

SUU

2006-07

ANNUAL FINANCIAL REPORT
SOUTHERN UTAH UNIVERSITY

A component unit of the State of Utah



From the President...



I am pleased to address you from my new post here as President of Southern Utah University. SUU's growth has exceeded many expectations over this past year, and I am pleased to share our recent accomplishments with those who hold a vested interest in the success of this great institution.

As in years past, Southern Utah University has been recognized in several prestigious publications, touting our quality programming and student satisfaction. SUU was ranked by *Consumers Digest* as one of the top ten schools in the nation for quality and value. This was the second time SUU has been listed in the top ten in the past four years. In addition, *U.S. News and World Report* ranked SUU as one of America's Best Colleges, specifically crediting our high quality graduate programs, and the *Princeton Review* listed SUU as one of America's Best Value Colleges. Such recognition is all a testament to the many

initiatives here on campus to provide a personalized, balanced education with countless opportunities for student involvement and growth.

In addition to outside recognition, SUU students have shown their satisfaction as enrollment continues to increase each semester. In fact, with a nearly six percent increase (budget-related full time equivalent) from last year, Southern Utah University once again led the Utah System of Higher Education in student enrollment growth. SUU was one of only three schools in the USHE to report enrollment increases over the past year.

With a growing student body, we continue to enhance educational opportunities at SUU. This past fall semester, students began taking classes in two new graduate programs. The Master of Public Administration degree is a terminal degree, frequently sought by professionals entering or pursuing a career in the public or nonprofit sectors. Our second new degree, the Master of Science in Sports Conditioning and Performance, is one of the first such degrees in the nation. Enrollment for both programs exceeded expectation for the first year, and students continue to apply going into the spring semester.

We've also begun exploring opportunities for students abroad. Beginning this spring semester, SUU business students will be able to complete a portion of their SUU degree at one of the top business schools in France, gaining much-needed experience in international business. Their time in France, coupled with prescribed classes at SUU, will also allow participating students to gain a second bachelor's degree from the Groupe Ecole Supérieure de Commerce et de Management without delaying a four-year graduation plan. We're currently exploring additional international double-degree opportunities; this is an exciting time to be a student at SUU.

Several departments on campus have been recognized this past year, again reinforcing what our students already know: Southern Utah University provides the private, liberal arts experience at a fraction of the price. Of particular note, SUU's Department of Art and Design was granted associate membership for all its existing degrees by the National Association of Schools of Art

and Design. This places SUU in an elite group of only 262 independent schools, universities and colleges. In fact, SUU is the only school in the USHE to earn this accreditation. The University's radio productions department has also enjoyed recent success. Student broadcasters from the campus radio station entered the Utah Broadcaster Association's annual competition, pitting our student broadcasters against professional organizations in terms of production. SUU's Power 91 student-run radio station placed in all but one of the 13 categories they entered, and ten of those awards were gold medals. Such high quality programming and hard-working students have raised the bar for all at SUU.

As we work to meet those heightened expectations, we've been fortunate to welcome seasoned professionals as new leaders at SUU. Dr. Rodney Decker replaced Abe Harraf as University Provost, and his lifetime of service to SUU has proved insightful in his new position. Donna Eddleman joined our team in June as Vice President for Student Services, and Stuart Jones returned to SUU as Vice President of Advancement in July. All three individuals have provided a boost of energy and innovation to their respective positions.

We also welcomed new leaders at two of our sister organizations. Casey McClellan joined SUU as the new director for the Utah Summer Games, and R. Scott Phillips, who has been serving as interim director at the Utah Shakespearean Festival, was appointed the directorship in October. As for academics, the Education Department welcomed a new leader, Dr. Prent Klag, as dean of the Beverly Taylor Sorenson College of Education and Human Development in May. With over 98 percent of all SUU classes taught by faculty, and new perspectives in both faculty and staff leadership positions, SUU's future is in capable hands.

These are all just a few examples of the exciting happenings on the campus of Southern Utah University. I am honored to stand at the helm of this accomplished organization, and look forward to continued success as we expand our services and programming to meet the increasing educational needs of the southern Utah region. Go T-Birds!

Sincerely,

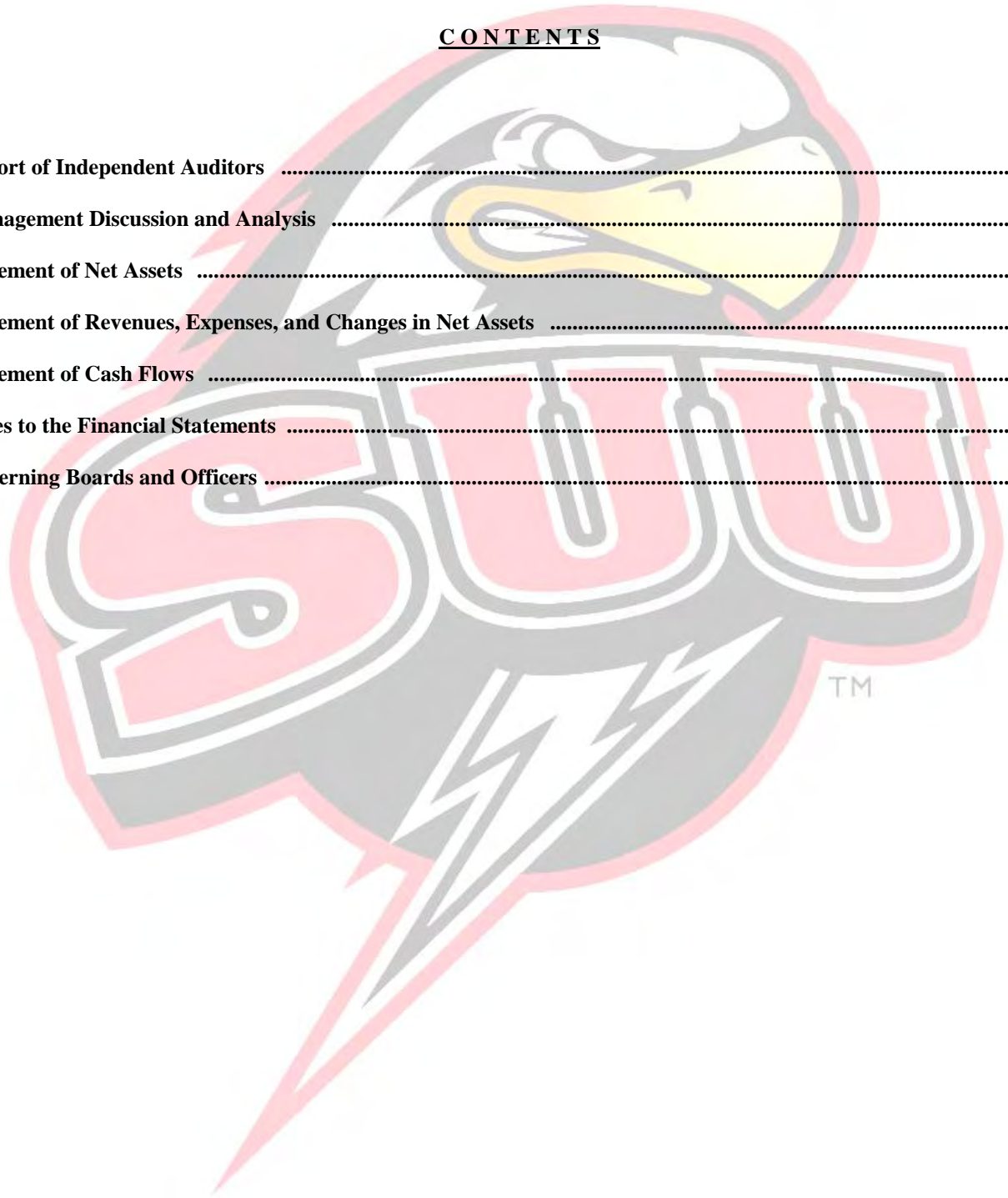
A handwritten signature in black ink, appearing to read "Michael T. Benson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

President Michael T. Benson

SOUTHERN UTAH UNIVERSITY

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

UTAH STATE CAPITOL COMPLEX
EAST OFFICE BUILDING, SUITE E310
P.O. BOX 142310
SALT LAKE CITY, UTAH 84114-2310
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
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, 2007, 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 2006 financial statements and, in our report dated December 29, 2006 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, 2007, 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 20, 2007 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management discussion and analysis as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G. Johnson, CPA
Utah State Auditor
December 20, 2007

SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2007

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, 2007. 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 110-year history, the University has evolved from a teacher training school into its current role as a comprehensive, regional university. It serves the southern region of Utah and the contiguous counties of two states with undergraduate and graduate programs and applied technology training. People of the region look to the University for public education, outreach services, culture, sporting events, economic and business development, regional history, public affairs, and major academic specialties. The University enrolls nearly 7,000 undergraduate and graduate students.

Financial

The annual report consists of three basic financial statements that provide information on the University as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

The University's financial statements include, as a blended component unit, the activity of the Southern Utah University Foundation (Foundation). The Foundation was established to provide support, promote, sponsor, and carry-out educational and related activities and objectives at the University. Separate unaudited financial statements of the Foundation can be obtained from the University.

Statement of Net Assets

The Statement of Net Assets is a list of the Assets and Liabilities of the University at June 30, with the difference being the Net Assets. The Net Assets are categorized as "Invested in Capital Assets", "Restricted" (Expendable or Nonexpendable), or "Unrestricted." Net Assets Invested in Capital Assets is the fixed assets of the University reduced by accompanying debt and accumulated depreciation. Restricted Nonexpendable Net Assets are endowment and similar funds that are held in perpetuity. Restricted Expendable Net Assets are subject to externally imposed restrictions governing their use. All other Net Assets are listed as Unrestricted. Below is a Condensed Statement of Net Assets as of June 30, 2007 and 2006.

Condensed Statement of Net Assets				
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 27,282,233	\$ 27,138,932	\$ 143,301	0.5%
Noncurrent Assets				
Capital Assets	99,985,489	96,701,546	3,283,943	3.4%
Other Noncurrent Assets	22,242,328	19,740,313	2,502,015	12.7%
Total Assets	149,510,050	143,580,791	5,929,259	4.1%
Liabilities				
Current Liabilities	8,754,160	8,313,064	441,096	5.3%
Noncurrent Liabilities	14,763,613	15,015,492	(251,879)	-1.7%
Total Liabilities	23,517,773	23,328,556	189,217	0.8%
Net Assets				
Invested in Capital Assets	86,247,656	82,275,491	3,972,165	4.8%
Restricted Nonexpendable	10,373,483	7,730,753	2,642,730	34.2%
Restricted Expendable	12,140,734	14,570,821	(2,430,087)	-16.7%
Unrestricted	17,230,404	15,675,170	1,555,234	9.9%
Total Net Assets	\$ 125,992,277	\$ 120,252,235	\$ 5,740,042	4.8%



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2007

Current Assets changed only slightly from the previous year as Short-term Investments and Receivables were converted into Cash and Cash Equivalents. Capital Assets increases are attributed to the addition of the Ponderosa Terrace housing units and capitalization of Utah Division of Facility Construction and Management (DFCM) projects including the Utility Tunnel Extension along with major renovations to the Student Services, Randall Jones Theatre and Physical Plant Boiler buildings. Increases in Construction in Process have also contributed to the increase in Capital Assets over the prior year. Other Noncurrent Assets increases resulted as additions to permanent endowments and construction project pledges that were received during the year.

Current Liability increases are attributable to increases in amounts due to the Utah DFCM for the Teacher Education building, Old Main and Utah Shakespeare Centre projects, and a timing difference in the payment of Payroll Taxes at June 30 for the current year. Noncurrent Liabilities increased by amounts accrued for full retirees included in Compensated Absences and Termination Benefits.

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

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the University's results of operations for the year ended June 30. Below is a Condensed Statement of Revenues, Expenses, and Changes in Net Assets as of June 30, 2007 and 2006.

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 19,882,885	\$ 17,843,026	\$ 2,039,859	11.4%
Grants and Contracts	13,767,950	13,428,247	339,703	2.5%
Sales and Services	11,653,338	10,409,454	1,243,884	11.9%
Auxiliary Enterprises	6,249,075	5,720,555	528,520	9.2%
Other	45,801	43,870	1,931	4.4%
Total Operating Revenues	<u>51,599,049</u>	<u>47,445,152</u>	<u>4,153,897</u>	<u>8.8%</u>
Operating Expenses	<u>85,515,284</u>	<u>77,242,155</u>	<u>8,273,129</u>	<u>10.7%</u>
Operating Loss	(33,916,235)	(29,797,003)	(4,119,232)	13.8%
Nonoperating Revenues (Expenses)				
State Appropriations	30,621,224	28,821,441	1,799,783	6.2%
Gifts	2,860,735	2,192,558	668,177	30.5%
Investment Income	3,052,815	1,813,296	1,239,519	68.4%
Other Nonoperating Revenues	(80,677)	(156,486)	75,809	48.4%
Interest Expense	(680,867)	(728,267)	47,400	-6.5%
Net Nonoperating Revenue	<u>35,773,230</u>	<u>31,942,542</u>	<u>3,830,688</u>	<u>12.0%</u>
Other Revenues	<u>3,883,047</u>	<u>7,122,138</u>	<u>(3,239,091)</u>	<u>-45.5%</u>
Net Increase (Decrease) in Net Assets	5,740,042	9,267,677	(3,527,635)	-38.1%
Net Assets - Beginning of Year	<u>120,252,235</u>	<u>110,984,558</u>	<u>9,267,677</u>	<u>8.4%</u>
Net Assets - End of Year	<u>\$ 125,992,277</u>	<u>\$ 120,252,235</u>	<u>\$ 5,740,042</u>	<u>4.8%</u>



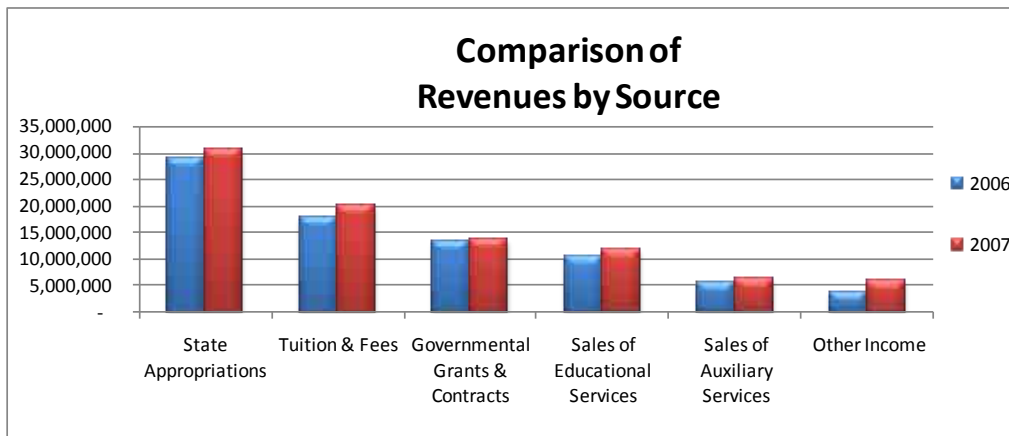
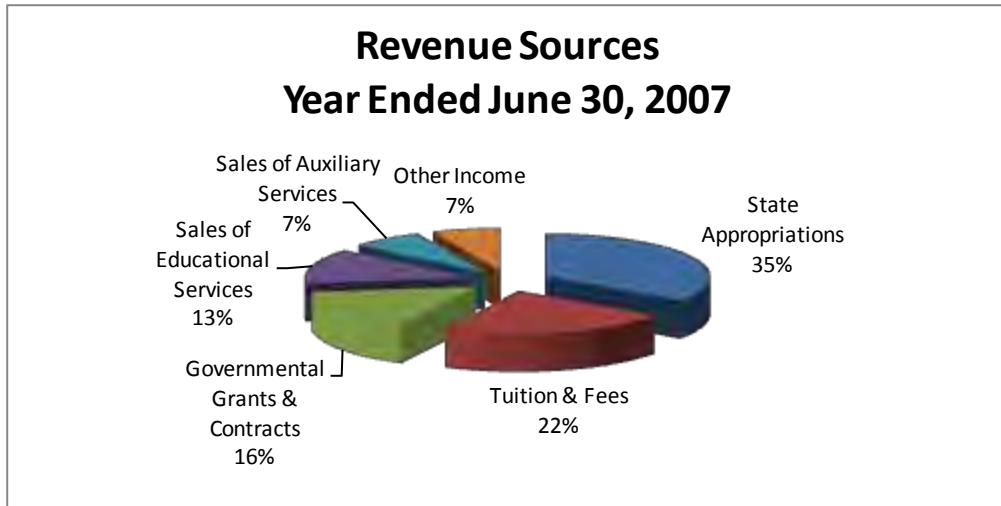
SOUTHERN UTAH UNIVERSITY

Enrollment increases, tuition rate increases and course fee increases resulted in higher Tuition and Fee revenue. Sales and Services increases resulted from additional customers (students) and increased rates at several University service locations. Book Store, Food Services and Resident Living all experienced increased revenues during the year contributing to the Auxiliary Enterprises revenue increase.

Nonoperating Gift revenue (e.g. scholarship and operational gifts) increased during the year as the Old Main and Teacher Education projects near completion and gifts are no longer being directed toward those projects. Investment Income changes were the result of higher rates for Investment Interest coupled with an increase in Market Value. The negative amount in Other Nonoperating Revenues is due to the write-off of University assets (equipment) disposed of during the fiscal year.

Other Revenues decreased due to the Capital Gifts and Additions to Endowments dropping significantly from the prior year partially offset by Capital Appropriations from the DFCM for the fore mentioned projects.

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, 2007 and a comparison with the prior year:



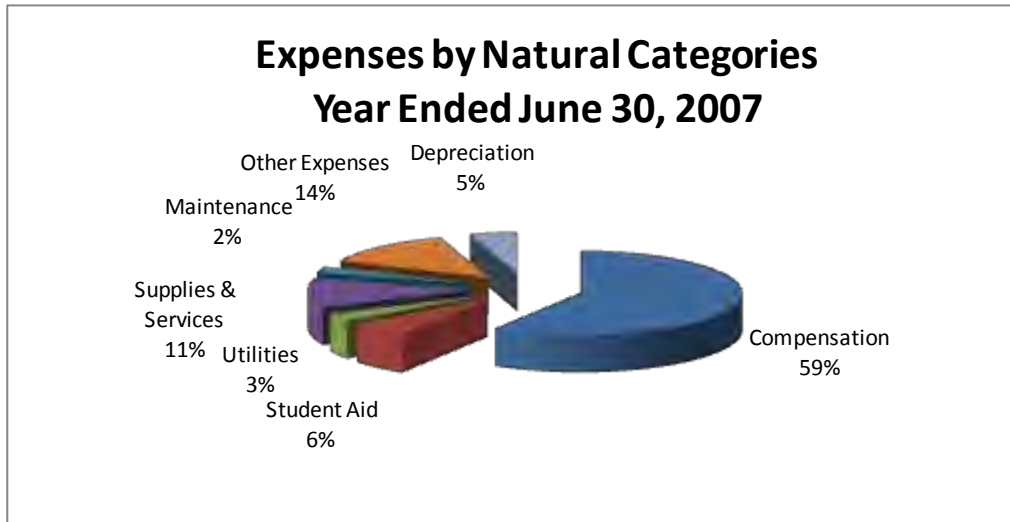
SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2007

Compensation, including benefits, increased by 7.5% from the prior year due to salary increases coupled with benefit cost increases. Repairs and Maintenance increased by 194.4% as several DFCM and campus remodeling projects were completed during 06-07 with no comparable activity in the prior year. Services and Supplies increased by 10.9% due to increased costs across the board for supplies and services. Student Aid and Utilities expense remained relatively constant over the two year period. Other Operating Expenses increased 32.3% due to increases in marketing, credit card fees, athletic guarantees, travel, and travel related expenses.

The following graph illustrates expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2007:



A comparative summary of the University's operating expenses by natural classification for the years ended June 30, 2007 and 2006 is included below:

Expenses by Natural Classification

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Salaries	\$ 35,866,724	\$ 34,018,898
Benefits	14,860,395	\$ 13,169,720
Depreciation	4,096,026	4,159,625
Repairs and Maintenance	1,889,919	641,826
Services and Supplies	9,818,218	8,853,575
Student Aid	5,186,954	5,260,302
Utilities	2,730,111	2,772,758
Other Operating Expenses	11,066,937	8,365,451
Total Operating Expenses	<u>\$ 85,515,284</u>	<u>\$ 77,242,155</u>



SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2007

Statement of Cash Flows

The Statement of Cash Flows provides an additional perspective on the University's financial results for the fiscal year. The statement identifies sources and uses of cash by broad categories of activity.

Condensed Statement of Cash Flows

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (26,363,970)	\$ (25,665,980)	\$ (697,990)
Noncapital Financing Activities	32,931,074	32,635,007	296,067
Capital Financing Activities	(2,535,720)	(2,277,067)	(258,653)
Investing Activities	<u>2,583,980</u>	<u>7,486,223</u>	<u>(4,902,243)</u>
Net Increase (Decrease) in Cash	6,615,364	12,178,183	(5,562,819)
Cash - Beginning of Year	<u>20,017,876</u>	<u>7,839,693</u>	<u>12,178,183</u>
Cash - End of Year	<u>\$ 26,633,240</u>	<u>\$ 20,017,876</u>	<u>\$ 6,615,364</u>

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

Operating activities decreased as salary, benefit and operating expenses outpaced tuition and fee revenue increases as previously discussed. Noncapital Financing Activities increased due to additional State Appropriations for the year. A reduction in sales of securities, stable interest rates combined with additional investment purchases for the year resulted in the decreases in the Investing Activities section of the statement.

Economic Factors that May Affect the Future

Utah's economy is coming off two remarkable years. The growth path that began in 2004 will continue through 2007 with employment increasing. Tax revenues are expected to increase moderately in fiscal year 2008. The Legislature appropriated substantial amounts of new and ongoing money to public and higher education.

The University is positioning itself to help the state meet its goals of increasing institutional partnerships, offering engineering and nursing initiatives, and providing improved distance learning.

Summary

The accompanying financial statements, including footnotes, indicate the University was able to increase reserves (net assets) in a period of rising expenses by increasing operating and non-operating revenues. Revenue increases are attributable to increasing enrollment, higher tuition rates, additional state appropriations and improved investment income.



SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2007

	<u>2007</u>	Comparative Only <u>2006</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note B)	\$ 13,514,675	\$ 9,856,652
Short-term Investments (Note B)	6,674,535	7,123,888
Accounts, Interest, Pledges and Notes Receivable (Note C)	3,085,797	5,364,907
Loans Receivable, Net (Note D)	418,232	407,495
Inventories (Note E)	1,231,960	1,308,713
Prepaid Expenses (Note F)	<u>2,357,034</u>	<u>3,077,277</u>
Total Current Assets	27,282,233	27,138,932
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note B)	13,118,565	10,161,224
Investments (Note B)	6,951,846	5,893,371
Notes and Pledges Receivable (Note C)	-	1,431,357
Loans Receivable, Net (Note D)	1,994,517	2,018,861
Real Estate	177,400	235,500
Capital Assets, Net of Accumulated Depreciation (Note G)	<u>99,985,489</u>	<u>96,701,546</u>
Total Noncurrent Assets	122,227,817	116,441,859
Total Assets	<u>149,510,050</u>	<u>143,580,791</u>
LIABILITIES		
Current Liabilities:		
Accounts and Interest payable (Note H)	1,537,870	1,081,578
Due to Division of Facility Construction and Management	415,202	114,739
Payroll and Withholding Taxes Payable	903,878	307,350
Deposits and Other Liabilities	324,105	530,395
Deferred Revenues (Note F)	3,090,809	3,874,730
Compensated Absences & Termination Benefits (Note I)	1,681,496	1,612,013
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>800,800</u>	<u>792,259</u>
Total Current Liabilities	8,754,160	8,313,064
Noncurrent Liabilities:		
Compensated Absences & Termination Benefits (Note I)	1,303,863	803,493
Bonds, Notes, and Contracts Payable (Notes I & J)	<u>13,459,750</u>	<u>14,211,999</u>
Total Noncurrent Liabilities	14,763,613	15,015,492
Total Liabilities	<u>23,517,773</u>	<u>23,328,556</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	86,247,656	82,275,491
Restricted:		
Nonexpendable - Scholarships	9,174,855	5,852,435
Nonexpendable - Other	1,198,628	1,878,318
Expendable - Scholarships	1,264,949	3,780,668
Expendable - Capital Projects	5,591,973	6,816,912
Expendable - Loans	2,697,093	2,684,387
Expendable - Other	2,586,719	1,288,854
Unrestricted	<u>17,230,404</u>	<u>15,675,170</u>
Total Net Assets	<u>\$ 125,992,277</u>	<u>\$ 120,252,235</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, 2007

	<u>2007</u>	Comparative Only <u>2006</u>
Operating Revenues:		
Student Tuition and Fees (Note K)	\$ 19,882,885	\$ 17,843,026
(net of scholarship discounts and allowances of \$7,085,453 for 2007 and \$5,921,703 for 2006)		
Governmental Grants and Contracts	13,767,950	13,428,247
Sales and Services of Educational Activities	11,653,338	10,409,454
Sales and Services of Auxiliary Enterprises (Note K)	6,249,075	5,720,555
(net of scholarship discounts and allowances of \$669,399 for 2007 and \$515,421 for 2006)		
Interest Income on Student Loans	45,801	43,870
Total Operating Revenues	<u>51,599,049</u>	<u>47,445,152</u>
Operating Expenses:		
Salaries	35,866,724	34,018,898
Benefits	14,860,395	13,169,720
Depreciation	4,096,026	4,159,625
Repairs and Maintenance	1,889,919	641,826
Services and Supplies	9,818,218	8,853,575
Student Aid	5,186,954	5,260,302
Utilities	2,730,111	2,772,758
Other Operating Expenses	11,066,937	8,365,451
Total Operating Expenses	<u>85,515,284</u>	<u>77,242,155</u>
Operating Income (Loss)	<u>(33,916,235)</u>	<u>(29,797,003)</u>
Nonoperating Revenues (Expenses)		
Government Appropriations - State	30,621,224	28,821,441
Private Gifts and Grants	2,860,735	2,192,558
Investment Income	3,052,815	1,813,296
Other Nonoperating Revenue (Expense)	(80,677)	(156,486)
Interest on Indebtedness	(680,867)	(728,267)
Net Nonoperating Revenue	<u>35,773,230</u>	<u>31,942,542</u>
Income (Loss) Before Other Revenue	<u>1,856,995</u>	<u>2,145,539</u>
Other Revenue		
Capital Appropriations	2,590,009	
Capital Grants & Gifts	584,716	5,460,795
Additions to Permanent Endowments	708,322	1,661,343
Total Other Revenue	<u>3,883,047</u>	<u>7,122,138</u>
Increase (Decrease) in Net Assets	5,740,042	9,267,677
Net Assets - Beginning of Year	120,252,235	110,984,558
Net Assets - End of Year	<u>\$ 125,992,277</u>	<u>\$ 120,252,235</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, 2007

	<u>2007</u>	Comparative Only <u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 19,905,351	\$ 17,362,420
Receipts from Grants/Contracts	13,757,251	13,621,712
Receipts from Auxiliary and Educational Services	17,513,599	16,220,515
Collection of Loans to Students and Employees	498,448	454,192
Loans Issued to Students and Employees	(526,628)	(449,247)
Payments for Employee Services and Benefits	(49,148,939)	(47,359,424)
Payments to Suppliers	(23,176,098)	(20,255,846)
Payments for Student Financial Aid	(5,186,954)	(5,260,302)
Net Cash Provided (Used) by Operating Activities	<u>(26,363,970)</u>	<u>(25,665,980)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	30,621,224	28,836,026
Gifts/Grants for Other Than Capital Purposes	1,624,200	2,132,810
Receipts for Permanent Endowments	708,322	1,661,343
Other Nonoperating Revenue (Expense)	587	(13,813)
Agency Account Receipts	973,280	852,588
Agency Account Payments	(996,539)	(833,947)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>32,931,074</u>	<u>32,635,007</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from Capital Appropriations	2,590,009	
Receipts from Capital Grants/Gifts	3,694,159	1,075,532
Proceeds (Loss) from Sale of Capital Assets	(81,264)	(142,674)
Proceeds from Capital Debt	17,256	975,000
Purchases of Capital Assets	(7,379,969)	(1,690,004)
Principal Paid on Capital Debt/Leases	(734,261)	(1,802,953)
Interest Paid on Capital Debt/Leases	(641,650)	(691,968)
Net Cash Provided (Used) by Capital Financing Activities	<u>(2,535,720)</u>	<u>(2,277,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	9,483,140	7,122,345
Receipt of Interest/Dividends from Investments	2,235,977	2,344,615
Purchase of Investments	(9,135,137)	(1,980,737)
Net Cash Provided (Used) by Investing Activities	<u>2,583,980</u>	<u>7,486,223</u>
Net Increase (Decrease) in Cash	6,615,364	12,178,183
Cash & Cash Equivalents - Beginning of Year	<u>20,017,876</u>	<u>7,839,693</u>
Cash & Cash Equivalents - End of Year	<u>\$ 26,633,240</u>	<u>\$ 20,017,876</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, 2007

(continued)

	<u>2007</u>	Comparative Only <u>2006</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (33,916,235)	\$ (29,797,003)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,096,026	4,159,625
Repair and Maintenance Expense paid by Division of Facility Construction and Management	1,171,228	-
Changes in Assets and Liabilities:		
Receivables (Net)	518,837	(437,358)
Student Loans Receivable	13,607	43,935
Inventories	76,140	(76,202)
Prepaid Expenses	720,243	45,917
Accounts Payable	756,755	222,241
Accrued Liabilities	(183,031)	273,309
Accrued Payroll	596,528	(5,875)
Deferred Revenues	(783,921)	47,731
Compensated Absences	569,853	(142,300)
Net Cash Provided (Used) by Operating Activities	<u>\$ (26,363,970)</u>	<u>\$ (25,665,980)</u>

Noncash Investing, Noncapital Financing, and Capital Financing Transactions

Change in Fair Value of Investments Recognized as Investment Income	\$ 841,724	\$ (512,588)
Donation of Investment Securities	1,534,295	430,717
Division of Facility Construction and Management Projects	1,171,228	

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

Cash and Cash Equivalents Classified as Current Assets	\$ 13,514,675	\$ 9,856,652
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>13,118,565</u>	<u>10,161,224</u>
Total Cash and Cash Equivalents	<u>\$ 26,633,240</u>	<u>\$ 20,017,876</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, 2007

Note A. Summary of Significant Accounting Policies

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

Reporting Entity

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

The University's financial statements include the accounts of the University, all auxiliary enterprises and other restricted and unrestricted funds of the University, and the Southern Utah University Foundation (the Foundation). The Foundation, a non-profit organization, was incorporated under Utah law in 1996. The Foundation was established to provide support for the University, its students and faculty, and to promote, sponsor, and carry-out educational, scientific, charitable, and related activities and objectives at the University. The University has a controlling number of positions on the Board of Directors of the Foundation.

The Foundation is included in the financial statements of the University as a blended component unit. A blended component unit is an entity which is legally separate from the University but which is so intertwined with the University that it is, in substance, the same as the University. Separate unaudited financial statements of the Foundation can be obtained from the University.

In preparing the financial statements, all significant transactions and balances between the University and the Foundation are eliminated.

Basis of Accounting

Under the provisions of the GASB standards, the University is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting requires the University to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund. This includes a Management's Discussion and Analysis, a Statement of Net Assets or Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets, a Statement of Cash Flows, notes to the financial statements, and other applicable RSI. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting.

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected to not apply FASB pronouncements issued after November 30, 1989.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash equivalents. The Utah State Treasurer's Office operates the Utah Public Treasurer's Investment Fund (PTIF) which is invested in accordance with the State Money Management Act. The State Money Management Council provides regulatory oversight for the PTIF.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.



Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection

with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") method.

Restricted Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as noncurrent assets in the statement of net assets.

Capital Assets

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



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

infrastructure, land improvements, library and other collections, and 3 to 20 years for equipment.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but earned in the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Non-academic University employee vacation pay is accrued at year-end for financial statement purposes. The liabilities and expenses incurred are recorded at year-end as a component of compensated absences and termination benefits in the Statement of Net Assets, and as a component of salaries and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds, notes, and contracts (leases) payable with contractual maturities greater than one year; (2) estimated amounts for compensated absences and termination benefits and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt:
This represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted – expendable: Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the education and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any legal purpose. These resources are also used for auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.



Disclosures

The basic financial statements include certain prior year summarized comparative information but not at the level of detail required for a presentation in

conformity with generally accepted accounting principles. Certain reclassifications have been made to the prior year comparative information to conform with the current year presentation. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

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

Cash and cash equivalents (instruments purchased with an original maturity of 3 months or less), short-term investments and investments (instruments having an original maturity greater than 3 months and equity type investments) are recorded at fair value.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

Except for endowment funds, the University follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

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

According to the Uniform Management of Institutional Funds Act, Section 13-29 of the Utah Code, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of 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, 2007 is 4.5% of the 12-quarter moving average of the fair value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2007 was approximately \$3,444,000. 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, 2007, \$3,685,638 of the University's bank balances of \$4,685,638 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 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.

The UMIFA and Rule 541 allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds registered with the Securities and Exchange Commission or the Comptroller of the Currency (e.g., mutual funds); professionally managed pooled or commingled investment funds created under 501(f) of the Internal Revenue Code which satisfy the conditions for exemption from registration under Section 3(c) of the Investment Company Act of 1940; any investment made in accordance with the donor's directions in a written instrument; and any alternative investment funds that



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

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

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

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, 2007, the University had the following investments and maturities:

<u>Investment Type</u>	Fair Value	Less than 1	<u>Investment Maturities (in Years)</u>		
			1-5	6-10	More than 10
State of Utah Public					
Treasurer's Investment Fund	\$ 26,733,868	\$ 26,733,868	\$ -	\$ -	\$ -
Bond Mutual Fund	201,517		201,517		
Utah Housing Securities	335,000	335,000			
Corporate Note	992,900	992,900			
U.S. Government Securities	3,247,124	1,499,249	1,747,875	-	-
	<u>31,510,409</u>	<u>\$ 29,561,017</u>	<u>\$ 1,949,392</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Other Investments</u>					
Equity Mutual Funds	5,002,453				
Total Investments	<u>\$ 36,512,862</u>				



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act or UMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate

negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

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, UMIFA, and Rule 541 as previously discussed.

At June 30, 2007, the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public					
Treasurer's Investment Fund	\$ 26,733,868	\$ -	\$ -	\$ -	\$ 26,733,868
Bond Mutual Fund	201,517				201,517
Utah Housing Securities	335,000	335,000			
Corporate Note	992,900		992,900		
U.S. Government Securities	3,247,124	3,247,124	-	-	-
Total	<u>\$ 31,510,409</u>	<u>\$ 3,582,124</u>	<u>\$ 992,900</u>	<u>\$ -</u>	<u>\$ 26,935,385</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 UMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. For endowment



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

funds, Rule 541 requires that a minimum of 25% of the equity portfolio must be invested in companies with an average market capitalization of at least \$10 billion; also a minimum of 25% of the overall endowment portfolio should be invested in investment grade fixed income securities as defined by Moody's Investors Service or Standard and Poor's. The overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments to no more than 3% in any one sector fund that is concentrated within one sector of the U.S. market and no more than 5% in equity or fixed income funds of developing markets. It also limits investments in alternative investment funds, as allowed by

Rule 541, to between 0% and 30% based on the size of the University's endowment fund.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. As of June 30, 2007, the University had \$4,075,024 in Utah Housing Securities and U.S. Government Securities which were held by the investment's counterparty trust department, not in SUU's name.

Note C. Accounts, Interest, Pledges and Notes Receivable

Accounts, Interest, Pledges and Notes Receivable consisted of the following at June 30, 2007:

	Balance	Current Portion
Student Tuition and Fees	\$ 380,129	\$ 380,129
Federal, State, and Private Grants and Contracts	283,138	283,138
Auxiliary Service Charges	336,668	336,668
Continuing & Professional Studies Fees	186,076	186,076
Utah Shakespearean Festival Ticket Sales	364,730	364,730
Interest and Dividends Receivable	115,329	115,329
Contributions and Gifts (Pledges)	1,458,368	1,458,368
Other Operating	274,359	274,359
Allowance for Doubtful Accounts	(313,000)	(313,000)
Total	<u>\$ 3,085,797</u>	<u>\$ 3,085,797</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, 2007 the allowance for uncollectible loans was \$102,600.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Note E. Inventories

Inventories at June 30 consisted of a gifted collection of *Westward America*, Deluxe and Collector Editions held for resale in the amount of \$20,000, as well as, Bookstore and Food Service inventories in the amounts of \$1,123,001 and \$88,959 respectively.

Note F. Prepaid Expenses and Deferred Revenues

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



Prepaid Expenses and Deferred Revenues at June 30, 2007, consist of the following:

	Prepaid Expenses	Deferred Revenues
Utah Shakespearean Festival	\$ 2,317,220	\$ 2,199,125
Student Tuition and Fees	-	658,959
Grants and Contracts	-	122,715
Miscellaneous	39,814	110,010
Total	\$ 2,357,034	\$ 3,090,809



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

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, 2006	Additions	Retirements	Balance June 30, 2007
Land	\$ 7,961,332	\$ 294,151	\$ -	\$ 8,255,483
Land Imp/Infrastructure	6,124,882	1,393,454		7,518,336
Buildings	120,361,772	1,703,444		122,065,216
Equipment	9,142,228	1,260,385	(380,770)	10,021,843
Art Work/Collections	739,427	2,500		741,927
Library Collections	5,618,963	475,501	(124,068)	5,970,396
Construction in Progress	1,335,367	2,369,457		3,704,824
Total	151,283,971	7,498,892	(504,838)	158,278,025
 Less: Accumulated Depreciation				
Land Imp/Infrastructure	4,422,750	245,461		4,668,211
Buildings	40,168,295	2,977,573		43,145,868
Equipment	6,738,773	693,535	(261,847)	7,170,461
Art Work/Collections	432,475	26,293		458,768
Library Collections	2,820,132	153,164	(124,068)	2,849,228
Total	54,582,425	4,096,026	(385,915)	58,292,536
Capital Assets, net	\$ 96,701,546	\$ 3,402,866	\$ (118,923)	\$ 99,985,489

Construction in progress at June 30, 2007 of \$3,704,824 represents the University's cost related to the construction of the following projects, funded by state grants and private gifts:

Project	Estimated Costs	Construction in Progress	Percent Completed
Utah Shakespeare Festival Centre	\$ 78,000,000	\$ 1,146,032	1%
Old Main Renovation	5,000,000	1,603,310	78%
Teacher Education Building	12,500,000	868,592	53%
Carillon Tower	1,200,000	86,890	7%
Total	\$ 96,700,000	\$ 3,704,824	



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Note H. Accounts and Interest Payable

Accounts and Interest Payable consisted of the following at June 30, 2007:

	Balance
Vendors	\$ 1,384,202
Interest	103,484
Sales Tax	21,012
Other	29,172
Total	\$ 1,537,870

Note I. Long-Term Liabilities

Activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Bonds, Notes, and Contracts Payable					
Bonds Payable	\$ 13,943,710	\$ -	\$ 619,040	\$ 13,324,670	\$ 653,402
Unamortized Bond Premium	229,102	-	17,650	211,452	17,598
Notes Payable	132,312	-	51,578	80,734	51,578
Contracts/Leases Payable	58,480	17,256	45,993	29,743	13,333
Remainder Annuity Trusts	640,654	-	26,703	613,951	64,889
Total	15,004,258	17,256	760,964	14,260,550	800,800
Other Liabilities					
Compensated Absences	1,095,881	1,015,446	969,423	1,141,904	1,122,836
Termination Benefits	1,262,912	1,097,847	517,304	1,843,455	558,660
Total	2,358,793	2,113,293	1,486,727	2,985,359	1,681,496
Total Long-Term Liabilities	\$ 17,363,051	\$ 2,130,549	\$ 2,247,691	\$ 17,245,909	\$ 2,482,296



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Note J. Bonds, Notes and Contracts Payable

Revenue bonds payable consisted of the following at June 30, 2007:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2006-2007	Balance June 30, 2007
Bonds Payable:					
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	4,540,000	470,000	3,795,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	50,000	8,760,000
Pavilion/Stadium, Series 2005	12/1/2005	3.900%	975,000	99,040	769,670
Total Bonds Payable			<u>\$ 15,575,000</u>	<u>\$ 619,040</u>	<u>\$ 13,324,670</u>

The scheduled maturities of the revenue bonds are as follows:

Year	Principal	Interest	Total Payments
2008	\$ 653,402	\$ 635,912	\$ 1,289,314
2009	677,620	610,817	1,288,437
2010	701,677	583,195	1,284,872
2011	740,698	550,559	1,291,257
2012	769,430	515,968	1,285,398
2013-2017	3,961,843	2,039,145	6,000,988
2018-2022	4,725,000	1,027,622	5,752,622
2023	1,095,000	60,225	1,155,225
Total Bonds Outstanding	13,324,670	6,023,443	19,348,113
Unamortized Bond Premium	211,452		211,452
Total Bonds Payable	<u>\$ 13,536,122</u>	<u>\$ 6,023,443</u>	<u>\$ 19,559,565</u>

Principal and interest on these revenue bonds are collateralized by a first lien on and pledge of either (1) Student Center Building Fees, net revenues derived from the operation of the Auxiliary Enterprise System and investment income of the bond security reserve funds or (2) Stadium Facilities Student Building Fees and investment income on the bond security reserve funds. The University is required to maintain certain debt service reserves aggregating \$454,000.

Defeased Revenue Bonds - In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds and various bond revenues in irrevocable trusts to provide for all future debt service

payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The total principal amount of the defeased bonds held in irrevocable trusts at June 30, 2007, is \$286,000.

Notes Payable - Notes Payable include a State of Utah Energy Services, interest-free, unsecured note with equal semi-annual installments of \$11,125 due December and June continuing through June 2008 and an interest-free Driggs Trust note with equal annual installments of \$29,328 due each December through 2008 with conversion of unpaid installments to a gift should the donor's death occur prior to the final payment.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Notes payable consisted of the following at June 30, 2007:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2006-2007	Balance June 30, 2007
Notes Payable:					
Jones Theatre Energy	7/1/2000	0.000%	178,000	22,250	22,250
Margaret Driggs Trust	5/15/2004	0.000%	117,140	29,328	58,484
Total Notes Payable			\$ 295,140	\$ 51,578	\$ 80,734

The scheduled maturities of the notes payable are as follows:

Year	Principal	Interest	Total Payments
2008	51,578	-	51,578
2009	29,156	-	29,156
Total	\$ 80,734	\$ -	\$ 80,734

Contracts Payable - Contracts payable are due in equal installments, including principal and interest, until the last payment comes due in February 2012 and are secured by equipment costing \$306,214.

Future minimum lease payments for all contracts and capital leases payable as of June 30, 2007 are as follows:

Year	Principal	Interest	Total Payments
2008	13,333	1,822	15,155
2009	8,970	940	9,910
2010	4,402	464	4,866
2011	2,274	136	2,410
2012	764	25	789
Total	\$ 29,743	\$ 3,387	\$ 33,130



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

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, 2007:

	Date Created	Interest Rate	Present Value of Annuity Payable	Current Portion
Charitable Remainder Annuity Trusts:				
A M & M M Jones	1/12/2001	5.000%	\$ 127,663	\$ 43,688
J & C Wadsworth	9/25/2001	6.200%	383,476	16,227
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	102,812	4,974
Total Annuities Payable			\$ 613,951	\$ 64,889

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2008	\$ 64,889	36,061	\$ 100,950
2009	68,747	32,549	101,296
2010	62,067	28,572	90,639
2011	25,634	27,025	52,659
2012	27,312	25,374	52,686
2013-2017	165,895	97,967	263,862
2018-2022	199,407	37,365	236,772
Total	\$ 613,951	\$ 284,913	\$ 898,864

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, 2007:

Pledged Receipts:

Student Center Building Fees		\$	196,427
Investment Income on Reserve Funds			26,272
Auxiliary Operating Revenues	\$ 9,308,133		
Auxiliary Operating & Maintenance Expenses	(7,217,944)		
Auxiliary Net Operating Receipts			2,090,189
Total Pledged Net Receipts			\$ 2,312,888

Disbursements:

Transfers to:			
Debt Service		\$	1,277,690
Renewal & Replacement Reserves			654,334
Other Lawful Purposes			380,864
Total Disbursements of Pledged Receipts			\$ 2,312,888



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Note L. Retirement Plans

As required by state law, the University participates in two retirement plans covering substantially all of its regular employees. Faculty and administrative employees participate in the Teachers Insurance and Annuity Association, and all other staff employees participate in the Utah State Retirement System. The total payroll expenses for the years ended June 30, 2007, 2006, and 2005 were \$35,866,724, \$34,018,898, and \$32,759,581, respectively.

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

Retirement Program	Covered Payroll Expenses		
	2007	2006	2005
TIAA	\$ 20,185,519	\$ 19,419,384	\$ 18,719,270
State-Contributory	78,875	73,310	71,681
State-Noncontributory	7,882,884	7,324,513	7,244,173
State-Public Safety	99,036	76,869	64,808
	\$ 28,246,314	\$ 26,894,076	\$ 26,099,932

Retirement Program	Retirement Contributions		
	2007	2006	2005
TIAA	\$ 2,866,344	\$ 2,757,553	\$ 2,658,136
State-Contributory	12,407	10,916	10,673
State-Noncontributory	1,217,725	1,096,668	1,083,111
State-Public Safety	26,492	18,212	15,204
	\$ 4,122,968	\$ 3,883,349	\$ 3,767,124

The Retirement Contributions amount represents the funds which were contributed by the University, which includes 15.73% of covered employees' salaries participating in the Utah State Retirement Contributory System, 15.72% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 28.25% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Public Safety Noncontributory System and 14.20% of covered employees' salaries participating in the Teachers Insurance and Annuity Association. The employees' and employer's shares of the contributions were paid by the University.

Utah Public Employee Contributory, Noncontributory, and Public Safety Retirement Systems

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



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

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 issues individual retirement contracts with each participating employee; therefore, the University has no liability for this retirement program.

In addition to providing pension benefits, the University as authorized by its Board of Trustees provided certain health care benefits for retired employees age 65 or older that retired before June 30, 1990. Substantially all regular University employees were eligible for those benefits at normal retirement age 65. These health care benefits for retiree's age 65 or older are not available to employees retiring after June 30, 1990. The cost of retiree health care benefits is funded on a pay-as-you go basis. The total normal retiree health care benefits payments for the years ended June 30, 2007 and 2006, were \$110,746 and \$111,499 respectively. The number of participants for the years ended June 30, 2007 and 2006 was 29 and 31, respectively.

The University, as authorized by its Board of Trustees, offers an early retirement incentive option to eligible employees that included payment of an amount

equal to 22% of the retiree's final salary for those retiring prior to July 1, 2006 and 20% for those retiring after June 30, 2006 along with the continuation of certain health care insurance premiums for the lesser of 5 years or Social Security full retirement age. Full-time University employees whose accumulated age plus years of service equal at least 75 and are at least 57 are eligible to apply. The cost of early retiree benefits is funded on a pay-as-you-go basis. The total early retiree benefits payments for the years ended June 30, 2007 and 2006 were \$406,558 and \$538,883, respectively. The number of participants for the years ended June 30, 2007 and 2006 was 20 and 26, respectively.

The projected future cost of these stipends, medical, and dental insurance benefits has been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 3 percent for stipends, and 4.6-6.2 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 (5.25 percent) for University investments. The net present value is the 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, 2007 were \$396,683 at cost and \$428,815 at fair value.



SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

Note N. Functional Classification

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

Instruction	\$	23,575,731
Research		8,621
Public Service		12,853,688
Academic Support		4,451,237
Student Services		9,325,418
Institutional Support		10,765,122
Operation and Maintenance of Plant		8,078,218
Student Aid		5,186,954
Auxiliary Enterprises Expenses		7,174,269
Depreciation		4,096,026
	<u>\$</u>	<u>85,515,284</u>

Note O. Insurance Coverage

The University insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage through policies administered by the State of Utah Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a \$1,000 per occurrence deductible. All revenues from the University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils. Additionally, the University is protected against employee dishonesty exposures under a \$10 million blanket bond. The Utah

State Risk Management Fund provides coverage to the University for general, automobile, personal injury, errors or omissions, and malpractice liability at \$10 million per occurrence. The University qualifies as a "governmental body" under the Utah Governmental Immunity Act which limits applicable claim settlements to \$583,900 for one person in any one occurrence or \$1,167,900 for two or more persons in any one occurrence and \$233,600 for property damage liability in any one occurrence. All University employees are covered by worker's compensation insurance, including employer's liability coverage, by the Worker's Compensation Fund of Utah.

On July 1, 2003, the University established a self-insurance fund for employee dental care that is administered through Blue Cross Blue Shield Insurance Company. GASB Statement No. 10 requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The University has recorded the investments of the dental care funds at June 30, 2007 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:

	<u>2007</u>	<u>2006</u>
Estimated Claims Liability - Beginning of Year	\$ 84,586	\$ 52,322
Current Year Contributions and Changes in Estimates	532,277	555,930
Claim Payments, Including Related Legal and Administrative Expenses	<u>(536,112)</u>	<u>(523,666)</u>
Estimated Claims Liability - End of Year	<u>\$ 80,751</u>	<u>\$ 84,586</u>



SOUTHERN UTAH UNIVERSITY

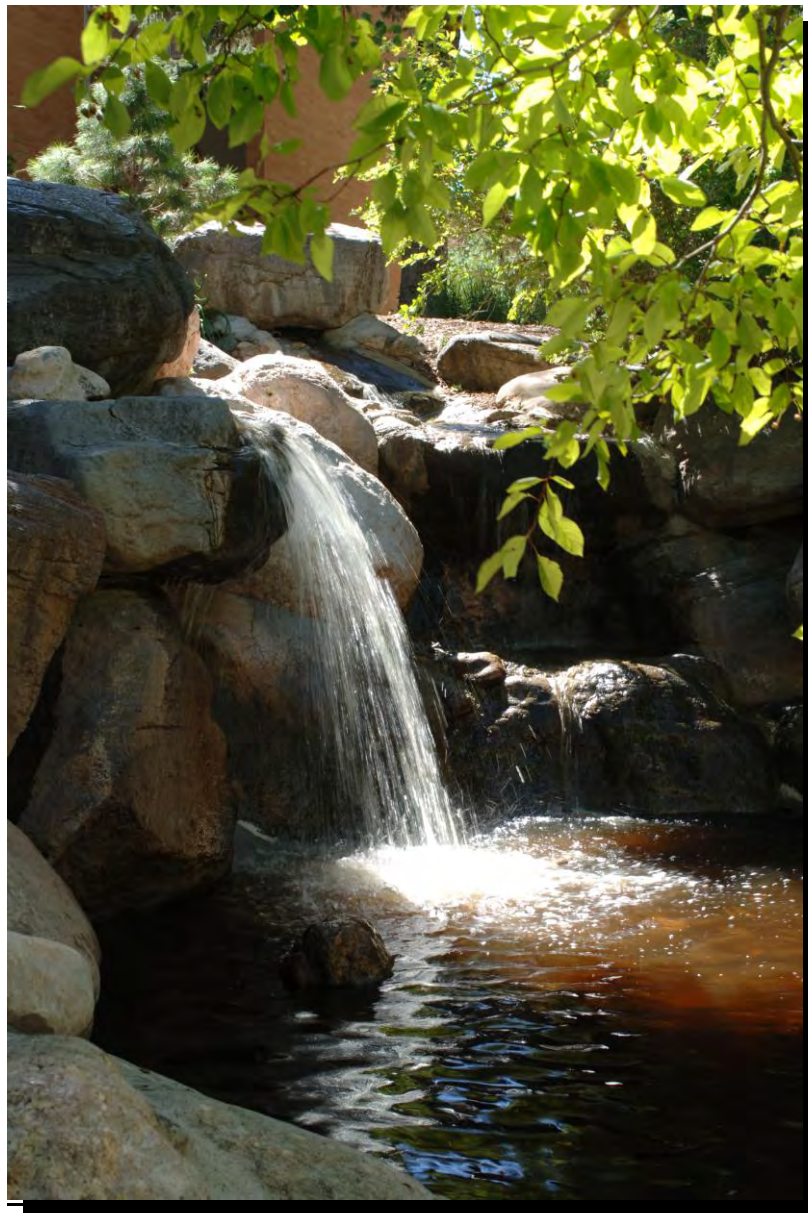
NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

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 \$90,000. 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

Southern Utah University
Contoller's Office

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

Tel 435.586.7724 Fax 435.865.8064

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