

SUU

SOUTHERN UTAH UNIVERSITY

A COMPONENT UNIT OF THE STATE OF UTAH



2011-12

ANNUAL FINANCIAL REPORT



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From the President...

I am happy to once again report on Southern Utah University's many successes and great resiliency in a time of budget cuts and economic uncertainty across the state's colleges and universities. Though college may, at times, feel like an increased financial burden in these lean economic times, our hard working students, accomplished faculty and committed staff again and again prove the great value in the SUU Experience.

Above all, we continue to remain focused on our primary purpose of educating students, fostering a resourceful and positive environment replete with unique opportunities for our students to engage their studies in real world experiences. Our momentum this past year is evident across campus, in every facet of university life:

ACADEMICS

- The first group of students to enroll in our new experiential education program, EDGE (Education Designed to Give Experience), have recently completed their capstone projects, showcasing the great many interests our students have developed across their studies and the diverse opportunities our faculty are able to help coordinate to better personalize each student's education.
- We established the first circle of the elite national honor society Omicron Delta Kappa in Utah.
- We once again placed in the top-tier of The Princeton Review's Best Colleges annual collegiate ranking in 2013—our ninth consecutive Princeton Review nod.
- SUU faculty and staff are leaders in the Utah Alliance for Arts Education, which recently secured a national partnership with the John F. Kennedy Center for the Performing Arts to create partnerships and programs to promote arts education throughout the state.
- SUU was named a national 2012 Best Value College by The Princeton Review.
- We are one of just 40 public schools in the top tier of U.S. News' annual Best Western Universities ranking.
- Our Fall 2012 freshman class was the most academically prepared incoming class in SUU history.
- SUU received our third consecutive listing on the U.S. President's Higher Education Community Service Honor Roll, logging 90,000+ service hours in student service and service-learning in just one year.
- Drawing upon the expertise of SUU faculty, the talents of practicing educators at North

Elementary and the fresh perspective from SUU's pre-service teachers, SUU and the Iron County School District have together piloted the county's first STEAM school, increasing the emphasis on science, technology, engineering, arts and math education in an all-science curriculum.

ADMINISTRATION

- SUU's Center for Health and Molecular Sciences received LEED Gold Certification from the U.S. Green Building Council, affirming its excellence in energy efficiency, sustainability and environmental quality. The Center is the only building in Utah's southwest region to receive LEED Gold Certification.
- Maintaining the state's best kept campus, SUU Facilities earned a 97.7% ranking in the annual Facilities Preventative Maintenance Audit—ranking highest statewide.
- In November 2012, SUU and the Utah Shakespeare Festival realized years of combined dedicated persistent effort in securing its largest gift in history. The \$5 million gift from The Engelstad Family Foundation of Las Vegas was awarded toward a state-of-the-art Shakespeare theatre, part of the capital fundraising project for a shared arts center between the Festival and SUU. The gift is to be paid through four equal pledged installments of \$1,250,000 over four years of which the first installment was received December 2012.
- SUU also received its largest single gift in history: \$4 million from Walter M. and Alice Gibson toward an endowment for student and faculty research and scholarships within the College of Science and Engineering.
- SUU debuted in the no. 1 position on the national "America's 100 Best College Buys" listing in 2011 and then again ranked among the nation's most affordable of the 2012 listing, which equally weights academic accomplishment against a school's price tag.
- According to U.S. News, SUU students graduate from college with the third lowest student debt among all the West's colleges and universities.

INDIVIDUALS

- SUU alumna Angela Wilson was named the 2012 Teacher of the Year by the United States Department of Defense Education Activity (DoDEA) Schools, qualifying the 2010 M.Ed. graduate as one of just four finalists for the 2012 National Teacher of the Year.
- In addition to competing for his native Canada in the 2012 Summer Olympics in London, and earning the coveted Bowerman Award—track and field's equivalent of the Heisman Trophy—in December, SUU alumnus Cameron Levins brought SUU its first *and* second NCAA national titles in Track & Field when he blazed to first-place finishes in the Men's 5k and 10k.
- English professor Dr. Danielle Dubrasky received first place in the Utah Arts Council's annual poetry competition for "The Sand Man," a collection of poems. Dubrasky was also awarded first place in the UAC's 2006 competition for her book-length collection of poems, "To Live Elsewhere."
- Four students from SUU's Department of Music earned a second place national title at the National Opera Association's annual collegiate competition.

- Two of SUU's vocal students performed on the Grammy-nominated recording of "Brahms: Ein Deutsches Requiem" by Seraphic Fire, which was nominated for Best Choral Performance in the Classical Music division.
- SUU Gymnastics has earned its 12th Academic National Championship after leading the nation with a team GPA of 3.843 during the 2011-12 season.
- Communication professor Dr. Jon M. Smith was awarded a Fulbright Scholar grant to lecture at the University of Swaziland in southern Africa and conduct research and video documentary production at the University of Swaziland-Kwaluseni.
- Students from the SUU chapter of the Phi Beta Lambda national honor society for professional business leaders earned a first-place nod for the nation's best student-led service project, which was pitted against the projects of 1700 other college honor students across the nation.
- Six engineering technology & construction management students took first-place in the regional collegiate Construction Management Competition. Last April, the same team of students took first place at the Associated Schools of Construction regional competition.
- In a hallmark showing at the Society of Professional Journalists' Region Nine Conference, SUU student journalists earned first, second or third place finishes across four categories, including online news reporting, online sports reporting, editorial writing and best affiliated website.
- Accomplished dancer, choreographer and 2008 dance alumna Jessica Metcalf earned a Fulbright Scholarship to study at London's University of Roehampton.

The above examples are just a few of the many accomplishments and initiatives that help guide our campus and mentor our students. I am proud of all that we have done and am deeply honored to lead this unique institution as the state's first and only public liberal arts and sciences institution. Thank you for your interest in and support of Southern Utah University. Moving forward, our students, alumni, employees and friends can all maintain great expectations for our Thunderbird community.

Sincerely,



President Michael T. Benson



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") as of and for the year ended June 30, 2012, as listed in the table of contents. The University is a component unit of the State of Utah. 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.

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 previously present fairly, in all material respects, the financial position of the University as of June 30, 2012, and the changes in its 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 19, 2012 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.

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

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Auston G. Johnson, CPA
Utah State Auditor
December 19, 2012

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. 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 115-year history, the University has evolved from a teacher training school into its current role as a comprehensive, regional university. Historically, it has served the southern region of Utah and the contiguous counties of two states with undergraduate and graduate programs and applied technology training. More recently, it has expanded its reach both nationally and internationally. People look to the University for public education, outreach services, culture, sporting events, economic and business development, regional history, public affairs, and major academic specialties. The University enrolls just under 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.

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2012

Statement of Net Assets

The Statement of Net Assets reports the Assets, Liabilities and Net Assets (Assets less Liabilities) of the University at June 30. The Net Assets are categorized as “Invested in Capital Assets”, “Restricted” (Expendable or Nonexpendable), or “Unrestricted.” Net Assets Invested in Capital Assets include 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, 2012 and 2011.

	Condensed Statement of Net Assets				
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>	<u>% Change</u>	
Assets					
Current Assets	\$ 42,318,655	\$ 42,415,678	\$ (97,023)	-0.2%	
Noncurrent Assets					
Capital Assets	137,287,462	139,180,271	(1,892,809)	-1.4%	
Other Noncurrent Assets	29,530,773	20,517,370	9,013,403	43.9%	
Total Assets	209,136,890	202,113,319	7,023,571	3.5%	
Liabilities					
Current Liabilities	14,622,901	14,193,739	429,162	3.0%	
Noncurrent Liabilities	21,634,393	22,175,977	(541,584)	-2.4%	
Total Liabilities	36,257,294	36,369,716	(112,422)	-0.3%	
Net Assets					
Invested in Capital Assets	115,955,008	117,071,717	(1,116,709)	-1.0%	
Restricted Nonexpendable	14,401,950	12,414,030	1,987,920	16.0%	
Restricted Expendable	17,547,080	12,556,586	4,990,494	39.7%	
Unrestricted	24,975,558	23,701,270	1,274,288	5.4%	
Total Net Assets	\$ 172,879,596	\$ 165,743,603	\$ 7,135,993	4.3%	

Current asset decreases were a result of net increases in short-term investments provided by normal operations and prepaid expenses along with net decreases in accounts receivable and due from related parties. Prepaid expenses increased as a result of higher Utah Shakespeare Festival (USF) deferred charges. Accounts receivable decreased as a result of fewer tuition and fee receivables at the end of the year. The amounts due from the Utah Division of Facilities Construction and Management (DFCM) decreased as a result of the completion of the Walter Maxwell Gibson Science Center (Science Center) addition early in the fiscal year. Depreciation expense in excess of net asset additions accounted for the decrease in capital assets. Additional noncurrent investments along with an increase in long-term pledges receivable account for the increase in other noncurrent assets.

Current liabilities increases are attributable to increases in health insurance payable and USF deferred revenues along with a decrease in amounts due to both vendors and to DFCM. The increase in health insurance payable is a direct reflection of the transition to a self-insured health insurance plan. The increase in USF deferred revenues is consistent with the corresponding increase in USF deferred charges. The completion of the Science Center early in the fiscal year and no new large DFCM projects on campus accounted for the decrease in amounts due to DFCM. Noncurrent liabilities decreased as payments were made reducing outstanding bond debt along with an increase in noncurrent termination benefits liabilities.

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2012

The invested in Capital Assets account decreased as a result of a net depreciation over capital additions during the year. Restricted nonexpendable net assets increases resulted from the receipt of generous endowment donations from University friends and alumni. Restricted expendable net assets increased as a result of the addition of funding for the Eccles Coliseum turf and appropriations and gifts received for the USF Centre projects. The increase in unrestricted net assets is attributed to the increased tuition and fee revenues, sales and services of educational activities and state appropriations over excess of expenses.



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2012

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the University's results of operations for the year ended June 30. Below is a Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2012 and 2011.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 32,259,248	\$ 28,922,972	\$ 3,336,276	11.5%
Grants and Contracts	899,050	389,448	509,602	130.9%
Sales and Services	16,524,116	13,923,792	2,600,324	18.7%
Auxiliary Enterprises	4,436,358	5,579,233	(1,142,875)	-20.5%
Other	39,434	39,968	(534)	-1.3%
Total Operating Revenues	54,158,206	48,855,413	5,302,793	10.9%
Operating Expenses				
Salaries	47,659,575	44,552,301	3,107,274	7.0%
Benefits	19,098,518	17,109,104	1,989,414	11.6%
Depreciation	6,129,797	5,532,242	597,555	10.8%
Repairs and Maintenance	2,057,176	1,540,461	516,715	33.5%
Services and Supplies	11,448,903	13,194,689	(1,745,786)	-13.2%
Student Aid	8,635,796	10,249,300	(1,613,504)	-15.7%
Utilities	2,577,780	2,586,853	(9,073)	-0.4%
Other Operating Expenses	13,428,894	11,810,724	1,618,170	13.7%
Total Operating Expenses	111,036,439	106,575,674	4,460,765	4.2%
Operating Loss	(56,878,233)	(57,720,261)	842,028	-1.5%
Nonoperating Revenues (Expenses)				
State Appropriations	29,886,197	29,450,389	435,808	1.5%
Grants and Contracts	21,772,212	26,199,874	(4,427,662)	-16.9%
Gifts	4,344,134	2,914,431	1,429,703	49.1%
Investment Income	429,296	1,842,245	(1,412,949)	-76.7%
Other Nonoperating Revenues (Expenses)	(11,768)	(20,892)	9,124	-43.7%
Interest Expense	(1,114,738)	(1,060,227)	(54,511)	5.1%
Net Nonoperating Revenue (Expenses)	55,305,333	59,325,820	(4,020,487)	-6.8%
Income (Loss) Before Other Revenue	(1,572,900)	1,605,559	(3,178,459)	-198.0%
Other Revenues	8,708,893	16,396,300	(7,687,407)	-46.9%
Net Increase (Decrease) in Net Assets	7,135,993	18,001,859	(10,865,866)	-60.4%
Net Assets - Beginning of Year (as adjusted)	165,743,603	147,741,744	18,001,859	12.2%
Net Assets - End of Year	\$ 172,879,596	\$ 165,743,603	\$ 7,135,993	4.3%

SOUTHERN UTAH UNIVERSITY

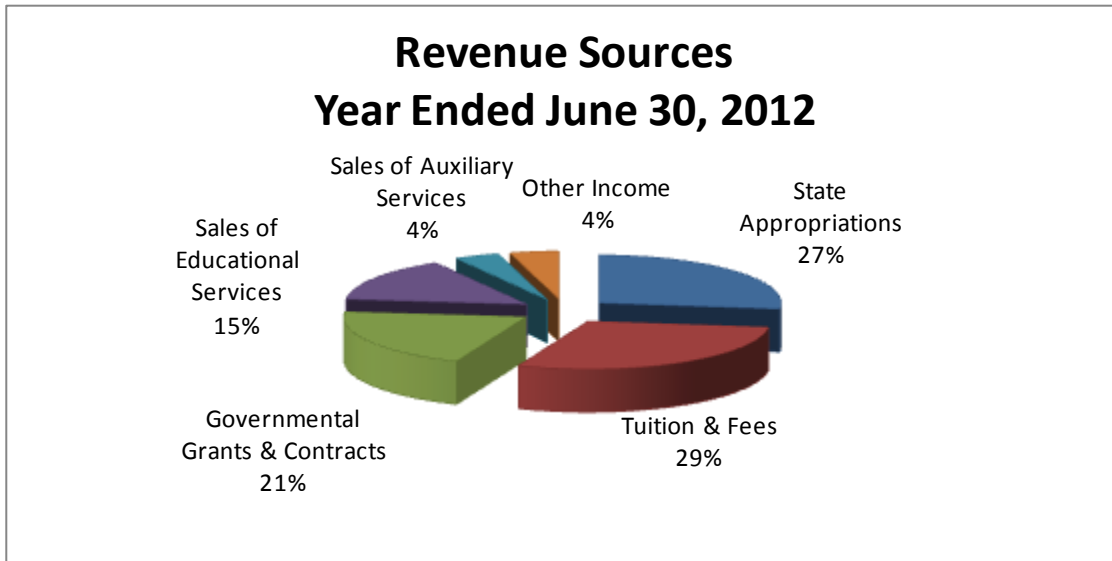
Tuition and fee rate increases resulted in higher Tuition and Fee revenue. Operating Grants and Contracts increased due to additional funds from the National Parks, Bureau of Land Management and Department of Labor. Sales and Services increased as a result of increased revenues in the following areas: Utah Shakespeare Festival admissions, English as a Second Language registration and event services. Auxiliary Enterprises revenues decreased primarily from the closure of Juniper Residence Hall and lower Bookstore sales.

State Appropriations were slightly higher as a result of small budget increases throughout the State. Non-operating Grants and Contracts revenue decreases were due to the conclusion of American Recovery and Reinvestment Act (ARRA) and Science Center design funds received in fiscal year 2011. Investment income decreased primarily from loss on sales combined with a decline in market value for investments during the year. Interest on Indebtedness increased as result of the addition of the 2011 Series bonds.

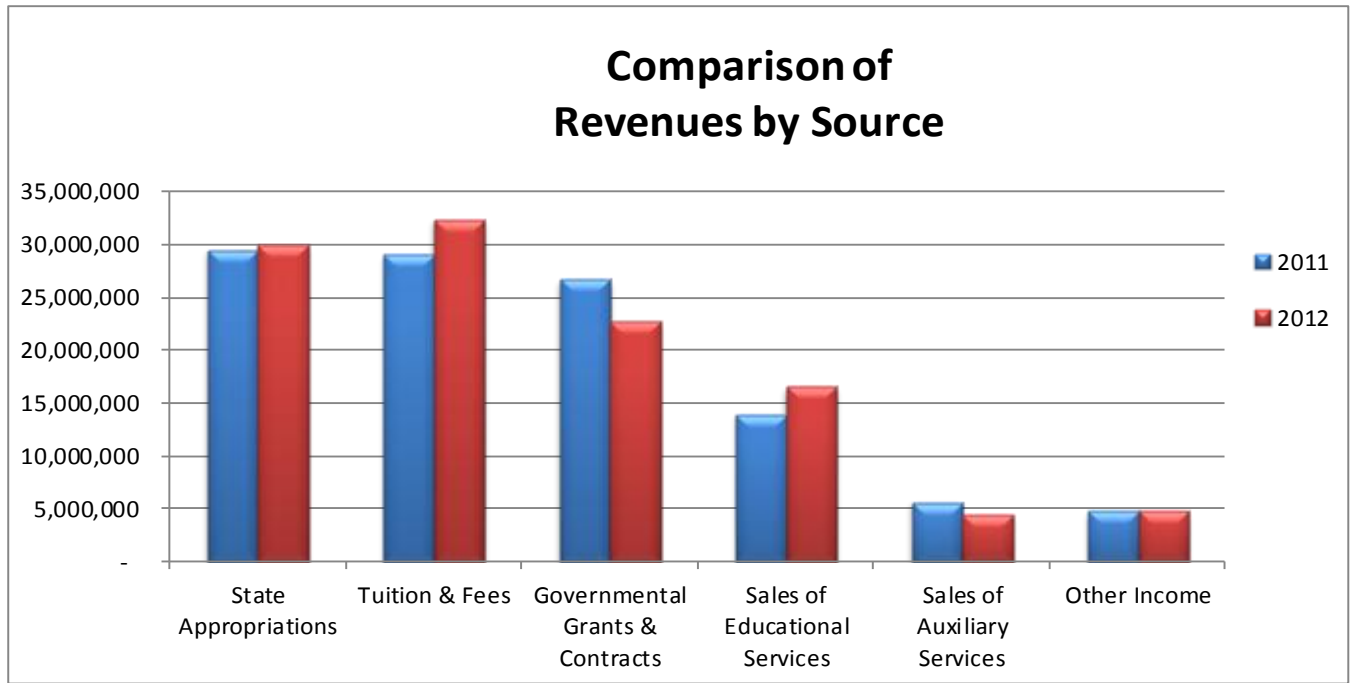
The increase in compensation and benefits is a result of an increase in the average number of employees during the year. Student Aid decreases were from reductions in funding for the PELL and SMART programs. Repairs and Maintenance increase as more DFCM projects were funded during the year. Services and Supplies decreased as a result of a reduced number of student activities. Other Operating expenses increased as a result of the continued transition to a self-funded health insurance plan.

Other Revenues decreased primarily from a significant reduction of capital appropriations for construction projects along with an increase in Additions to Permanent Endowments from gifts from alumni and friends.

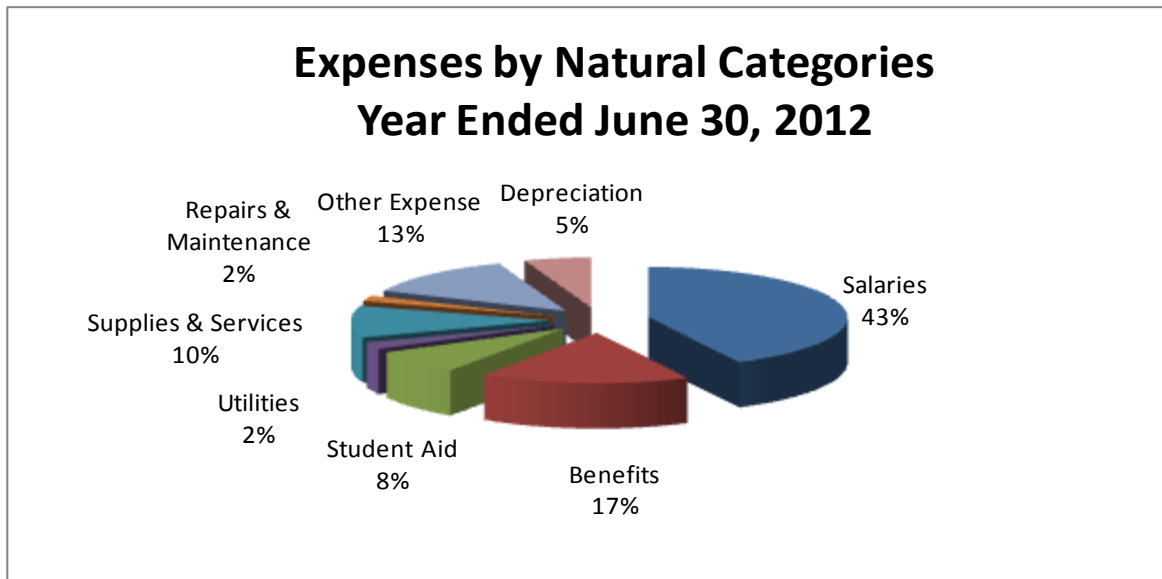
The following graphs illustrate all funding sources, except Capital Appropriations, Capital Grants and Gifts and Additions to Permanent Endowments of the University for the year ended June 30, 2012, with a comparison to the prior year:



SOUTHERN UTAH UNIVERSITY



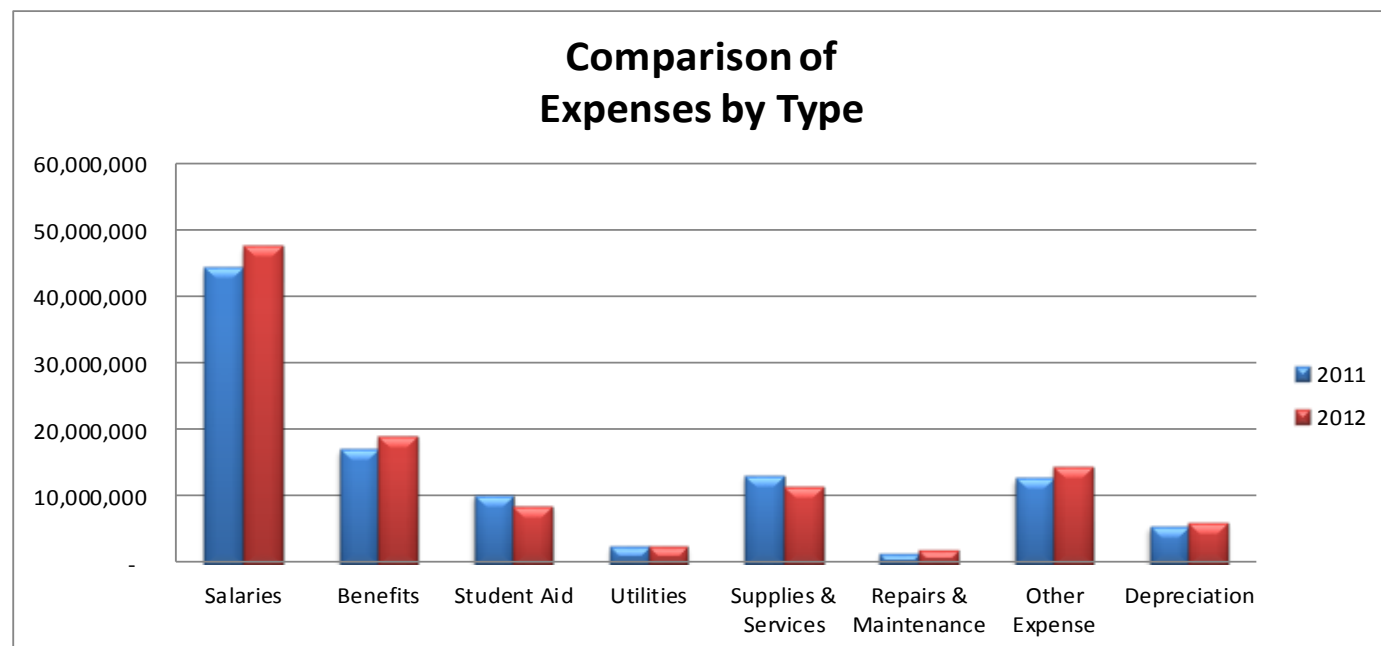
The following graphs illustrate expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2012, with a comparison to the prior year:



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2012



Statement of Cash Flows

The Statement of Cash Flows provides an additional perspective on the University's financial results for the fiscal year. The statement identifies sources and uses of cash by broad categories of activity including Operations, Noncapital Financing Activities, Capital Financing Activities and Investing Activities. Below is a Condensed Statement of Cash Flows for the year ended June 30, 2012 and 2011.

Condensed Statement of Cash Flows

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>	<u>% Change</u>
Cash Provided (Used) by:				
Operating Activities	\$ (48,873,741)	\$ (49,229,129)	\$ 355,388	-0.7%
Noncapital Financing Activities	58,481,085	56,899,986	1,581,099	2.8%
Capital Financing Activities	(1,862,089)	(6,219,130)	4,357,041	-70.1%
Investing Activities	(7,015,275)	(3,741,093)	(3,274,182)	87.5%
Net Increase (Decrease)				
in Cash	729,980	(2,289,366)	3,019,346	-131.9%
Cash - Beginning of Year	31,653,043	33,942,409	(2,289,366)	-6.7%
Cash - End of Year	<u>\$ 32,383,023</u>	<u>\$ 31,653,043</u>	<u>\$ 729,980</u>	<u>2.3%</u>

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

Cash used by Operating Activities decreased slightly as a result of fewer financial aid disbursements accompanied by

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2012

a net increase in receipts from tuition and fees, grants/contracts, and auxiliary and educational services over payments to suppliers and employees for supplies, services, and benefits. Cash provided by Noncapital Financing Activities increased as a result of an increase in receipts for permanent endowments and noncapital gifts greater than overall decreases in receipts from grants/contracts. Cash used by Capital Financing Activities decreased as a result of fewer net capital asset purchases and capital grants/gifts receipts. Other Capital Financing Activities included a significant increase in principal paid on capital debt offset by an increase in proceeds from the issuance of capital debt. These increases were a direct result of proceeds of the Series 2011 revenue refunding bond issuance that were used to defease the Series 2003 bonds. Cash used by Investing Activities increased mainly as a result of an increase in investment purchases.

Economic Factors that May Affect the Future

Economists and business leaders continue to be cautiously optimistic about the state's economy and forecast that economic growth in the state will continue to gain momentum this next year. Economic indicators continue to show that Utah is in better shape than most states in the nation. Continued growth has been seen in most areas that account for the majority of state and local tax revenues. It is anticipated that job growth will continue and new home starts are beginning to pick up. However, there are still continued concerns about the housing market including foreclosures and bankruptcies.

The University believes, like many economists that 2013 will see continued modest economic improvement. The University's Fiscal Year 2013 budget includes a state General Fund budget increase of just under 1 percent along with a tuition increase that accounts for a net increase to the budget of 3.75 percent overall. The University believes it is well positioned to be able to manage current and future budget challenges.

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, 2012

	University	Southern Utah University Foundation	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note B)	\$ 19,076,774	\$ 81,441	\$ 19,158,215
Short-term Investments (Note B)	12,819,206	257,000	13,076,206
Receivables, Net of Allowance (Note C)	3,316,585	402,926	3,719,511
Due From Related Parties (Note D)	467,075		467,075
Loans Receivable, Net (Note E)	281,400		281,400
Inventories (Note F)	855,000		855,000
Prepaid Expenses (Note G)	4,761,248		4,761,248
Total Current Assets	41,577,288	741,367	42,318,655
Noncurrent Assets:			
Restricted Cash and Cash Equivalents (Note B)	13,224,808		13,224,808
Investments (Note B)	11,852,993		11,852,993
Pledges Receivable, Net (Note C)	1,112,841	393,075	1,505,916
Loans Receivable, Net (Note E)	1,664,742		1,664,742
Real Estate Held for Sale (Note H)	51,400	1,230,914	1,282,314
Capital Assets, Net of Accumulated Depreciation (Note H)	137,287,462		137,287,462
Total Noncurrent Assets	165,194,246	1,623,989	166,818,235
Total Assets	206,771,534	2,365,356	209,136,890
LIABILITIES			
Current Liabilities:			
Accounts and Interest payable (Note I)	1,732,830	294	1,733,124
Due to Related Parties (Note D)	747,228		747,228
Payroll and Withholding Taxes Payable (Note I)	1,293,412		1,293,412
Accrued Health Insurance Benefits (Note Q)	1,765,476		1,765,476
Deposits and Other Liabilities (Note J)	553,702	1,043	554,745
Deferred Revenues (Note G)	5,634,552		5,634,552
Compensated Absences & Termination Benefits (Note K)	1,645,109		1,645,109
Bonds, Notes, and Contracts Payable (Notes K & L)	1,227,333	21,922	1,249,255
Total Current Liabilities	14,599,642	23,259	14,622,901
Noncurrent Liabilities:			
Compensated Absences & Termination Benefits (Note K)	1,184,811		1,184,811
Bonds, Notes, and Contracts Payable (Notes K & L)	20,179,863	269,719	20,449,582
Total Noncurrent Liabilities	21,364,674	269,719	21,634,393
Total Liabilities	35,964,316	292,978	36,257,294
NET ASSETS			
Invested in Capital Assets Net of Related Debt	115,955,008		115,955,008
Restricted:			
Nonexpendable - Scholarships	8,607,921		8,607,921
Nonexpendable - Other	5,794,029		5,794,029
Expendable - Scholarships	3,514,748		3,514,748
Expendable - Capital Projects	5,893,321		5,893,321
Expendable - Loans	2,372,278		2,372,278
Expendable - Other	5,152,733	614,000	5,766,733
Unrestricted	23,517,180	1,458,378	24,975,558
Total Net Assets	\$ 170,807,218	\$ 2,072,378	\$ 172,879,596

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

SOUTHERN UTAH UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	University	Southern Utah University Foundation	Total
Operating Revenues:			
Student Tuition and Fees (Note M)	\$ 32,259,248	\$ -	\$ 32,259,248
(net of scholarship discounts and allowances of \$12,704,477)			
Governmental Grants and Contracts	899,050		899,050
Sales and Services of Educational Activities	16,394,341	129,775	16,524,116
Sales and Services of Auxiliary Enterprises (Note M)	4,436,358		4,436,358
(net of scholarship discounts and allowances of \$1,012,002)			
Interest Income on Student Loans	39,434		39,434
Total Operating Revenues	54,028,431	129,775	54,158,206
Operating Expenses:			
Salaries	47,659,575		47,659,575
Benefits	19,098,518		19,098,518
Depreciation	6,129,797		6,129,797
Repairs and Maintenance	2,057,176		2,057,176
Services and Supplies	11,411,536	37,368	11,448,903
Student Aid	8,635,796		8,635,796
Utilities	2,577,780		2,577,780
Other Operating Expenses	13,229,726	199,167	13,428,894
Total Operating Expenses	110,799,904	236,535	111,036,439
Operating Income (Loss)	(56,771,473)	(106,760)	(56,878,233)
Nonoperating Revenues (Expenses)			
Government Appropriations - State	29,886,197		29,886,197
Government Grants and Contracts	21,772,212		21,772,212
Private Gifts and Grants	3,465,604	878,530	4,344,134
Investment Income	430,173	(877)	429,296
Other Nonoperating Revenue (Expense)	(11,768)		(11,768)
Interest on Indebtedness	(1,095,377)	(19,361)	(1,114,738)
Net Nonoperating Revenue	54,447,041	858,292	55,305,333
Income (Loss) Before Other Revenue	(2,324,432)	751,532	(1,572,900)
Other Revenue			
Capital Appropriations	2,242,072		2,242,072
Capital Grants & Gifts	2,095,496		2,095,496
Additions to Permanent Endowments	4,371,325		4,371,325
Total Other Revenue	8,708,893		8,708,893
Increase (Decrease) in Net Assets	6,384,461	751,532	7,135,993
Net Assets - Beginning of Year	164,422,757	1,320,846	165,743,603
Net Assets - End of Year	\$ 170,807,218	\$ 2,072,378	\$ 172,879,596

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

SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	University	Southern Utah University Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	\$ 32,318,274	\$ -	\$ 32,318,274
Receipts from Grants/Contracts	825,703		825,703
Receipts from Auxiliary and Educational Services	21,732,466	(131,853)	21,600,613
Collection of Loans to Students and Employees	426,423		426,423
Loans Issued to Students and Employees	(329,700)		(329,700)
Payments for Employee Services and Benefits	(66,608,336)		(66,608,336)
Payments to Suppliers	(28,233,256)	(237,666)	(28,470,922)
Payments for Student Financial Aid	(8,635,796)		(8,635,796)
Net Cash (Used) by Operating Activities	<u>(48,504,222)</u>	<u>(369,519)</u>	<u>(48,873,741)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Appropriations	29,886,197		29,886,197
Receipts from Grants/Contracts	20,933,631		20,933,631
Gifts/Grants for Other Than Capital Purposes	3,449,864	334,221	3,784,085
Receipts for Permanent Endowments	4,112,746		4,112,746
Agency Account Receipts	1,221,353		1,221,353
Agency Account Payments	(1,456,927)		(1,456,927)
Net Cash Provided by Noncapital Financing Activities	<u>58,146,864</u>	<u>334,221</u>	<u>58,481,085</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Receipts from Capital Appropriations	961,388		961,388
Receipts from Capital Grants/Gifts	1,552,212		1,552,212
Proceeds from Capital Debt	8,540,895		8,540,895
Purchases of Capital Assets	(2,484,851)		(2,484,851)
Principal Paid on Capital Debt/Leases	(9,316,995)		(9,316,995)
Interest Paid on Capital Debt/Leases	(1,095,377)	(19,361)	(1,114,738)
Net Cash (Used) by Capital Financing Activities	<u>(1,842,728)</u>	<u>(19,361)</u>	<u>(1,862,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale/Maturity of Investments	6,745,659	478,805	7,224,464
Receipt of Interest/Dividends from Investments	351,068	65,509	416,577
Purchase of Investments	(14,399,316)	(257,000)	(14,656,316)
Net Cash Provided (Used) by Investing Activities	<u>(7,302,589)</u>	<u>287,314</u>	<u>(7,015,275)</u>
Net Increase (Decrease) in Cash	497,325	232,655	729,980
Cash & Cash Equivalents - Beginning of Year	<u>31,804,257</u>	<u>(151,214)</u>	<u>31,653,043</u>
Cash & Cash Equivalents - End of Year	<u>\$ 32,301,582</u>	<u>\$ 81,441</u>	<u>\$ 32,383,023</u>

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

SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2012

	University	Southern Utah University Foundation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (56,771,473)	\$ (106,760)	\$ (56,878,233)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,129,797		6,129,797
Operations and Maintenance Expense paid by Division of Facility Construction and Management	1,015,668		1,015,668
Changes in Assets and Liabilities:			
Receivables (Net)	11,924	(254,043)	(242,119)
Due from Related Parties	30,711		30,711
Student Loans Receivable	170,837		170,837
Inventories	(50,013)		(50,013)
Prepaid Expenses	(684,441)		(684,441)
Accounts Payable	(1,426,312)	(1,131)	(1,427,443)
Due to Related Parties	38,702		38,702
Accrued Liabilities	1,905,084	(7,585)	1,897,499
Accrued Payroll	224,995		224,995
Deferred Revenues	759,928		759,928
Compensated Absences	140,371		140,371
Net Cash (Used) by Operating Activities	\$ (48,504,222)	\$ (369,519)	\$ (48,873,741)
 Noncash Investing, Noncapital Financing, and Capital Financing Transactions			
Change in Fair Value of Investments Recognized as Investment Income	\$ (107,218)	\$ (59,321)	\$ (166,539)
Donation of Investment Securities	258,579		258,579
Dividends and Interest on investments re-invested	72,682		72,682
Loss on Sale of Investments		(7,065)	(7,065)
Donation of Real Estate		576,000	576,000
Repairs and Maintenance paid by Division of Facility Construction and Management	1,015,668		1,015,668
Capital Projects paid by Division of Facility Construction and Management	1,211,502		1,211,502
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets			
Cash and Cash Equivalents Classified as Current Assets	\$ 19,076,774	\$ 81,441	\$ 19,158,215
Cash and Cash Equivalents Classified as Noncurrent Assets	13,224,808		13,224,808
Total Cash and Cash Equivalents	\$ 32,301,582	\$ 81,441	\$ 32,383,023

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

J L SORENSON
PHYSICAL EDUCATION BUILDING



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE A. Summary of Significant Accounting Policies

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

Reporting Entity

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

The University's financial statements include the accounts of the University, all auxiliary enterprises and other restricted and unrestricted funds of the University. In addition, the financial statements include the Southern Utah University Foundation (the Foundation).

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

The Foundation is included in the financial statements of the University as a blended component unit because the Foundation provides services entirely or almost entirely to the University. The Foundation was established to provide support for the University, its students and faculty, and to promote, sponsor, and carry out educational, scientific, charitable, and related activities and objectives at the University. A blended component unit is an entity which is legally separate from the University but which is so intertwined with the University that it is, in substance, the same as the University. Separate unaudited financial statements of the Foundation can be obtained from the University.

In preparing the financial statements, all significant transactions and balances between the University and its component units 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.

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, 2012 are based on an analysis of changes in the local market applied to the most recent appraisals for all material real estate investments.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff and other private parties. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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

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

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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 non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) some federal, state, and local grants and contracts, (4) interest on institutional student loans (5) the cost of providing services, (6) administration expenses, and (7) depreciation of capital assets.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net 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 non-operating revenues in

the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Effect of New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of these Statements are effective for fiscal years 2013 and 2014 respectively. In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27*, effective for fiscal years 2014 and 2015 respectively.

These new accounting and reporting standards may impact the University's recognition and timing of assets and liabilities in the financial statements. The requirements of these statements may require restating of beginning net assets. The University is not planning to early implement these Statements and has made no estimation of the effect these Statements will have on the financial statements.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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

investments and investments (instruments having an original maturity greater than 3 months and equity type investments) are recorded at fair value.

Cash and cash equivalents (instruments purchased with an original maturity of 3 months or less), short-term

At June 30, 2012, cash and cash equivalents and short-term investments consisted of:

	<u>University</u>	<u>Foundation</u>	<u>Total</u>
<u>Cash and Cash Equivalents - Current</u>			
Cash	\$ (291,757)	\$ (797)	\$ (292,554)
Utah PTIF	19,368,531	82,238	19,450,769
Total (fair value)	\$ 19,076,774	\$ 81,441	\$ 19,158,215
<u>Cash and Cash Equivalents - Restricted</u>			
Cash	\$ (139,575)	\$ -	\$ (139,575)
Money Market	2,025,907		2,025,907
Utah PTIF	11,338,476		11,338,476
Total (fair value)	\$ 13,224,808	\$ -	\$ 13,224,808
<u>Short-term Investments</u>			
Certificates of Deposit	\$ 1,008,813	\$ -	\$ 1,008,813
Corporate Securities	11,720,167		11,720,167
Premium on Investments	90,226		90,226
Other Equity Investments		257,000	257,000
Total (fair value)	\$ 12,819,206	\$ 257,000	\$ 13,076,206

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 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, 2012, is 2.5% 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, 2012 was approximately \$1,800,000. The net appreciation is a component of restricted, expendable net assets.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, \$2,534,720 of the University’s bank balances of \$3,328,895 was uninsured and uncollateralized.

Investments

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

At June 30, 2012, the investment portfolio composition was as follows:

	<u>Investments</u>	
Mutual Funds	\$	6,288,877
Common Stocks		394,112
Other Equity Investments		126,250
Total (fair value)	\$	<u>6,809,239</u>

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 States 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. At June 30, 2012 the University had some holdings with ratings below the required “A” rating. These holdings were downgraded below an “A” rating after their respective purchases.

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 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.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Utah Money Management Act or UPMIFA and 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

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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 Utah Money Management Act, UPMIFA, and Rule 541 as previously discussed.

As of June 30, 2012, the University had the following investments with the following maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	Fair Value	Less than 1	1-5	6-10	More than 10
State of Utah PTIF	\$ 30,789,245	\$ 30,789,245	\$ -	\$ -	\$ -
Corporate Securities	16,776,396	11,720,167	5,056,229		
	47,565,641	\$ 42,509,412	\$ 5,056,229	\$ -	\$ -
 <u>Other Investments/ Endowment Funds</u>					
Equity Mutual Funds	6,288,877				
Equity Investments	520,362				
Total Investments	\$ 54,374,880				

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, 2012, the University had \$16,776,396 in debt securities which were held by Wells Fargo Bank, N.A. but not in the University’s name.

At June 30, 2012, the University had the following investments with the following quality ratings:

<u>Investment Type</u>	Fair Value	<u>Quality Ratings</u>			
		Aaa	A	Baa	Unrated
State of Utah PTIF	\$ 30,789,245	\$ -	\$ -	\$ -	\$ 30,789,245
Corporate Notes	16,776,396	1,003,316	10,765,835	5,007,245	
Total	\$ 47,565,641	\$ 1,003,316	\$ 10,765,835	\$ 5,007,245	\$ 30,789,245

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE C. Receivables

Receivables consisted of the following at June 30, 2012:

	Balance	Current Portion
Student Tuition and Fees	\$ 649,722	\$ 649,722
Federal, State, and Private Grants and Contracts	525,518	525,518
Auxiliary Service Charges	356,392	356,392
Continuing & Professional Studies Fees	537,946	537,946
Utah Shakespearean Festival Ticket Sales	557,988	557,988
Interest and Dividends Receivable	139,221	139,221
Contributions and Gifts (Pledges)	1,774,995	662,154
Contributions and Gifts (Pledges) - Foundation	541,915	148,840
Other Operating	205,234	205,234
Other Operating - Foundation	254,086	254,086
Allowance for Doubtful Accounts	(317,590)	(317,590)
Total	\$ 5,225,427	\$ 3,719,511

NOTE D. Due To/Due From Related Party

Southern Utah University receives and provides services, supplies, repairs and maintenance and capital projects through departments, agencies, and other component units of the State of Utah. The following tables are a summary of the amounts due from and to the Division of Facilities and Construction Management (DFCM) for repairs and maintenance and capital projects and all other related parties for services and supplies as of the year ended June 30, 2012.

Related Party Receivables consisted of the following at June 30, 2012:

	Balance
Due from Other related parties	\$ 467,075
Total	\$ 467,075

Related Party Payables consisted of the following at June 30, 2012:

	Balance
Due to DFCM	\$ 445,109
Due to Other related parties	302,119
Total	\$ 747,228



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE E. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprised substantially all of the loans receivable at June 30. The Program provided for cancellations of loans at rates of 10% to 30% per year up to a maximum of 100% if the participant complied with certain provisions. In the past, the Federal Government has reimbursed the University for amounts cancelled under these provisions; however, for the past few years there have been no reimbursements.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal 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, 2012, the current and long-term loans receivable amounts net of

allowance were \$281,400 and \$1,664,742 respectively. The allowance for uncollectible loans was \$88,400.

NOTE F. Inventories

Total inventories at June 30, 2012 were \$855,000. They consisted of a gifted collection of *Westward America*, Deluxe and Collector Editions held for resale in the amount of \$14,034, as well as Bookstore inventory in the amount of \$840,966.

NOTE G. Prepaid Expenses and Deferred Revenues

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

Prepaid Expenses and Deferred Revenues at June 30, 2012, consisted of the following:

	Prepaid Expenses	Deferred Revenues
Utah Shakespearean Festival	\$ 3,441,646	\$ 3,525,924
Student Tuition and Fees		1,571,347
Grants and Contracts		46,313
Miscellaneous	1,319,602	490,968
Total	\$ 4,761,248	\$ 5,634,552

NOTE H. Capital Assets and Real Estate Held for Sale

Land held for sale is stated at the lower of cost at the date of acquisition (donation) or market. As of June 30, 2012, The University held real estate for sale recorded at \$51,400 along with \$1,230,914 held in the SUU Foundation. All of the property is donated property.

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



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

Capital assets at June 30, 2012, consisted of the following:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Land	\$ 8,659,821	\$ -	\$ -	\$ 8,659,821
Land Imp/Infrastructure	8,150,576	516,202		8,666,778
Buildings	171,354,846	1,050,356		172,405,202
Equipment	11,127,339	1,506,864	(424,110)	12,210,093
Vehicles	1,411,882	156,984		1,568,866
Intangibles	473,926	166,248		640,174
Art Work/Collections	2,243,918	150,847		2,394,765
Library Collections	6,820,755	281,638	(275,465)	6,826,928
Construction in Progress	2,685,635	857,832	(438,217)	3,105,250
Total	212,928,698	4,686,971	(1,137,792)	216,477,877
 Less: Accumulated Depreciation				
Land Imp/Infrastructure	5,470,266	295,982		5,766,248
Buildings	55,730,810	4,067,056		59,797,866
Equipment	7,333,390	1,330,857	(412,343)	8,251,904
Vehicles	1,066,300	99,432		1,165,732
Intangibles	418,261	51,432		469,693
Art Work/Collections	545,743	19,530		565,273
Library Collections	3,183,657	265,508	(275,466)	3,173,699
Total	73,748,427	6,129,797	(687,809)	79,190,415
Capital Assets, net	\$ 139,180,271	\$ (1,442,826)	\$ (449,983)	\$ 137,287,462



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

The University is committed to the completion of all projects that are added to construction in progress. Remaining estimated costs to be incurred by the university in completion of these projects as of June 30, 2012 was \$88,494,750 and the University had outstanding contractual commitments with DFCM for construction and remodeling of University buildings of approximately \$1,014,055.

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

Construction in progress at June 30, 2012 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
SUMA	12,500,000	810,623	6%
USF Centre Campaign	78,000,000	1,925,014	2%
Synthetic Field at Eccles Coliseum	1,100,000	369,613	34%
Total	\$ 91,600,000	\$ 3,105,250	

NOTE I. Accounts, Interest, and Payroll Related Payables

Accounts and Interest payable consisted of the following at June 30, 2012:

	University	Foundation	Total
Vendors	\$ 1,556,675	\$ 294	\$ 1,556,969
Interest	143,681		143,681
Sales Tax	15,401		15,401
Other	17,073		17,073
Total	\$ 1,732,830	\$ 294	\$ 1,733,124

Payroll and Withholding Taxes payable consisted of the following at June 30, 2012:

	Balance
Accrued Payroll	\$ 338,188
FICA & Medicare	287,422
Federal and State Taxes	430,257
Workers Compensation	12,359
Retirement	225,186
Total	\$ 1,293,412

NOTE J. Deposits and Other Liabilities

Deposits and Other Liabilities consisted of the following at June 30, 2012:

	University	Foundation	Total
Agency Accounts	\$ 175,986	\$ -	\$ 175,986
Enrollment	185,900		185,900
Housing	6,497		6,497
Housing - Foundation		1,043	1,043
Gift Certificates - USF	166,777		166,777
Gift Certificates - Bookstore	3,675		3,675
Other	14,867		14,867
Total	\$ 553,702	\$ 1,043	\$ 554,745

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE K. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Bonds, Notes, and Contracts Payable					
Bonds Payable	\$ 21,620,000	\$ 8,285,000	\$ (9,490,000)	\$ 20,415,000	\$ 1,005,000
Unamortized Bond Premium	141,652	933,534	(222,083)	853,103	115,441
Unamortized Bond Discount	(41,308)		3,009	(38,299)	(2,937)
Deferred Series 2003 Refunding		(677,639)	395,289	(282,350)	(282,350)
Contracts/Leases Payable	3,210		(3,210)		
Notes Payable	385,000			385,000	385,000
Remainder Annuity Trusts	79,974		(5,232)	74,742	7,179
Remainder Annuity Trusts - Foundation	313,561		(21,920)	291,641	21,922
Total	22,502,089	8,540,895	(9,344,147)	21,698,837	1,249,255
Compensated Absences & Termination Benefits					
Compensated Absences	1,510,876	1,301,455	(1,170,588)	1,641,743	1,259,929
Termination Benefits	1,178,673	416,080	(406,576)	1,188,177	385,180
Total	2,689,549	1,717,535	(1,577,164)	2,829,920	1,645,109
Total Long-Term Liabilities	\$ 25,191,638	\$ 10,258,430	\$ (10,921,311)	\$ 24,528,757	\$ 2,894,364



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE L. Bonds and Notes Payable

Revenue bonds payable consisted of the following at June 30, 2012:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2011-12	Balance June 30, 2012
Bonds Payable					
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	\$ 4,540,000	\$ 565,000	\$ 1,220,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	8,430,000	
Auxiliary System, Series 2008	7/22/2008	3.500-5.250%	12,025,000	325,000	11,080,000
Auxiliary System, Series 2011	8/11/2011	2.000-4.000%	8,285,000	170,000	8,115,000
Total Bonds Payable			\$ 34,910,000	\$ 9,490,000	\$ 20,415,000

The scheduled maturities of the revenue bonds are as follows at June 30, 2012:

Year	Principal	Interest	Total
2013	1,005,000	863,706	1,868,706
2014	1,085,000	817,656	1,902,656
2015	1,135,000	771,544	1,906,544
2016	1,165,000	733,844	1,898,844
2017	1,205,000	695,144	1,900,144
2018-2022	6,750,000	2,747,125	9,497,125
2023-2027	3,785,000	1,482,156	5,267,156
2028-2032	3,485,000	719,125	4,204,125
2033	800,000	38,850	838,850
Total Bonds payable before unamortized premium	\$ 20,415,000	\$ 8,869,150	\$ 29,284,150

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

During the year, Juniper Hall was determined to be uninhabitable due to a faulty heating system. The students occupying the Hall were evacuated in November 2011. The effect on system net pledged revenues is approximately \$450,000 per year.

The University is required to maintain certain debt service reserves aggregating \$2,363,456. As of June 30, 2012 the balance in the debt service reserve funds met or exceeded this requirement.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

Defeased Revenue Bonds

On August 11, 2011, the University issued Series 2011 revenue refunding bonds in the amount of \$8,285,000. The bond proceeds were used to defease \$8,260,000 of the Series 2003 bonds. The principal amount of the refunding bonds and \$777,144 of the original issue premium were paid to an escrow agent to be placed in an irrevocable trust 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 Statement of Net Assets. The defeasance reduced the University's aggregate debt service payments by \$987,745 over 12 years and resulted in an economic gain of \$838,219.

On May 1, 2012, the University advanced refunded the remaining principal and interest payments of the Series 2003 Auxiliary System Revenue Refunding Bonds totaling \$88,400. Accordingly, the trust account assets and the liability for the advanced refunded bonds are not included in the University's financial statements. The total amount of the advanced refunded bonds held in irrevocable trusts at June 30, 2012, was \$8,659,555.

Note Payable

During the year ending June 30, 2011, the University entered into a note payable in the amount of \$385,000. At the request of the Worthington Gallery's owner, the maturity of the note was moved from January 2012, to "mid-to-late 2012" and bears interest at zero percent.

Notes payable consisted of the following at June 30, 2012:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2011-12	Balance June 30, 2012
Notes Payable					
Worthington Gallery	3/3/2011	0.00%	\$ 385,000	\$ -	\$ 385,000

The scheduled maturities of the notes payable are as follows:

Year	Principal	Interest	Total Payments
2013	\$ 385,000	\$ -	\$ 385,000

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, 2012:

	Date Created	Interest Rate	Present Value of Annuity Payable	Current Portion
Charitable Remainder Annuity Trusts:				
J & C Wadsworth	9/25/2001	6.200%	\$ 291,641	\$ 21,922
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	74,742	7,179
Total Annuities Payable			<u>\$ 366,383</u>	<u>\$ 29,101</u>

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2013	\$ 29,101	\$ 23,612	\$ 52,713
2014	31,009	21,733	52,742
2015	33,043	19,728	52,771
2016	35,213	17,589	52,802
2017	37,527	15,306	52,833
2018-2022	200,490	37,365	237,855
Total	<u>\$ 366,383</u>	<u>\$ 135,333</u>	<u>\$ 501,716</u>

Operating Lease

During fiscal year 2011, Southern Utah University entered into an operating lease to rent additional office space. The term of the lease is five years beginning on January 1, 2011 and ending December 31, 2015 with an option to renew the lease for an additional five years. The lease agreement states that in the first year the annual payable amount is \$163,870 due in equal quarterly installments. Each January, the annual rent amount is adjusted by the Consumer Price Index (CPI). In the fiscal year ended June 30, 2012 \$166,268 was paid on this lease and is included in Other Operating Expenses on the Statement of Revenues, Expenses, and changes in Net Assets.



Future minimum payments of the operating lease, adjusted for an average CPI of 2.32%, are as follows:

<u>Year</u>	<u>Payments</u>
2013	169,605
2014	173,532
2015	177,550
2016	89,791
Total	<u>\$ 610,478</u>

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE M. Auxiliary System Bond Revenue Fund

The pledged receipts and disbursements of the Bond Revenue Fund of the Auxiliary System for the year ended June 30, 2012 consisted of the following:

Pledged Receipts:

Operating Revenues	\$ 7,753,724
Operating & Maintenance Expenses	(5,334,664)
Total Pledged Net Receipts	<u>\$ 2,419,060</u>
Transfers to:	
Debt Service	\$ 1,951,808
Trustee and Other Fees	19,251
Renewal & Replacement Reserves	187,066
Other Lawful Purposes	260,935
Total Transfers of Pledged Receipts	<u>\$ 2,419,060</u>

Debt Service Reconciliation:

Debt Service Principal and Interest payments	\$ 1,962,354
Bond Reserve Interest applied to Debt Service	(10,546)
Total Transfer to Debt Service	<u>\$ 1,951,808</u>



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

NOTE N. Retirement Plans

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

Association (TIAA) and/or Fidelity Investments while all other staff employees participate in the Utah State Retirement System. The total payroll expenses for the years ended June 30, 2012, 2011, and 2010 were \$47,659,575 \$44,552,301, and \$41,132,238 respectively.

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

Retirement Program	Covered Payroll Expenses		
	2012	2011	2010
TIAA	\$ 20,545,464	\$ 18,541,285	\$ 19,414,174
Fidelity	6,661,475	5,270,822	4,314,189
State-Contributory	53,977	51,180	52,477
State-Noncontributory	10,767,228	10,162,265	8,698,149
State-Public Safety	197,089	196,571	181,145
Total	\$ 38,225,233	\$ 34,222,123	\$ 32,660,134

Retirement Program	Retirement Contributions		
	2012	2011	2010
TIAA	\$ 2,917,456	\$ 2,632,862	\$ 2,756,813
Fidelity	945,929	748,457	612,615
State-Contributory	9,892	9,125	8,255
State-Noncontributory	1,963,091	1,806,858	1,248,622
State-Public Safety	67,024	64,377	50,086
Salary Deferral 401(k) - Employer	191,500	163,489	144,220
Salary Deferral 401(k) and 457 - Employee	314,129	286,346	291,428
Total	\$ 6,409,021	\$ 5,711,514	\$ 5,112,039

Retirement Contributions represent the funds which were contributed by the University, which includes 18.74% of covered employees' salaries participating in the Utah State Retirement Contributory System, 18.36% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 35.62% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Public Safety Noncontributory System and 14.20% of covered employees' salaries participating in the Teachers Insurance and Annuity Association or Fidelity Investments. The employees' and employer's shares of the contributions were paid by the University. Total contributions made were equal to the required contributions for those years.

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

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Systems Administration in Title 49 provides for the administration of the Systems and Plans under the direction of the Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System, State and School Noncontributory Retirement System, and Public Safety Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772. Teacher's Insurance and Annuity Association and Fidelity Investments issue individual retirement contracts with each participating employee; therefore, the University has no liability for this retirement program.

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 year ended June 30, 2012 was \$68,130. The number of participants for the year ended June 30, 2012 was 15.

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 year ended June 30, 2012 was \$338,446. The number of participants for the year ended June 30, 2012 was 23.

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 2.0 percent for stipends, and 2.3-5 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 (0.78 percent) for short term investments. The net present value is the amount recognized on the financial statements as the liability for early retirement.

NOTE O. 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, 2012 were \$349,540 at cost and \$368,085 at fair value.

NOTE P. Functional Classification

At June 30, 2012, the University's operating expenses by functional classification were as follows:

Instruction	\$ 26,991,736
Research	153,129
Public Service	13,967,024
Academic Support	8,900,592
Student Services	11,732,345
Institutional Support	20,138,227
Operation and Maintenance of Plant	8,673,261
Student Aid	8,619,539
Auxiliary Enterprises Expenses	5,730,789
Depreciation	6,129,797
Total	<u>\$ 111,036,439</u>

NOTE Q. Insurance Coverage

The University insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage through policies administered by the State of Utah Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost

SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

basis subject to a \$1,000 per occurrence deductible. All revenues from the University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils. Additionally, the University is protected against employee dishonesty exposures under a \$10 million crime policy. The Utah State Risk Management Fund provides coverage to the University for general, automobile, personal injury, errors or omissions, and malpractice liability at \$10 million per occurrence. The University qualifies as a “governmental body” under the Utah Governmental Immunity Act which limits applicable claim settlements to \$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.

The University has established a self-insurance fund for employee medical and dental care plans that are administered through Educators Mutual Insurance Company (both plans referred to as Health Care Plan). GASB Statement No. 10 requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The University has recorded the investments of the Health Care Plan funds at June 30, 2012 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.

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

	Medical	Dental	Total
Estimated Claims Liability - Beginning of Year	\$ 547,883	\$ 77,444	\$ 625,327
Current Year Contributions and Changes in Estimates	9,317,658	599,836	9,917,495
Claim Payments, Including Related Legal and Administrative Expenses	(8,220,471)	(556,874)	(8,777,345)
Estimated Claims Liability - End of Year	\$ 1,645,070	\$ 120,406	\$ 1,765,476

NOTE R. Festival City Development Foundation Transactions

The University receives from the Festival City Development Foundation an in-kind contribution of a portion of the housing needs for actors and technicians participating in the Shakespearean Festival. The value of the donated housing is estimated to be \$249,000. 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.



SOUTHERN UTAH UNIVERSITY

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ANNUAL FINANCIAL REPORT PREPARED BY

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