ 141,802,671</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, 2010

	<u>2010</u>	Comparative Only <u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 25,866,207	\$ 25,311,679
Receipts from Grants/Contracts	463,398	197,772
Receipts from Auxiliary and Educational Services	18,794,250	17,707,777
Collection of Loans to Students and Employees	385,144	340,285
Loans Issued to Students and Employees	(350,000)	(274,911)
Payments for Employee Services and Benefits	(57,608,663)	(57,941,903)
Payments to Suppliers	(26,181,634)	(25,194,330)
Payments for Student Financial Aid	(8,739,513)	(6,928,150)
Net Cash Provided (Used) by Operating Activities	<u>(47,370,811)</u>	<u>(46,781,781)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	28,950,422	31,185,490
Receipts from Grants/Contracts	21,432,784	15,279,803
Gifts/Grants for Other Than Capital Purposes	3,774,502	2,919,612
Receipts for Permanent Endowments	221,945	400,575
Other Nonoperating Revenue (Expense)	(56,077)	15,268
Agency Account Receipts	1,573,107	1,236,185
Agency Account Payments	<u>(1,534,959)</u>	<u>(1,233,263)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	54,361,724	49,803,670
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from Capital Appropriations	228,319	1,144,341
Receipts from Capital Grants/Gifts	2,600,550	262,368
Proceeds (Loss) from Sale of Capital Assets	128,434	(188,063)
Proceeds from Capital Debt	-	13,284,831
Purchases of Capital Assets	(5,672,085)	(14,247,368)
Principal Paid on Capital Debt/Leases	(2,780,580)	(701,335)
Interest Paid on Capital Debt/Leases	<u>(1,099,506)</u>	<u>(589,956)</u>
Net Cash Provided (Used) by Capital Financing Activities	(6,594,868)	(1,035,182)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	23,133,665	23,350,144
Receipt of Interest/Dividends from Investments	1,486,033	2,250,455
Purchase of Investments	<u>(2,679,615)</u>	<u>(33,887,309)</u>
Net Cash Provided (Used) by Investing Activities	<u>21,940,083</u>	<u>(8,286,710)</u>
Net Increase (Decrease) in Cash	22,336,128	(6,300,003)
Cash & Cash Equivalents - Beginning of Year	<u>11,606,281</u>	<u>17,906,284</u>
Cash & Cash Equivalents - End of Year	<u>\$ 33,942,409</u>	<u>\$ 11,606,281</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, 2010
(continued)

	<u>2010</u>	Comparative Only <u>2009</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (54,280,360)	\$ (53,422,861)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	5,132,169	4,763,532
Repair and Maintenance Expense paid by Division of Facility Construction and Management	1,363,076	664,505
Changes in Assets and Liabilities:		
Receivables (Net)	290,241	(389,943)
Student Loans Receivable	148,883	109,671
Inventories	354,418	17,378
Prepaid Expenses	(256,343)	416,636
Accounts Payable	(529,107)	546,633
Accrued Liabilities	(10,512)	5,667
Accrued Payroll	128,309	(81,150)
Deferred Revenues	673,795	157,965
Compensated Absences	(385,380)	430,186
Net Cash Provided (Used) by Operating Activities	<u>\$ (47,370,811)</u>	<u>\$ (46,781,781)</u>

Noncash Investing, Noncapital Financing, and Capital Financing Transactions

Change in Fair Value of Investments Recognized as Investment Income	\$ (45,595)	\$ (2,617,148)
Donation of Investment Securities	19,448	52,227
Donation of Real Estate	150,338	150,338
Division of Facility Construction and Management Projects	1,363,076	664,505

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

Cash and Cash Equivalents Classified as Current Assets	\$ 22,843,881	\$ 6,866,823
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>11,098,528</u>	<u>4,739,458</u>
Total Cash and Cash Equivalents	<u>\$ 33,942,409</u>	<u>\$ 11,606,281</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, 2010

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.

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.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The valuation of real estate investments at June 30, 2010 was based on an analysis of changes in the local market applied to the most recent appraisals for all material real estate investments.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty 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 and intangibles, the University's capitalization policy includes all items with a unit cost of \$3,000 or more, and an estimated useful life of greater than one year. All library books are capitalized with a useful life of 20 years. Collections and works of art valued in excess of \$2,000 are capitalized. Useful lives for collections and works of art shall be determined on a case by case basis, typically 20 years. Depreciation is computed for all capital assets using the straight-line method over the estimated useful lives of the assets; generally 30 to 40 years for buildings, 20 to 40 years for infrastructure, land improvements, library and other collections, 3 to 20 years for equipment, and 3 years for intangibles.

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-



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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 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



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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, 2009, from which the summarized information was derived.

In accordance with GASB 51, the University retroactively capitalized intangible assets relating to computer software. Software purchased prior to July 1,

2009 was capitalized and accumulated depreciation was adjusted to reflect the appropriate useful life of the assets. The intangibles beginning asset balance and beginning accumulated depreciation include these additions in the amount of \$406,895 and \$359,995 respectively.

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.

For endowment funds, the entity follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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, 2010, is 4.0% of the 12-quarter moving average of the fair value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2010 was approximately \$1,000,000. 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, 2010, \$3,451,717 of the University's bank balances of \$4,201,717 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 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



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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, 2010, 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>
<u>State of Utah Public</u>					
Treasurer's Investment Fund	\$ 34,017,111	\$ 34,017,111	\$ -	\$ -	\$ -
Bond Mutual Fund	240,869	-	-	240,869	-
Corporate Notes	3,822,685	3,822,685	-	-	-
	<u>38,080,665</u>	<u>\$ 37,839,796</u>	<u>\$ -</u>	<u>\$ 240,869</u>	<u>\$ -</u>
<u>Other Investments</u>					
Equity Mutual Funds	4,845,025				
Total Investments	<u>\$ 42,925,690</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 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.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

At June 30, 2010, the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA - AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
State of Utah Public					
Treasurer's Investment Fund	\$ 34,017,111	\$ -	\$ -	\$ -	\$ 34,017,111
Bond Mutual Fund	240,869				240,869
Corporate Notes	3,822,685	3,822,685			
Total	<u>\$ 38,080,665</u>	<u>\$ 3,822,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,257,980</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.

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, 2010, the University had \$3,822,685 in debt securities which were held by Wells Fargo Bank, but not in the University’s name.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

Note C. Accounts, Interest, Pledges and Notes Receivable

Accounts, Interest, Pledges and Notes Receivable consisted of the following at June 30, 2010:

	<u>Balance</u>	<u>Current Portion</u>
Student Tuition and Fees	\$ 684,175	\$ 684,175
Federal, State, and Private Grants and Contracts	1,093,708	1,093,708
Auxiliary Service Charges	362,288	362,288
Continuing & Professional Studies Fees	196,874	196,874
Utah Shakespearean Festival Ticket Sales	351,388	351,388
Interest and Dividends Receivable	32,388	32,388
Contributions and Gifts (Pledges)	1,681,027	1,093,408
Other Operating	392,358	392,358
Allowance for Doubtful Accounts	(228,000)	(228,000)
Total	<u>\$ 4,566,206</u>	<u>\$ 3,978,587</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, 2010 the allowance for uncollectible loans was \$97,000.

Note E. Inventories

Inventories at June 30, 2010 consisted of a gifted collection of *Westward America*, Deluxe and Collector Editions held for resale in the amount of \$16,109, as well as Bookstore inventory in the amount of \$781,476.

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, 2010

Prepaid Expenses and Deferred Revenues at June 30, 2010, consist of the following:

	Prepaid Expenses	Deferred Revenues
Utah Shakespearean Festival	\$ 2,725,453	\$ 3,059,035
Student Tuition and Fees		1,426,171
Grants and Contracts		92,793
Miscellaneous	665,765	347,682
Total	\$ 3,391,218	\$ 4,925,681

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, 2009	Additions	Retirements	Balance June 30, 2010
Land	\$ 8,495,821	\$ 85,000	\$ (18,000)	\$ 8,562,821
Land Imp/Infrastructure	7,524,676	266,162	(78,634)	7,712,204
Buildings	140,917,618	14,749,972	(526,873)	155,140,717
Equipment	9,410,831	966,215	(729,541)	9,647,505
Vehicles	1,252,289	109,678	(11,900)	1,350,067
Intangibles	406,895	6,500		413,395
Art Work/Collections	763,727			763,727
Library Collections	6,375,613	328,347	(21,848)	6,682,112
Construction in Progress	15,298,056	1,181,972	(13,420,292)	3,059,736
Total	190,445,526	17,693,846	(14,807,088)	193,332,284
Less: Accumulated Depreciation				
Land Imp/Infrastructure	5,108,971	211,060	(78,634)	5,241,397
Buildings	48,723,839	3,764,225	(429,492)	52,058,572
Equipment	6,724,017	723,782	(718,188)	6,729,611
Vehicles	923,240	111,588	(11,900)	1,022,928
Intangibles	359,995	26,494		386,489
Art Work/Collections	508,412	24,222		532,634
Library Collections	2,866,007	270,798	(21,848)	3,114,957
Total	65,214,481	5,132,169	(1,260,062)	69,086,588
Capital Assets, net	\$ 125,231,045	\$ 12,561,677	\$ (13,547,026)	\$ 124,245,696

The Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for State institutions, maintains records, and furnishes cost information for recording capital assets on the books of the University. Construction projects are recorded on the books of the University as

funds are expensed or when projects are substantially completed if funded through State Appropriations administered through DFCM. As of June 30, 2010, the University had outstanding commitments for construction and remodeling of University buildings of approximately \$93,147,804.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

Construction in progress at June 30, 2010 of \$3,059,736 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
Stadium Scoreboard	\$ 500,000	\$ 141,420	28%
Football Stadium Westside Dev	80,000	24,115	30%
SUMA	10,000,000	46,346	0%
Shakespeare Storage Building	188,000	23,063	12%
USF Centre Campaign	78,000,000	1,917,715	2%
Gibson Science Center	16,527,564	907,077	5%
Total	<u>\$ 105,295,564</u>	<u>\$ 3,059,736</u>	

Note H. Accounts and Interest Payable

Accounts and Interest Payable consisted of the following at June 30, 2010:

	Balance
Vendors	\$ 1,278,133
Interest	176,786
Sales Tax	6,956
Other	31,670
Total	<u>\$ 1,493,545</u>

Note I. Long-Term Liabilities

Activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Bonds, Notes, and Contracts Payable					
Bonds Payable	\$ 24,018,648	\$ -	\$ 1,458,648	\$ 22,560,000	\$ 940,000
Unamortized Bond Premium	176,341		17,406	158,935	17,284
Unamortized Bond Discount	(47,524)		(3,139)	(44,385)	(3,077)
Notes Payable	1,300,000		1,300,000	-	-
Contracts/Leases Payable	16,412		7,665	8,747	5,537
Remainder Annuity Trusts	558,014		139,018	418,996	25,634
Total	<u>26,021,891</u>	<u>-</u>	<u>2,919,598</u>	<u>23,102,293</u>	<u>985,378</u>
Other Liabilities					
Compensated Absences	1,264,635	1,158,555	1,064,972	1,358,218	1,180,746
Termination Benefits	2,181,802	135,713	614,676	1,702,839	576,856
Total	<u>3,446,437</u>	<u>1,294,268</u>	<u>1,679,648</u>	<u>3,061,057</u>	<u>1,757,602</u>
Total Long-Term Liabilities	<u>\$ 29,468,328</u>	<u>\$ 1,294,268</u>	<u>\$ 4,599,246</u>	<u>\$ 26,163,350</u>	<u>\$ 2,742,980</u>



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010



Note J. Bonds, Notes and Contracts Payable

Revenue bonds payable consisted of the following at June 30, 2010:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2009-10	Balance June 30, 2010
Bonds Payable:					
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	\$ 4,540,000	\$ 510,000	\$ 2,320,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	85,000	8,520,000
Pavilion/Stadium, Series 2005	12/1/2005	3.900%	975,000	558,648	-
Auxiliary System, Series 2008	7/22/2008	3.500-5.250%	12,025,000	305,000	11,720,000
Total Bonds Payable			\$ 27,600,000	\$ 1,458,648	\$ 22,560,000

The scheduled maturities of the revenue bonds are as follows:

Year	Principal	Interest	Total Payments
2011	\$ 940,000	\$ 1,060,714	\$ 2,000,714
2012	975,000	1,018,821	1,993,821
2013	1,015,000	977,894	1,992,894
2014	1,065,000	930,694	1,995,694
2015	1,115,000	884,146	1,999,146
2016-2020	6,350,000	3,615,175	9,965,175
2021-2025	5,640,000	2,014,094	7,654,094
2026-2030	3,165,000	1,035,525	4,200,525
2031-2033	2,295,000	226,300	2,521,300
Total Bonds Outstanding	22,560,000	11,763,363	34,323,363
Unamortized Bond Premium/Discount	114,550		114,550
Total Bonds Payable	\$ 22,674,550	\$ 11,763,363	\$ 34,437,913



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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 \$1,297,456.

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, 2010, is \$164,000.

Early Retirement of Bonds - On May 17, 2010, the University completely retired the Pavilion/Stadium Expansion Student Bldg Fee Revenue Refunding Bonds, Series 2005 in the amount of \$558,648 with an interest rate of 3.9 percent and a final maturity date of June 2014. The source of the advance payment of these bonds was funds set aside for early retirement of debt and University reserves.

Contracts Payable - Contracts payable are due in equal installments, including principal and interest, until the last payment comes due in March 2012 and are secured by equipment costing \$27,043.

Future minimum lease payments for all contracts and capital leases payable as of June 30, 2010 are as follows:

Year	Principal	Interest	Total Payments
2011	\$ 5,537	\$ 136	\$ 5,673
2012	3,210	25	3,235
Total	\$ 8,747	\$ 161	\$ 8,908

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. Upon the death of Austin M. Jones, the Austin M. & Magda M. Jones Charitable Remainder Annuity Trust was terminated. The trust principal, \$698,396, was used to fund Phase II of the campus housing project.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

Annuities payable consisted of the following at June 30, 2010:

	Date Created	Interest Rate	Present Value of Annuity Payable	Current Portion
Charitable Remainder Annuity Trusts:				
J & C Wadsworth	9/25/2001	6.200%	\$ 331,719	\$ 19,436
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	87,277	6,198
Total Annuities Payable			\$ 418,996	\$ 25,634

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2011	\$ 25,634	\$ 27,025	\$ 52,659
2012	27,312	25,374	52,686
2013	29,101	23,612	52,713
2014	31,010	21,733	52,743
2015	33,043	19,728	52,771
2016-2020	199,783	62,620	262,403
2021-2022	73,113	6,891	80,004
Total	\$ 418,996	\$ 186,983	\$ 605,979

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, 2010:

Pledged Receipts:

	Auxiliary System	Stadium System
Operating Revenues	\$ 8,346,527	
Operating & Maintenance Expenses	(5,786,670)	
Net Operating Receipts	2,559,857	
Student Fees		\$ 224,904
Investment Income on Reserve Funds	9,504	130
Total Pledged Net Receipts	\$ 2,569,361	\$ 225,034

Disbursements:

Transfers to:		
Debt Service	\$ 1,998,094	\$ 580,436
Renewal & Replacement Reserves	539,857	(355,402)
Other Lawful Purposes	31,410	
Total Disbursements of Pledged Receipts	\$ 2,569,361	\$ 225,034



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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, 2010, 2009, and 2008 were \$41,132,238, \$41,940,415, and \$39,245,731 respectively.

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

Retirement Program	Covered Payroll Expenses		
	2010	2009	2008
TIAA	\$ 19,414,174	\$ 20,132,067	\$ 20,204,344
Fidelity	4,314,189	3,927,510	2,156,941
State-Contributory	52,477	94,627	87,574
State-Noncontributory	8,698,149	8,911,382	8,553,593
State-Public Safety	181,145	132,038	115,437
	\$ 32,660,134	\$ 33,197,624	\$ 31,117,889

Retirement Program	Retirement Contributions		
	2010	2009	2008
TIAA	\$ 2,756,813	\$ 2,858,753	\$ 2,869,017
Fidelity	612,615	557,706	306,286
State-Contributory	8,255	14,885	13,775
State-Noncontributory	1,248,622	1,276,825	1,216,323
State-Public Safety	50,086	35,320	30,879
Salary Deferral 401(k) - Employer	144,220	135,341	133,367
Salary Deferral 401(k) and 457 - Employee	291,428	334,997	294,759
	\$ 5,112,039	\$ 5,213,827	\$ 4,864,406

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, 31.68% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Public Safety Noncontributory System and 14.20% of covered employees' salaries participating in the Teachers Insurance and Annuity Association or Fidelity

Investments. The employees' and employer's shares of the contributions were paid by the University. Total contributions made were equal to the required contributions for those years.

Utah Public Employee Contributory, Noncontributory, and Public Safety Retirement Systems are multi-employer, cost-sharing, defined benefit pension plans that are administered by the Utah Retirement Systems (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



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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 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, 2010 and 2009, were \$76,681 and \$90,201 respectively. The number of participants for the years ended June 30, 2010 and 2009 was 19 and 21, respectively.

The University, as authorized by its Board of Trustees, offers an early retirement incentive option to eligible employees that includes 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. Eligible employees were offered a 23% payment if they retired between March 1, 2009 and July 31, 2009. Full-time University employees whose accumulated age plus years of service equal at least 75 and are at least 57 are eligible to apply. The cost of early retiree benefits is funded on a pay-as-you-go basis. The total early retiree benefits payments for the years ended June 30, 2010 and 2009 were \$537,965 and \$355,004, respectively. The number of participants for the years ended June 30, 2010 and 2009 was 27 and 32, 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 2.7 percent for stipends, and 3.4-4.7 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 (0.59 percent) for short term investments. The net present value is the



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

amount recognized on the financial statements as the liability for early retirement.

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, 2010 were \$346,870 at cost and \$340,158 at fair value.

Note N. Functional Classification

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

Instruction	\$	23,064,363
Research		11,069
Public Service		13,218,385
Academic Support		7,242,799
Student Services		11,314,523
Institutional Support		13,987,698
Operation and Maintenance of Plant		9,304,055
Student Aid		8,906,167
Auxiliary Enterprises Expenses		5,964,027
Depreciation		5,132,169
	\$	<u>98,145,255</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 \$648,700 for one person in any one occurrence or \$2,221,700 for two or more persons in any one occurrence and \$259,500 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 Educators Mutual 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, 2010 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, 2010

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

	2010	2009
Estimated Claims Liability - Beginning of Year	\$ 83,175	\$ 97,600
Current Year Contributions and Changes in Estimates	470,645	636,132
Claim Payments, Including Related Legal and Administrative Expenses	(426,607)	(650,557)
Estimated Claims Liability - End of Year	\$ 127,213	\$ 83,175

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 November 8, 2010, AMBAC, the surety bond holder for the 2003 series bonds filed a petition under Chapter 11 of the U.S. Bankruptcy Code. Management expects that the debt service reserve requirement of \$1,006,000 to be assigned or replaced by another entity.



SOUTHERN UTAH UNIVERSITY

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