



ANNUAL
FINANCIAL
REPORT
2003-2004

SOUTHERN UTAH UNIVERSITY
A component unit of the State of Utah



From the President . . .

At Southern Utah University, we operate on the concept of adding value. By human nature, we often try to measure what we value. We believe we have exhibited and practiced these principles in the way we have faced the financial challenges of the day—that is, keeping students' needs foremost in our priorities.

We are a comprehensive teaching institution that offers 84 academic programs, including four master's degrees, and another on the verge of materializing. We are accredited by the Northwest Commission of College and Universities; National Council for the Accreditation of Teacher Education (NCATE); Association of Collegiate Business School and Programs (ACBSP); the National Association of Schools of Music (NASM); and are a candidate for the Advancement of Collegiate Schools of Business, International (AACSB, Intl.); the National Athletic Trainers' Association (NATA); and the Accreditation Board for Engineering and Technology (ABET).

Pursuance of accreditation by the University, and, of course the achievement of it, is a statement of the philosophy and objective of our faculty, staff and programs of this institution. For students and alumni, the process is a statement of superior higher education. For friends and the public, it is a statement of SUU's sterling reputation, purpose and influence on the community, state and beyond.

Recently SUU has added its own four-year Bachelor of Science Nursing program to help respond to the local and national nursing shortage. The new Hotel, Resort and Hospitality

Management degree will also meet burgeoning demand for graduates in this field. A recently-developed Integrated Engineering degree will provide hundreds of small and medium-sized manufacturing businesses across the West with uniquely-prepared employees.

In Fall 2004, 6,700 students attended SUU, a 10.2 percent increase from the same time the preceding year. The diversity of our student body grows every year, too, with new international partnerships with six European universities and one in Mexico. More than 70 percent of SUU students receive some type of financial assistance including grants, loans and scholarships.

In the 2004-05 academic year, there are 690 employees at SUU. Of the faculty contingent, about 90 percent are full-time, and 70 percent of all faculty have doctorates or the highest degree in their field. This year SUU was nationally rated a Top 10 University by Consumers Digest, largely because of our quality faculty and academics. The Princeton Review followed suit, affirming SUU as one of the Best in the West among institutions of higher education.

Southern Utah University continues today to serve as a major source of community services and southern Utah's center for the Arts, with a creative College of Performing and Visual Arts, the Braithwaite Fine Arts Gallery, and the Tony Award-winning Utah Shakespearean Festival. SUU provides superior college sports action and entertainment for southern Utah with 16 NCAA athletic teams. The University is also host of the Utah Summer Games, a professional, Olympic-style sports festival for Utah amateur athletes of all ages and abilities. For the past 19 years the USG has challenged and inspired an average of 7,000 participants, 50 thousand spectators, and a thousand volunteers each year. USG is a charter member of the National Congress of State Games.

Tucked in between five breathtaking national parks in lovely Cedar City, the SUU campus truly is a beautiful Sanctuary where Learning Lives Forever.

Dr. Steven D. Bennion

SOUTHERN UTAH UNIVERSITY

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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INDEPENDENT STATE AUDITOR'S REPORT

To the Southern Utah University Board of Trustees,
Audit Committee, and Steven D. Bennion, President

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, 2004, 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 2003 financial statements and, in our report dated December 5, 2003, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2004, 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 January 7, 2005 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 on pages 2 through 6 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
January 7, 2005

**SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2004**

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, 2004. 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 107-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 approximately 6,000 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 are the fixed assets of the University reduced by accompanying debt and accumulated depreciation. Restricted Nonexpendable Net Assets are endowment and similar funds that are held in perpetuity. Restricted Expendable Net Assets are subject to externally imposed restrictions governing their use. All other Net Assets are listed as Unrestricted. Below is a Condensed Statement of Net Assets as of June 30, 2004 and 2003.

Condensed Statement of Net Assets				
	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 15,650,798	\$ 21,119,175	\$ (5,468,377)	-25.9%
Noncurrent Assets				
Capital Assets	102,721,850	89,959,201	12,762,649	14.2%
Other Noncurrent Assets	17,861,873	21,362,093	(3,500,220)	-16.4%
Total Assets	<u>136,234,521</u>	<u>132,440,469</u>	<u>3,794,052</u>	2.9%
Liabilities				
Current Liabilities	8,326,973	8,756,019	(429,046)	-4.9%
Noncurrent Liabilities	17,127,021	17,578,708	(451,687)	-2.6%
Total Liabilities	<u>25,453,994</u>	<u>26,334,727</u>	<u>(880,733)</u>	-3.3%
Net Assets				
Invested in Capital Assets	86,800,422	82,631,632	4,168,790	5.0%
Restricted Nonexpendable	4,996,939	4,267,319	729,620	17.1%
Restricted Expendable	8,681,594	9,846,538	(1,164,944)	-11.8%
Unrestricted	10,301,572	9,360,253	941,319	10.1%
Total Net Assets	<u>\$ 110,780,527</u>	<u>\$ 106,105,742</u>	<u>\$ 4,674,785</u>	4.4%

SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2004
(continued)

The decrease in Current Assets was primarily due to a shift in mid-term (1 to 5 years) investments from funds invested in the Utah Public Treasurer's Investment Fund (PTIF), which is included as cash and cash equivalents on the financial statements, to investment in United States Government debt securities, included in Other Noncurrent Assets as Investments. This resulted from more competitive rates available on government securities. The addition of the Eccles Living and Learning Center and South Hall buildings as well as the Braithwaite building rehabilitation account for the significant increase in Capital Assets. The change in Noncurrent Assets is the result of payments made for the construction cost of the Eccles Living Learning Center from Restricted Cash and Cash Equivalents coupled with the corresponding increase related to the change in types of investments, as mentioned above in relation to Current Assets. New buildings account for the increase to Invested in Capital Assets. The increase in Restricted Nonexpendable Net Assets is the result of higher than anticipated investment earnings combined with a more conservative endowment spending policy resulting in endowment earnings being retained in the endowment corpus. Restricted Expendable Net Assets decreased due to the payment of construction cost for the Eccles Center. The increase in Unrestricted Net Assets can be attributed to the increases in non-capital gift receipts and investment income realized over the prior year.

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, 2004 and 2003.

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

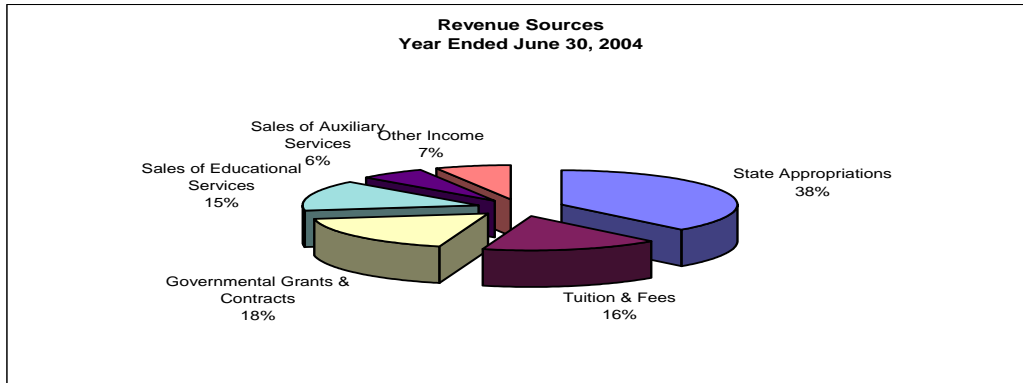
	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Tuition and Fees	\$ 11,577,912	\$ 10,176,365	\$ 1,401,547	13.8%
Grants and Contracts	12,892,745	13,454,545	(561,800)	-4.2%
Sales and Services	10,317,750	10,066,423	251,327	2.5%
Auxiliary Enterprises	4,345,634	4,493,940	(148,306)	-3.3%
Other	53,991	54,632	(641)	-1.2%
Total Operating Revenues	<u>39,188,032</u>	<u>38,245,905</u>	<u>942,127</u>	<u>2.5%</u>
Operating Expenses	<u>71,584,605</u>	<u>70,073,381</u>	<u>1,511,224</u>	<u>2.2%</u>
Operating Loss	<u>(32,396,573)</u>	<u>(31,827,476)</u>	<u>(569,097)</u>	<u>1.8%</u>
Nonoperating Revenues (Expenses)				
State Appropriations	27,115,975	26,475,498	640,477	2.4%
Gifts	3,239,167	1,748,679	1,490,488	85.2%
Investment Income	1,224,469	428,213	796,256	185.9%
Other Nonoperating Revenues	226,427	248,369	(21,942)	-8.8%
Interest Expense	(457,386)	(410,607)	(46,779)	11.4%
Net Nonoperating Revenue	<u>31,348,652</u>	<u>28,490,152</u>	<u>2,858,500</u>	<u>10.0%</u>
Other Revenues	<u>5,722,706</u>	<u>1,749,048</u>	<u>3,973,658</u>	<u>227.2%</u>
Net Increase (Decrease) in Net Assets	4,674,785	(1,588,276)	6,263,061	N/A
Net Assets - Beginning of Year	<u>106,105,742</u>	<u>107,694,018</u>	<u>(1,588,276)</u>	<u>-1.5%</u>
Net Assets - End of Year	<u>\$ 110,780,527</u>	<u>\$ 106,105,742</u>	<u>\$ 4,674,785</u>	<u>4.4%</u>

A significant increase in tuition rates while maintaining steady enrollment numbers resulted in the increase for Tuition and Fee revenue. All other Operating Revenues remained fairly stable for the current year. Non-capital gifts increased substantially during the year mainly due to a more positive economic environment and increased efforts by the University to raise funds for scholarships. The Shakespearean Festival and University Athletics also enjoyed excellent fund raising years contributing to the overall increase in Gift Revenue. Investment Income increased during the year with over \$500,000 of the increase represented by an increase in the market value of the University's

SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2004
(continued)

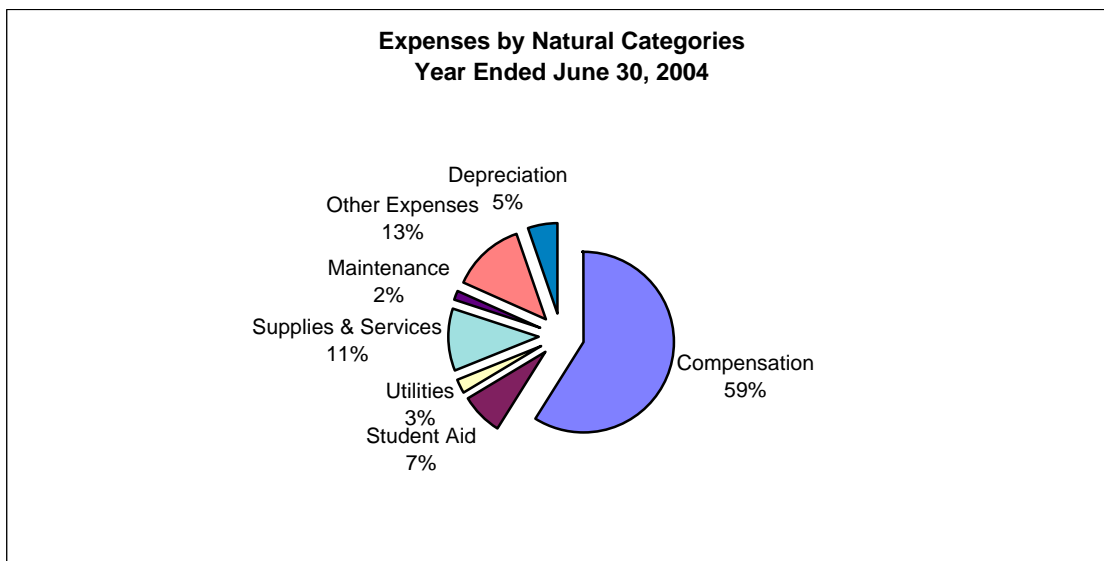
investments.

The following graph illustrates all funding sources, except Capital Appropriations and Capital Grants and Gifts, of the University for the year ended June 30, 2004:



Compensation, including benefits, continues to be the significant area of financial pressure for the University as that category increased by only 3% from the prior year due to benefit cost increases. Utilities expenses increased by 21.4 % as usage remained relatively constant but rates increased over last year. Repair and Maintenance expense decreased 27.8% over the prior year. Individual and significant maintenance project differences between the two years are not readily identifiable. The decrease simply appears to be the result of a larger number of smaller maintenance type projects undertaken during 2002-03 as compared with 2003-04.

The following graphs illustrate expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2004:



SOUTHERN UTAH UNIVERISTY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2004
(continued)

A comparative summary of the University's operating expenses by functional classification for the years ended June 30, 2004 and 2003 is included below:

Expenses by Functional Classification

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Instruction	\$ 19,500,864	\$ 19,188,968
Public Service	11,687,308	11,739,682
Academic Support	3,426,077	3,975,852
Student Services	6,477,576	6,344,243
Institutional Support	8,387,775	7,110,306
Operation and Maintenance of Plant	7,252,318	6,223,293
Student Aid	5,377,106	5,345,201
Auxiliary Enterprises	5,584,719	6,113,149
Depreciation	3,890,862	4,032,687
Total Operating Expenses	<u>\$ 71,584,605</u>	<u>\$ 70,073,381</u>

Statement of Cash Flows

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

Condensed Statement of Cash Flows

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Change</u>
Cash Provided (Used) by:			
Operating Activities	\$ (28,491,576)	\$ (26,497,412)	\$ (1,994,164)
Noncapital Financing Activities	29,619,920	28,636,834	983,086
Capital Financing Activities	(11,133,942)	7,505,513	(18,639,455)
Investing Activities	<u>(3,709,700)</u>	<u>2,321,392</u>	<u>(6,031,092)</u>
Net Increase (Decrease)			
in Cash	(13,715,298)	11,966,327	(25,681,625)
Cash - Beginning of Year	<u>28,991,459</u>	<u>17,025,132</u>	<u>11,966,327</u>
Cash - End of Year	<u>\$ 15,276,161</u>	<u>\$ 28,991,459</u>	<u>\$ (13,715,298)</u>

The major changes in cash and cash equivalents for the University resulted from the completion of the Eccles Living and Learning Center, South Hall and the Braithwaite Building rehabilitation (Capital Financing Activities) and from the purchase of U.S. Government Securities investments during the year (Investing Activities).

Economic Factors that May Affect the Future

The economy of the nation shows improvement and the State of Utah is experiencing healthy economic activity. This lends itself to an optimistic outlook for improved legislative support for higher education.

Our increased effort in student recruitment and retention is showing strong results in the highest percentage enrollment increase of public institutions in Utah. Being named in Consumer Digest's top ten institutions in the nation for quality and value certainly has helped this effort.

SOUTHERN UTAH UNIVERSITY
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2004
(continued)

Summary

The accompanying financial statements, including the footnotes, indicate the University is on sound financial footing. Current and noncurrent assets greatly exceed current and noncurrent liabilities respectively. Existing revenue sources should continue to support the current operating level of the University, while expansion will be contingent upon additional enrollments, state support, corporate giving, private gifts, and grant funding levels.



SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2004

	<u>2004</u>	Comparative Only <u>2003</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note B)	\$ 9,626,298	\$ 14,914,211
Short-term Investments (Note B)	115,823	114,014
Accounts, Interest and Pledges Receivable (Note C)	1,547,494	1,692,885
Loans Receivable, Net (Note D)	495,529	450,641
Inventories (Note E)	1,109,933	1,007,741
Prepaid Expenses (Note F)	<u>2,755,721</u>	<u>2,939,683</u>
Total Current Assets	15,650,798	21,119,175
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note B)	5,649,863	14,077,248
Investments (Note B)	9,968,848	5,072,421
Loans Receivable, Net (Note D)	1,973,662	1,942,924
Real Estate	269,500	269,500
Capital Assets, Net of Accumulated Depreciation (Note G)	<u>102,721,850</u>	<u>89,959,201</u>
Total Noncurrent Assets	120,583,723	111,321,294
Total Assets	<u>136,234,521</u>	<u>132,440,469</u>
LIABILITIES		
Current Liabilities:		
Accounts and Interest payable (Note H)	990,946	1,167,248
Due to Division of Facility Construction and Management	1,001,453	-
Payroll and Withholding Taxes Payable	506,999	929,614
Compensated Absences & Termination Benefits (Note I)	1,133,984	1,128,444
Deposits and Other Liabilities	244,146	214,722
Deferred Revenues (Note F)	3,451,654	3,931,324
Bonds and Contracts Payable (Notes I & J)	<u>997,791</u>	<u>1,384,667</u>
Total Current Liabilities	8,326,973	8,756,019
Noncurrent Liabilities:		
Compensated Absences & Termination Benefits (Note I)	1,298,152	1,193,428
Bonds and Contracts Payable (Notes I & J)	<u>15,828,869</u>	<u>16,385,280</u>
Total Noncurrent Liabilities	17,127,021	17,578,708
Total Liabilities	<u>25,453,994</u>	<u>26,334,727</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	86,800,422	82,631,632
Restricted:		
Nonexpendable - Scholarships	4,406,485	3,706,179
Nonexpendable - Other	590,454	561,140
Expendable		
Scholarships	3,100,923	3,311,079
Capital Projects	1,697,980	2,634,294
Loans	2,647,603	2,601,052
Other	1,235,088	1,300,113
Unrestricted	<u>10,301,572</u>	<u>9,360,253</u>
Total Net Assets	<u>\$ 110,780,527</u>	<u>\$ 106,105,742</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, 2004

	<u>2004</u>	Comparative Only <u>2003</u>
Operating Revenues:		
Student Tuition and Fees (Note K)	\$ 11,577,912	\$ 10,176,365
(net of scholarship allowances of \$5,601,358 for 2004 and \$4,633,155 for 2003)		
Governmental Grants and Contracts	12,892,745	13,454,545
Sales and Services of Educational Activities	10,317,750	10,066,423
Sales and Services of Auxiliary Enterprises (Note K)	4,345,634	4,493,940
(net of scholarship allowances of \$262,956 for 2004 and \$260,075 for 2003)		
Interest Income on Student Loans	53,991	54,632
Total Operating Revenues	<u>39,188,032</u>	<u>38,245,905</u>
Operating Expenses:		
Salaries	30,404,025	29,815,803
Benefits	12,016,616	11,323,098
Depreciation	3,890,862	4,032,687
Repairs and Maintenance	1,204,823	1,668,172
Services and Supplies	8,077,978	7,655,608
Student Aid	5,377,107	5,345,201
Utilities	1,806,836	1,487,970
Other Operating Expenses	8,806,358	8,744,842
Total Operating Expenses	<u>71,584,605</u>	<u>70,073,381</u>
Operating Income (Loss)	<u>(32,396,573)</u>	<u>(31,827,476)</u>
Nonoperating Revenues (Expenses)		
Government Appropriations - State	27,115,975	26,475,498
Private Gifts and Grants	3,239,167	1,748,679
Investment Income	1,224,469	428,213
Other Nonoperating Revenue (Note K)	226,427	248,369
Interest on Indebtedness	(457,386)	(410,607)
Net Nonoperating Revenue	<u>31,348,652</u>	<u>28,490,152</u>
Income (Loss) Before Other Revenue	<u>(1,047,921)</u>	<u>(3,337,324)</u>
Other Revenue		
Capital Appropriations	5,487,184	859,045
Capital Grants & Gifts	79,804	640,127
Additions to Permanent Endowments	155,718	249,876
Total Other Revenue	<u>5,722,706</u>	<u>1,749,048</u>
Increase (Decrease) in Net Assets	4,674,785	(1,588,276)
Net Assets - Beginning of Year	106,105,742	107,694,018
Net Assets - End of Year	<u>\$ 110,780,527</u>	<u>\$ 106,105,742</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, 2004

	<u>2004</u>	Comparative Only <u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 11,580,388	\$ 10,244,441
Receipts from Grants/Contracts	12,951,798	13,194,449
Receipts from Auxiliary and Educational Services	14,179,231	14,169,888
Collection of Loans to Students and Employees	361,269	360,494
Loans Issued to Students and Employees	(474,552)	(449,855)
Payments for Employee Services and Benefits	(42,803,897)	(40,418,171)
Payments to Suppliers	(18,908,706)	(18,253,457)
Payments for Student Financial Aid	(5,377,107)	(5,345,201)
Net Cash Provided (Used) by Operating Activities	<u>(28,491,576)</u>	<u>(26,497,412)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	26,295,238	26,525,498
Gifts/Grants for Other Than Capital Purposes	3,113,297	1,622,171
Receipts for Permanent Endowments	155,718	249,876
Other Nonoperating Revenue	67,926	201,921
Agency Account Receipts	530,629	530,506
Agency Account Payments	(542,888)	(493,138)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>29,619,920</u>	<u>28,636,834</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from Capital Grants/Gifts	79,804	1,573,792
Proceeds from Sale of Capital Assets	158,501	46,448
Proceeds from Capital Debt	188,722	10,395,982
Purchases of Capital Assets	(9,991,129)	(1,594,587)
Principal Paid on Capital Debt/Leases	(1,112,454)	(2,505,515)
Interest Paid on Capital Debt/Leases	(457,386)	(410,607)
Net Cash Provided (Used) by Capital Financing Activities	<u>(11,133,942)</u>	<u>7,505,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	871,178	3,713,075
Receipt of Interest/Dividends from Investments	631,824	708,317
Purchase of Investments	(5,212,702)	(2,100,000)
Net Cash Provided (Used) by Investing Activities	<u>(3,709,700)</u>	<u>2,321,392</u>
Net Increase (Decrease) in Cash	(13,715,298)	11,966,327
Cash & Cash Equivalents--Beginning of Year	<u>28,991,459</u>	<u>17,025,132</u>
Cash & Cash Equivalents--End of Year	<u>\$ 15,276,161</u>	<u>\$ 28,991,459</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, 2004

(continued)

	<u>2004</u>	Comparative Only <u>2003</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (32,396,573)	\$ (31,827,476)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	3,890,862	4,032,687
Repair and Maintenance Expense paid by Division of Facility Construction and Management	820,737	666,394
Changes in Assets and Liabilities:		
Receivables (Net)	318,223	(347,528)
Student Loans Receivable	(75,626)	(4,353)
Inventories	(78,192)	(79,268)
Prepaid Expenses	183,962	(6,011)
Accounts Payable	(404,631)	509,287
Accrued Liabilities	41,683	(14,620)
Accrued Payroll	(422,615)	736,400
Deferred Revenues	(479,670)	(131,855)
Compensated Absences	110,264	(31,069)
Net Cash Provided (Used) by Operating Activities	<u>\$ (28,491,576)</u>	<u>\$ (26,497,412)</u>

Noncash Investing, Noncapital Financing, and Capital Related Financing Transactions

Change in Fair Value of Investments Recognized as Investment Income	\$ 556,712	\$ (253,800)
Donation of Investment Securities	211,204	65,359
Donation of <i>Westward America</i> , Deluxe and Collector Editions	24,000	-
Donation of Howard R. Driggs Library	20,947	-
Donation of Steinway Concert Grand and Mason & Hamlin Pianos	-	100,751
Donation of Land (4 residential lots, undeveloped and raw land)	-	98,100
Division of Facility Construction and Management Projects	5,487,184	859,045

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

Cash and Cash Equivalents Classified as Current Assets	\$ 9,626,298	\$ 14,914,211
Cash and Cash Equivalents Classified as Noncurrent Assets	<u>5,649,863</u>	<u>14,077,248</u>
Total Cash and Cash Equivalents	<u>\$ 15,276,161</u>	<u>\$ 28,991,459</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004

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.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Utah has implemented GASB No. 34 for the year ended June 30, 2002. As a component unit of the State of Utah, the University is also required to adopt GASB No. 34 and No. 35. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows replacing the fund-group perspective previously required.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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.

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.

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 government, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Uncollectible amounts on accounts receivable are considered minor and therefore, no allowance is recorded.

Inventories

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

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

Restricted Cash and Cash Equivalents and Investments

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

Capital Assets

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

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

Net Assets

The University's net assets are classified as follows:

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

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

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

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

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

Classification of Revenues

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.

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.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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, 2003, 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.

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.

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 or 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, 2004 is 4% 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 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, 2004, \$311,207 of the University's bank balances of \$452,121 was uninsured and uncollateralized.

Investments – The Money Management Act defines the types of securities authorized as appropriate investments for the University 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.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds,

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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 Act; and the Utah State Public Treasurer’s Investment Fund.

Statutes also authorize the University to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the Money Management Council. Rule 2 allows the University to invest these funds in any of the above instruments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule.

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, 2004, the University had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>Investment Maturities (in Years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public					
Treasurer's Investment Fund	\$ 16,311,940	\$ 16,311,940	\$ -	\$ -	\$ -
U.S. Government Securities	4,698,335	-	4,698,335	-	-
	<u>21,010,275</u>	<u>\$ 16,311,940</u>	<u>\$ 4,698,335</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other Investments</u>					
Equity Securities	2,082,366				
Equity Mutual Funds	3,188,147				
Total Investments	<u>\$ 26,280,788</u>				

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. 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. Except for funds acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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 two years. For funds acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2004, the University had the following investments and quality ratings:

Investment Type	Fair Value	AAA	Quality Ratings		Unrated
			AA	A	
State of Utah Public					
Treasurer's Investment Fund	\$ 16,311,940	\$ -	\$ -	\$ -	\$ 16,311,940
U.S. Government Securities	4,698,335	4,698,335	-	-	-
Total	<u>\$ 21,010,275</u>	<u>\$ 4,698,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,311,940</u>

Note C. Accounts, Interest, and Pledges Receivable

Accounts, Interest and Pledges Receivable consisted of the following at June 30, 2004:

	Balance
Student Tuition and Fees	\$ 290,101
Interest and Dividends Receivable	79,219
Contributions and Gifts (Pledges)	111,286
Auxiliary Enterprises and Other Operating	617,175
Federal, State, and Private Grants and Contracts	449,713
Total	<u>\$ 1,547,494</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, 2004 the allowance for uncollectible loans was \$115,800.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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 \$24,000, as well as, Bookstore and Food Service inventories in the amounts of \$1,019,464 and \$66,469 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, 2004, consist of the following:

	Prepaid Expenses	Deferred Revenues
Utah Shakespearean Festival	\$ 2,675,154	\$ 2,326,371
Student Tuition and Fees	-	849,015
Grants and Contracts	-	217,238
Miscellaneous	80,567	59,030
Total	<u>\$ 2,755,721</u>	<u>\$ 3,451,654</u>



SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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, 2003	Additions	Retirements	Balance June 30, 2004
Land	\$ 7,547,881	\$ 428,804	\$ (15,353)	\$ 7,961,332
Land Imp/Infrastructure	5,878,066	23,885	-	5,901,951
Buildings	105,044,387	15,228,407	-	120,272,794
Equipment	10,677,232	696,333	(1,209,684)	10,163,881
Art Work/Collections	618,504	217,923	-	836,427
Library Collections	5,019,585	424,705	(100,154)	5,344,136
Construction in Progress	1,415,416	9,056,824	(9,396,155)	1,076,085
Total	<u>136,201,071</u>	<u>26,076,881</u>	<u>(10,721,346)</u>	<u>151,556,606</u>
Less: Accumulated Depreciation				
Land Imp/Infrastructure	3,805,983	205,770	-	4,011,753
Buildings	31,596,967	2,645,797	-	34,242,764
Equipment	7,818,754	811,248	(1,197,822)	7,432,180
Art Work/Collections	375,511	20,851	-	396,362
Library Collections	2,644,655	207,196	(100,154)	2,751,697
Total	<u>46,241,870</u>	<u>3,890,862</u>	<u>(1,297,976)</u>	<u>48,834,756</u>
Capital Assets, net	<u>\$ 89,959,201</u>	<u>\$ 22,186,019</u>	<u>\$ (9,423,370)</u>	<u>\$ 102,721,850</u>

Construction in progress at June 30, 2004 of \$1,076,085 relates to the construction of the following projects, funded by a state grant and private gifts:

<u>Project</u>	<u>Estimated Costs</u>	<u>Construction in Progress</u>	<u>Percent Completed</u>
Valley Farm Well	\$ 108,000	\$ 48,800	45%
Utah Shakespeare Festival Centre	78,000,000	1,027,285	1%
Total	<u>\$ 78,108,000</u>	<u>\$ 1,076,085</u>	

Note H. Accounts and Interest Payable

Accounts and Interest Payable consisted of the following at June 30, 2004:

	<u>Balance</u>
Accounts Payable	\$ 876,944
Interest Payable	114,002
Total	<u>\$ 990,946</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

Note I. Long-Term Liabilities

Activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Bonds, Notes, Contracts Payable					
Bonds Payable	\$ 15,745,000	\$ -	\$ 550,000	\$ 15,195,000	\$ 565,000
Unamortized Bond Premium	284,118	-	18,679	265,439	18,337
Notes Payable	765,394	146,640	452,372	459,662	275,600
Contracts/Leases Payable	249,668	42,082	91,403	200,347	81,686
Remainder Annuity Trusts	725,767	-	19,555	706,212	57,168
Total	<u>17,769,947</u>	<u>188,722</u>	<u>1,132,009</u>	<u>16,826,660</u>	<u>997,791</u>
Other Liabilities					
Compensated Absences	974,251	588,238	537,108	1,025,381	548,408
Retirement & Other Benefits	1,347,621	571,817	512,683	1,406,755	585,576
Total	<u>2,321,872</u>	<u>1,160,055</u>	<u>1,049,791</u>	<u>2,432,136</u>	<u>1,133,984</u>
Total Long-Term Liabilities	<u>\$ 20,091,819</u>	<u>\$ 1,348,777</u>	<u>\$ 2,181,800</u>	<u>\$ 19,258,796</u>	<u>\$ 2,131,775</u>

Note J. Bonds, Notes and Contracts Payable

Revenue bonds payable consisted of the following at June 30, 2004:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2003-2004	Balance June 30, 2004
Bonds Payable:					
Auxiliary System, Series 1995A	1/1/1995	5.000-6.550%	\$ 4,475,000	\$ 30,000	\$ 40,000
Pavilion/Stadium, Series 1995A	6/1/1995	4.600-6.500%	900,000	35,000	670,000
Pavilion/Stadium, Series 1996A	6/1/1997	4.850-6.300%	570,000	25,000	440,000
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	4,540,000	45,000	4,400,000
Auxiliary System, Series 2003	2/27/2003	2.000-5.250%	10,060,000	415,000	9,645,000
Total Bonds Payable			<u>\$ 20,545,000</u>	<u>\$ 550,000</u>	<u>\$ 15,195,000</u>

The scheduled maturities of the revenue bonds are as follows:

Year	Principal	Interest	Total Payments
2005	\$ 565,000	\$ 719,060	\$ 1,284,060
2006	575,000	703,202	1,278,202
2007	590,000	687,690	1,277,690
2008	625,000	664,315	1,289,315
2009	650,000	638,437	1,288,437
2010-2014	3,735,000	2,696,573	6,431,573
2015-2019	4,405,000	1,678,200	6,083,200
2020-2023	4,050,000	546,414	4,596,414
Total Bonds Outstanding	<u>15,195,000</u>	<u>8,333,891</u>	<u>23,528,891</u>
Unamortized Bond Premium	265,439	-	265,439
Total Bonds Payable	<u>\$ 15,460,439</u>	<u>\$ 8,333,891</u>	<u>\$ 23,794,330</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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 \$1,620,000. The University's reserve balances exceed this amount at June 30, 2004.

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, 2004, is \$4,567,964.

Notes Payable - Notes Payable include an interest-free, unsecured note with equal semi-annual installments of \$11,125 due December and June continuing through June 2008; 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; a Festival City Development Foundation interest-free loan due on or before June 30, 2005.

Notes payable consisted of the following at June 30, 2004:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2003-2004	Balance June 30, 2004
Notes Payable:					
PE Bldg Tunnel	2/1/2000	0.000%	\$ 157,000	\$ 52,332	\$ -
Jones Theatre Energy	7/1/2000	0.000%	178,000	22,250	89,000
State Bank of Southern Utah	6/1/2001	6.500%	456,600	377,790	-
Margaret Driggs Trust	5/15/2004	0.000%	146,640	-	146,640
Festival City Development Foundation		0.000%	459,056	-	224,022
Total Notes Payable			\$ 1,397,296	\$ 452,372	\$ 459,662

The scheduled maturities of the notes payable are as follows:

Year	Principal	Interest	Total Payments
2005	\$ 275,600	\$ -	\$ 275,600
2006	51,578	-	51,578
2007	51,578	-	51,578
2008	51,578	-	51,578
2009	29,328	-	29,328
Total	\$ 459,662	\$ -	\$ 459,662

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

Contracts Payable - Contracts payable are due in equal installments, including principal and interest, until the last payment comes due in January 2009 and are secured by equipment costing \$386,633.

Future minimum lease payments for all contracts and capital leases payable as of June 30, 2004 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2005	\$ 81,686	\$ 13,189	\$ 94,875
2006	66,130	7,301	73,431
2007	38,183	2,763	40,946
2008	9,956	743	10,699
2009	4,392	96	4,488
Total	\$ 200,347	\$ 24,092	\$ 224,439

Remainder Annuity and Unitrusts Payable - Remainder Annuity and Unitrusts 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, 2004:

	<u>Date Created</u>	<u>Interest Rate</u>	<u>Present Value of Annuity Payable</u>	<u>Current Portion</u>
Charitable Remainder Annuity Trusts:				
A M & M M Jones	1/12/2001	5.000%	\$ 164,380	\$ 39,627
J & C Wadsworth	9/25/2001	6.200%	426,685	13,548
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	115,147	3,993
Total Annuities Payable			<u>\$ 706,212</u>	<u>\$ 57,168</u>

The estimates of future annuities payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2005	\$ 57,168	43,194	\$ 100,362
2006	60,292	40,092	100,384
2007	63,591	36,816	100,407
2008	60,656	33,356	94,012
2009	22,585	30,023	52,608
2010-2014	137,117	126,316	263,433
2015-2019	188,408	75,761	264,169
2020-2022	116,395	14,202	130,597
Total	\$ 706,212	\$ 399,760	\$ 1,105,972

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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, 2004:

Pledged Receipts:

Student Center Building Fees		\$	186,599
Investment Income on Reserve Funds			10,162
Operating Revenues	\$ 6,738,348		
Operating & Maintenance Expenses	<u>(5,599,578)</u>		
Net Operating Receipts			1,138,770
Total Pledged Net Receipts		\$	<u><u>1,335,531</u></u>

Disbursements:

Transfers to:			
Debt Service		\$	512,586
Renewal & Replacement Reserves			608,758
Other Lawful Purposes			214,187
Total Disbursements of Pledged Receipts		\$	<u><u>1,335,531</u></u>

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, 2004, 2003, and 2002 were \$30,404,025, \$29,815,803, and \$29,883,679, respectively.

The covered payroll expenses and the retirement contributions for each year were as follows:

Retirement Program	Covered Payroll Expenses		
	2004	2003	2002
TIAA	\$ 19,782,840	\$ 19,762,515	\$ 19,232,218
State-Contributory	67,062	66,311	66,311
State-Noncontributory	6,884,320	6,819,194	7,046,813
State-Public Safety	69,118	54,076	58,288
	<u>\$ 26,803,340</u>	<u>\$ 26,702,096</u>	<u>\$ 26,403,630</u>

Retirement Program	Retirement Contributions		
	2004	2003	2002
TIAA	\$ 2,809,163	\$ 2,806,277	\$ 2,730,975
State-Contributory	8,859	7,898	7,898
State-Noncontributory	909,994	811,484	838,571
State-Public Safety	14,618	10,242	11,471
	<u>\$ 3,742,634</u>	<u>\$ 3,635,901</u>	<u>\$ 3,588,915</u>

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

The Retirement Contributions amount represents the funds which were contributed by the University, which includes 13.21% of covered employees' salaries participating in the Utah State Retirement Contributory System, 13.20% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 22.65% (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 (Systems) are multi-employer, cost-sharing, defined benefits plans that are administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board (Board). Beginning July 1, 1986 all new participants in the System must be enrolled in the Noncontributory system or the Public Safety system. Employees enrolled prior to that date could elect to participate in either the Contributory or Noncontributory system.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 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, 560 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, 2004 and 2003, were \$130,267 and \$111,750, respectively. The number of participants for the years ended June 30, 2004 and 2003 was 36 and 37, 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 and the continuation of certain health care insurance premiums until age 65. Substantially all regular University employees are eligible for those benefits after age 56. 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, 2004 and 2003 were \$382,416 and \$431,997, respectively. The number of participants for the years ended June 30, 2004 and 2003 was 23 and 27, respectively.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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, 2004 were \$331,086 at cost and \$352,409 at fair value.

Note N. Functional Classifications

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

Instruction	\$	19,500,864
Public Service		11,687,308
Academic Support		3,426,077
Student Services		6,477,576
Institutional Support		8,387,775
Operation and Maintenance of Plant		7,252,318
Student Aid		5,377,106
Auxiliary Enterprises Expenses		5,584,719
Depreciation		3,890,862
Total Operating Expenses	\$	<u><u>71,584,605</u></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 \$532,500 for one person in any one occurrence or \$1,065,000 for two or more persons in any one occurrence and \$213,000 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.

SOUTHERN UTAH UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2004
(continued)

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

	Balance
Estimated Claims Liability - Beginning of Year	\$ -
Current Year Contributions and Changes in Estimates	429,468
Claim Payments, Including Related Legal and Administrative Expenses	(362,347)
Estimated Claims Liability - End of Year	\$ 67,121

The University has recorded the investments of the dental care funds at June 30, 2004 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.

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 \$80,000. The University (Shakespeare Festival) in turn pays for utilities and maintenance on the buildings owned by the Festival City Development Foundation. The University has not reported the value of the donated housing as gift revenue and (or) operating expenses in the financial statements.

Note Q. Contingencies

The University has received notice of two separate legal actions arising out of the normal course of business. The University is vigorously contesting both of these matters, but as of this date, it is not possible to estimate the outcome or the financial impact an adverse ruling on these actions would have upon the University. In the opinion of management, the ultimate resolution of these matters will not have a material effect upon the University's financial position.

SOUTHERN UTAH UNIVERSITY

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