

An aerial photograph of the Southern Utah University campus. The image shows several large, multi-story brick buildings with gabled roofs, interspersed with lush green trees. A prominent clock tower is visible in the center-right. In the lower-left, there is a large, modern building with a flat roof and a circular fountain area. The overall scene is bright and sunny, with shadows cast by the trees and buildings.

# SUU

Southern Utah University

A COMPONENT UNIT OF THE STATE OF UTAH

2012-13 ANNUAL  
FINANCIAL REPORT



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SOUTHERN  
UTAH  
UNIVERSITY  
MOUNTAIN CENTER



## From the President

I am happy to once again report on Southern Utah University's many successes and great resiliency in a time of budget cuts and economic uncertainty across the state's colleges and universities. The University has a balanced budget and has continued to support a growing number of students with a variety of efficient and innovative programs.

Most importantly, SUU remains focused on our primary purpose of educating students, fostering a resourceful and positive environment, and increasing the number of opportunities for our students to engage in real-world experiences. SUU is positioned to play an important role in advancing Utah's future workforce and in building a robust and resilient economy.

Our momentum this past year is evident across campus, in every facet of university life.

### ACADEMICS

- We are one of just 40 public schools to be included in the top tier of *U.S. News & World Report's* annual "Best Colleges: Western Division."
- For the seventh consecutive year, *The Princeton Review* named SUU among its "Best Colleges: Region by Region."
- SUU was named a national 2013 Best Value College by *The Princeton Review* and is one of only 11 public schools in the western U.S. and the only Utah school to be included.
- SUU received its fourth consecutive listing on the U.S. President's Higher Education Community Service Honor Roll, logging 141,307 hours in student service and service-learning in just one year.
- SUU faculty and staff are leaders in the Utah Alliance for Arts Education which recently secured a national partnership with the John F. Kennedy Center for the Performing Arts to create partnerships and programs to promote arts education throughout Utah.
- SUU is one of just 27 schools in the nation, and the only school in Utah, to gain membership in the elite Council of Public Liberal Arts Colleges.
- We established the first circle in Utah of the prestigious national honor society, Omicron Delta Kappa. Within its first year, the chapter received a national award.

- Bringing together the expertise of SUU faculty, the talents of practicing educators at North Elementary and the fresh perspective of SUU's pre-service teachers, the University and the Iron County School District have collectively piloted the county's first STEAM school, increasing emphasis on science, technology, engineering, arts, and math education in an all-science curriculum.

## **UNIVERSITY ADVANCEMENT**

- In 2013, SUU received the largest single gift in its history: \$6 million from the Sorenson Legacy Foundation in March. Funds will be used in the construction of a multi-million dollar arts facility, the Beverley Taylor Sorenson Center for the Arts, and in ongoing support for arts education.
- In November 2012, SUU and the Utah Shakespeare Festival realized years of dedicated effort when the partnership received the largest gift in its history—\$5 million from The Engelstad Family Foundation, Las Vegas. Funds will be used to construct a state-of-the-art outdoor Shakespearean theater.
- SUU also received a generous contribution of \$4 million from Walter M. and Alice Gibson toward an endowment for scholarships and student and faculty research in the sciences, prompting the college's new name, the Walter Maxwell Gibson College of Science and Engineering.
- SUU received another donation in support of the Walter Maxwell Gibson College of Science and Engineering in 2012—\$2 million from the ALSAM Foundation, founded by and named in honor of L.S. "Sam" and Aline W. Skaggs. In appreciation of their generous gift, the science building was named the L.S. & Aline W. Skaggs Center for Health & Molecular Sciences.
- SUU was included among the top 100 schools in the world for its sustainability initiatives and environmental impact in 2012, as reported by the Universitas Indonesia's GreenMetric Ranking of World Universities. SUU placed 96th out of 215 universities in 49 countries and ranked 18th among U.S. schools.
- SUU's L.S. & Aline W. Skaggs Center for Health and Molecular Sciences received LEED Gold Certification from the U.S. Green Building Council, affirming its excellence in energy efficiency, sustainability, and environmental quality. The Center is the only building in Utah's southwest region to receive LEED Gold Certification.
- Maintaining the state's best kept campus, SUU Facilities earned a 97.7% ranking in the annual Facilities Preventative Maintenance Audit, the highest ranking received in the state.
- SUU was ranked among the nation's most affordable schools for 2012 as one of "America's 100 Best College Buys". The ranking, performed by Institutional Research & Evaluation, Inc., equally weights academic accomplishment against a school's price tag.
- According to *U.S. News & World Report*, students graduate from SUU with the third lowest student debt among all the West's colleges and universities.

## INDIVIDUAL ACHIEVEMENTS

- For their outstanding academic achievements, thirty-eight SUU athletes were named to the Fall 2012 Academic All-Big Sky team in their respective sport.
- SUU alumna Keala Settle joined an elite group of performers when she was nominated for a Tony Award in 2013. Her Broadway performance in *Hands on a Hardbody* earned her the nomination for Best Featured Actress in a Musical.
- Angela Wilson was named 2012 Teacher of the Year by the United States Department of Defense Education Activity (DoDEA) Schools, qualifying the 2010 M.Ed. graduate as one of just four finalists for the 2012 National Teacher of the Year.
- SUU alumnus Cameron Levins brought the University its first *and* second NCAA national titles in Track & Field when he blazed to first-place finishes in the Men's 5k and 10k. Earlier, Levins competed for his native Canada in the 2012 Summer Olympics in London and earned the coveted Bowerman Award—track and field's equivalent of the Heisman Trophy.
- Two of SUU's vocal students performed on the Grammy-nominated recording of "Brahms: Ein Deutsches Requiem" by Seraphic Fire, which was nominated for Best Choral Performance in the Classical Music division.
- Students from the SUU chapter of Phi Beta Lambda, a national honor society for professional business leaders, took fourth place in the nation for best student-led service project—their highly successful Teddy Bear Den program.
- Accomplished dancer, choreographer, and 2008 dance alumna Jessica Metcalf earned a Fulbright Scholarship to study at London's University of Roehampton.

These are just a few of the many accomplishments, successes and initiatives that help drive SUU forward and inspire our students to achieve great things. I am proud of all that the University has done and am deeply honored to lead this unique institution.

Thank you for your interest in and support of Southern Utah University. I look toward a bright future for students, alumni, employees, and friends. We can all maintain great expectations for the Thunderbird Nation.

Sincerely,

A handwritten signature in blue ink that reads "Richard E. Kendell". The signature is fluid and cursive, with the first name being the most prominent.

President Rich Kendell



OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, Audit Committee  
and  
Richard E. Kendell, Interim President  
Southern Utah University

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Southern Utah University (the University), a component unit of the State of Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Letter from the President and the listing of the governing boards and officers have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this other information.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Office of the Utah State Auditor*

Office of the Utah State Auditor  
December 20, 2013

# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2013

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## 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, 2013. 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 116-year history, the University has evolved from a teacher training school into its current role as a comprehensive, regional university. Historically, it has served the southern region of Utah and the contiguous counties of two states with undergraduate and graduate programs and applied technology training. More recently, it has expanded its reach both nationally and internationally. People look to the University for public education, outreach services, culture, sporting events, economic and business development, regional history, public affairs, and major academic specialties. The University enrolls just over 8,000 undergraduate and graduate students.



## Financial

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

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

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# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2013

## Statement of Net Position

The Statement of Net Position reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) of the University at June 30. Net Position is categorized as “Net Investment in Capital Assets”, “Restricted” (Expendable or Nonexpendable), or “Unrestricted.” Net Investment in Capital Assets includes fixed assets of the University reduced by accompanying debt and accumulated depreciation. Restricted Nonexpendable assets include endowment and similar funds that are held in perpetuity. Restricted Expendable assets are subject to externally imposed restrictions governing their use. All other assets are listed as Unrestricted. Below is a Condensed Statement of Net Position as of June 30, 2013 and 2012.

<b>Condensed Statement of Net Position</b>				
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>% Change</u>
<b>Assets</b>				
Current Assets	\$ 49,776,899	\$ 42,318,655	\$ 7,458,244	17.6%
Noncurrent Assets				
Capital Assets	130,839,062	137,287,462	(6,448,400)	-4.7%
Other Noncurrent Assets	41,336,551	29,530,773	11,805,778	40.0%
<b>Total Assets</b>	<b>221,952,512</b>	<b>209,136,890</b>	<b>12,815,622</b>	<b>6.1%</b>
<b>Liabilities</b>				
Current Liabilities	14,649,545	14,622,901	26,644	0.2%
Noncurrent Liabilities	20,476,773	21,634,393	(1,157,620)	-5.4%
<b>Total Liabilities</b>	<b>35,126,318</b>	<b>36,257,294</b>	<b>(1,130,976)</b>	<b>-3.1%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	110,341,762	115,955,008	(5,613,246)	-4.8%
Restricted Nonexpendable	16,382,120	14,401,950	1,980,170	13.7%
Restricted Expendable	31,206,665	17,547,080	13,659,585	77.8%
Unrestricted	28,895,647	24,975,558	3,920,089	15.7%
<b>Total Net Position</b>	<b>\$ 186,826,194</b>	<b>\$ 172,879,596</b>	<b>\$ 13,946,598</b>	<b>8.1%</b>

Current Asset increases were a result of net increases in cash and cash equivalents, receivables, inventories, and prepaid expenses along with a net decrease in short-term investments. Changes in cash and cash equivalents and short-term investments were a result of investment strategies and daily operations. Receivable increases are due to increased tuition and fees, as well as increases in amounts due to the University for Continuing Education, Event Services, and various federal and state grants. Inventories increased from the addition of the Apple store as part of the University Bookstore. Prepaid expenses increased as a result of science department equipment that required advanced payment at the time of order. The University expensed architectural fees related to combining the Southern Utah Museum of Art and the Utah Shakespeare Festival Centre projects into the Center for the Arts. These fees, along with depreciation and asset retirements expense in excess of net additions, accounted for the decrease in capital assets. During the year, the Eccles Coliseum synthetic field project was completed. Other Noncurrent Assets increased as a result of restricted cash donations for the Center for the Arts and a net increase in noncurrent investments.

# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2013

The increase in Current Liabilities is a result of increases in accrued health benefits, the current portion of compensated absences and termination benefits; net of reductions in bond liabilities, withholding taxes payable, and Utah Shakespeare Festival unearned revenues. The reduction in withholding taxes payable was caused by the timing of respective tax payments. Noncurrent Liabilities decreased as payments were made reducing outstanding long-term bond debt.

The University's Net Position increased as a result of the following: Net Investment in Capital Assets decreased as a result of net depreciation and net asset retirements over capital additions during the year. Increases in Restricted Nonexpendable Net Position resulted from the receipt of generous endowment donations from University friends and alumni for both scholarships and other operating needs. Increases in Restricted Expendable Net Position resulted from the additions in funding for the Utah Center for the Arts in the form of gifts and grants. The increases in Unrestricted Net Position is attributed to the increased tuition and fee revenues, sales and services of educational activities and state appropriations.



# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2013

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the year ended June 30. Below is a Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and 2012.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Tuition and Fees	\$ 35,085,930	\$ 32,259,248	\$ 2,826,682	8.8%
Grants and Contracts	1,383,092	899,050	484,042	53.8%
Sales and Services	17,006,369	16,524,116	482,253	2.9%
Auxiliary Enterprises	4,054,074	4,436,358	(382,284)	-8.6%
Other	36,520	39,434	(2,914)	-7.4%
<b>Total Operating Revenues</b>	<b>57,565,985</b>	<b>54,158,206</b>	<b>3,407,779</b>	<b>6.3%</b>
<b>Operating Expenses</b>				
Salaries	49,360,224	47,659,575	1,700,649	3.6%
Benefits	20,269,164	19,098,518	1,170,646	6.1%
Depreciation	6,405,846	6,129,797	276,049	4.5%
Repairs and Maintenance	1,074,510	2,057,176	(982,666)	-47.8%
Services and Supplies	14,649,930	11,448,903	3,201,027	28.0%
Student Aid	8,385,822	8,635,796	(249,974)	-2.9%
Utilities	2,644,593	2,577,780	66,813	2.6%
Other Operating Expenses	10,595,773	13,428,894	(2,833,121)	-21.1%
<b>Total Operating Expenses</b>	<b>113,385,862</b>	<b>111,036,439</b>	<b>2,349,423</b>	<b>2.1%</b>
<b>Operating Loss</b>	<b>(55,819,877)</b>	<b>(56,878,233)</b>	<b>1,058,356</b>	<b>-1.9%</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	30,649,260	29,886,197	763,063	2.6%
Grants and Contracts	20,825,103	21,772,212	(947,109)	-4.4%
Private Gifts and Grants	3,001,796	4,344,134	(1,342,338)	-30.9%
Investment Income	1,379,729	429,296	950,433	221.4%
Other Nonoperating Revenues (Expenses)	(28,980)	(11,768)	(17,212)	146.3%
Interest on Indebtedness	(1,026,147)	(1,114,738)	88,591	-7.9%
<b>Net Nonoperating Revenue         (Expenses)</b>	<b>54,800,761</b>	<b>55,305,333</b>	<b>(504,572)</b>	<b>-0.9%</b>
<b>Income (Loss) Before Other Revenue</b>	<b>(1,019,116)</b>	<b>(1,572,900)</b>	<b>553,784</b>	<b>-35.2%</b>
<b>Other Revenues</b>	<b>14,965,714</b>	<b>8,708,893</b>	<b>6,256,821</b>	<b>71.8%</b>
<b>Change in Net Position</b>	<b>13,946,598</b>	<b>7,135,993</b>	<b>6,810,605</b>	<b>95.4%</b>
 <b>Net Position - Beginning of Year</b>	 <b>172,879,596</b>	 <b>165,743,603</b>	 <b>7,135,993</b>	 <b>4.3%</b>
<b>Net Position - End of Year</b>	<b>\$ 186,826,194</b>	<b>\$ 172,879,596</b>	<b>\$ 13,946,598</b>	<b>8.1%</b>

Tuition and fee rate increases net of a small annual average decrease in enrollment resulted in higher Tuition and Fee revenue. Operating Grants and Contracts increased due to additional funding from youth intern partnerships with the National Parks Service. Sales and Services increased primarily as a result of the Utah Shakespeare Festival and Athletics game guarantees. Auxiliary Enterprises revenues decreased primarily from lower Bookstore sales.

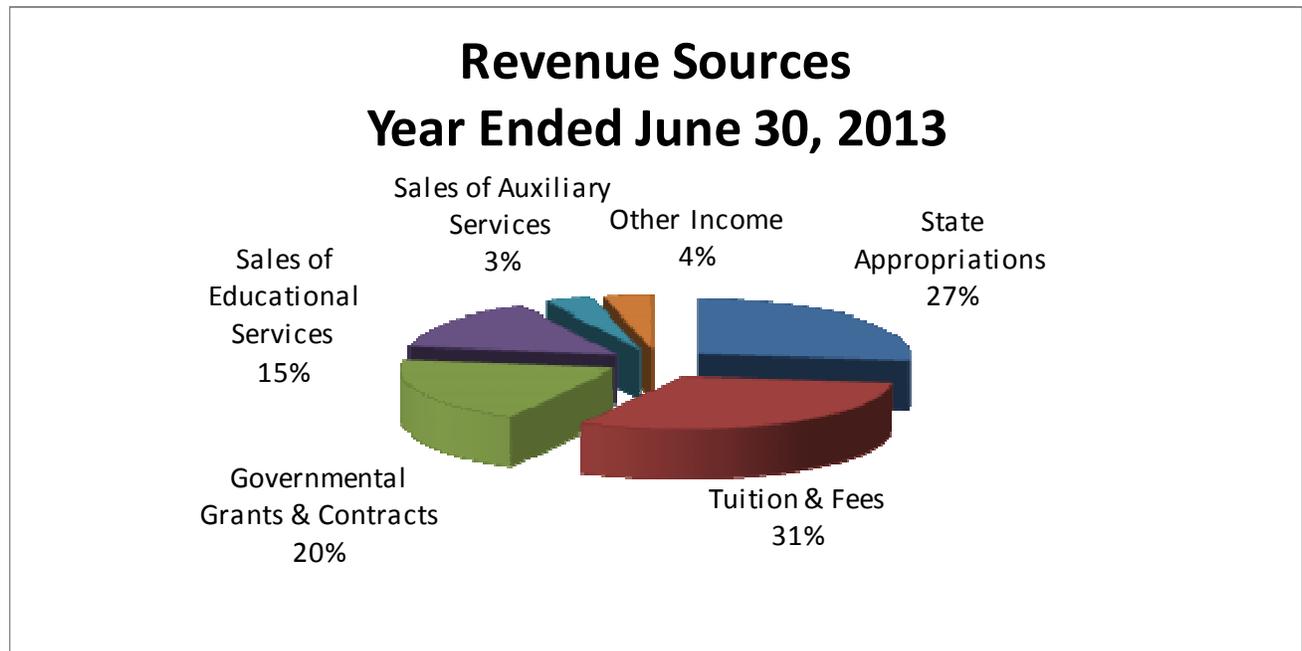
# SOUTHERN UTAH UNIVERSITY

State Appropriations were slightly higher as a result of additional legislative funding in the form of COLAs for faculty and staff. Reductions in Nonoperating Grants and Contracts are a result of fewer Utah Division of Facilities and Construction Management funded repair and maintenance projects. Investment income increased primarily from increases in market value for investments held during the year. Interest on Indebtedness decreased slightly as corresponding bond payable principal amounts are reduced through semi-annual payments.

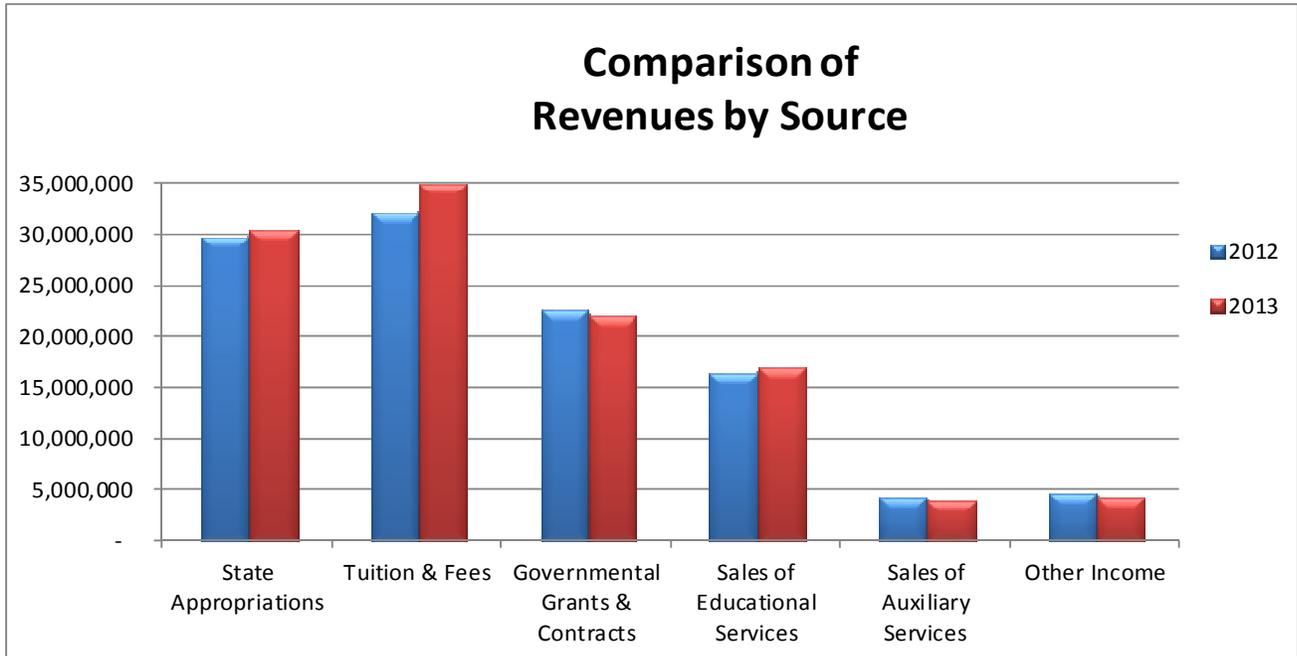
The increase in compensation and benefits is a result of a COLA increase and an increase in the average number of employees during the year. Student Aid decreases were from reductions in funding for the direct loan programs. Repairs and Maintenance decreased as fewer major repairs projects were needed during the year. Services and Supplies increased as a result of expensing costs that were previously recorded as construction-in-process, primarily architectural fees. These costs were specifically associated with the Utah Shakespeare Festival Centre and Southern Utah Museum of Art. During the year, it was determined that these costs should not be capitalized. The determination was made as the University combined the projects into the Center for the Arts. As a result of the combination, much of the prior design work was not used to develop the new design. Other Operating Expenses decreased as a result of lower Bookstore cost of goods sold, which is consistent with lower Bookstore sales. Continued changes in liabilities relating to the University's self-funded health insurance plan also contributed to the decrease.

The net increase in Other Revenues was a result of increased fund raising efforts relating to the Utah Center for the Arts, net of decreases in gifts for permanent endowments and capital appropriations.

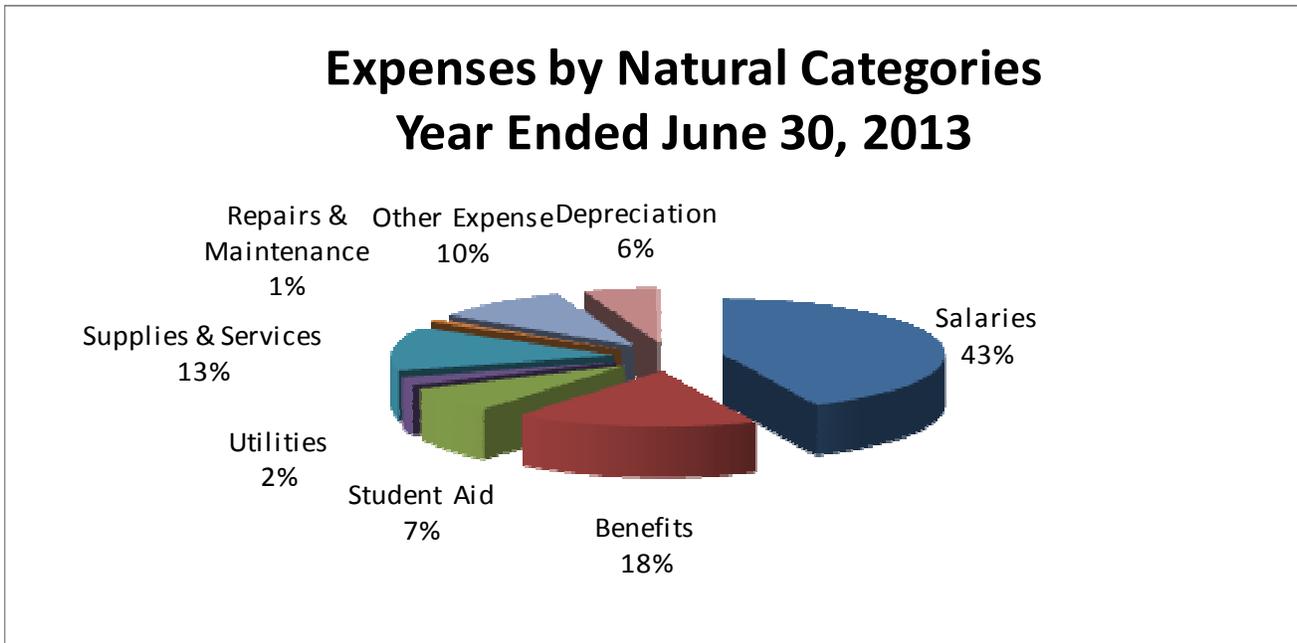
The following graphs illustrate all funding sources, except Capital Appropriations, Capital Grants and Gifts and Additions to Permanent Endowments of the University, as a percentage of total revenues for the year ended June 30, 2013, with a comparison to the prior year:



# SOUTHERN UTAH UNIVERSITY



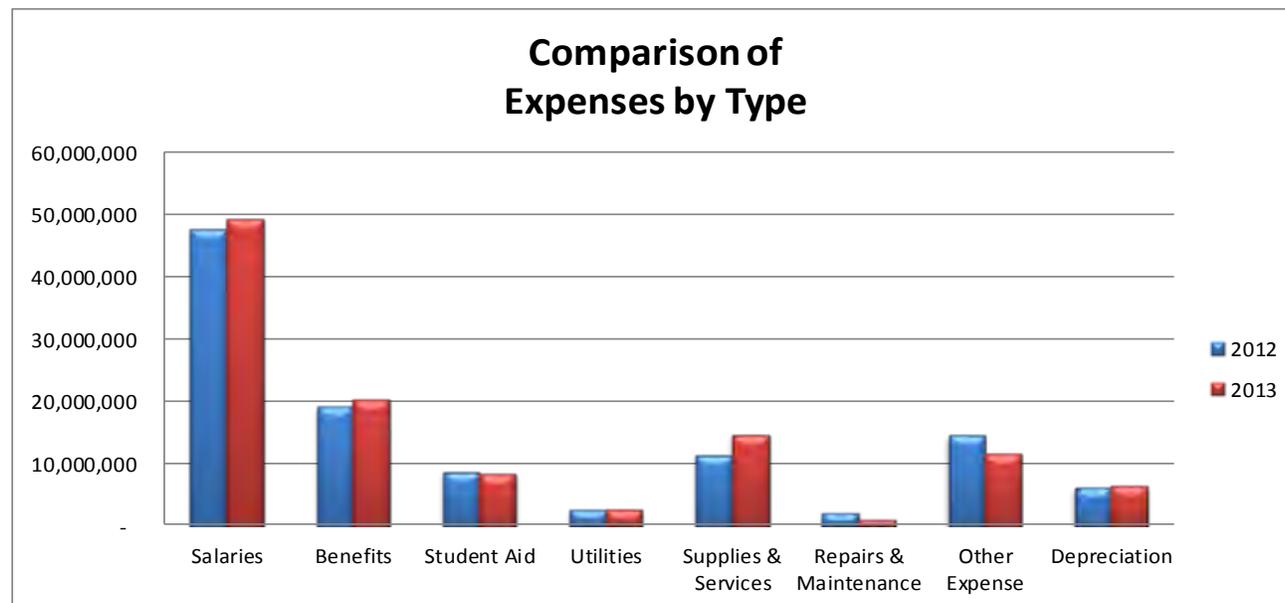
The following graphs illustrate expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2013, with a comparison to the prior year:



# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2013



## Statement of Cash Flows

The Statement of Cash Flows provides an additional perspective on the University's financial results for the fiscal year. The statement identifies sources and uses of cash by broad categories of activity including Operations, Noncapital Financing Activities, Capital Financing Activities and Investing Activities. Below is a Condensed Statement of Cash Flows for the fiscal years ended June 30, 2013 and 2012.

### Condensed Statement of Cash Flows

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>% Change</u>
Cash Provided (Used) by:				
Operating Activities	\$ (47,511,317)	\$ (48,873,741)	\$ 1,362,424	2.8%
Noncapital Financing Activities	55,681,380	58,481,085	(2,799,705)	-4.8%
Capital Financing Activities	4,827,537	(1,862,089)	6,689,626	359.3%
Investing Activities	7,593,508	(7,015,275)	14,608,783	208.2%
Net Increase (Decrease)				
in Cash	20,591,108	729,980	19,861,128	2,720.8%
Cash - Beginning of Year	32,383,023	31,653,043	729,980	2.3%
Cash - End of Year	<u>\$ 52,974,131</u>	<u>\$ 32,383,023</u>	<u>\$ 20,591,108</u>	<u>63.6%</u>

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

# SOUTHERN UTAH UNIVERSITY

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2013

Cash used by Operating Activities decreased slightly as a result of decreased payments to suppliers and an increase in receipts from tuition, fees, and operating grants/contracts, offset by increased payments to employees and a decrease in receipts from auxiliary and educational services. Cash provided by Noncapital Financing Activities decreased largely as a result of a decrease in receipts for permanent endowments. Cash flows from Capital Financing Activities increased from 2012 to 2013 primarily as a result of a large increase in capital grants and gifts and as a result of fewer capital asset purchases. Cash flows from Investing Activities increased from 2012 to 2013 mainly as a result of a large increase in investment sales and a large decrease in investment purchases.

## **Economic Factors that May Affect the Future**

Economists and business leaders continue to be optimistic about the state's economy and forecast that economic growth in the state will continue to grow at a rate higher than the national average. Continued growth has been seen in most areas that account for the majority of state and local tax revenues. It is anticipated that job growth and new home starts will continue to rise modestly throughout the coming year. However, concerns about the rising mortgage rates, foreclosures, and bankruptcies keep adding to consumer reservations. Also, Washington's inability to develop a long-term balanced budget creates some additional uncertainty.

The University believes, like many economists that 2014 will see continued modest economic improvement. The University's Fiscal Year 2014 budget includes an increase from the state General Fund along with a decrease in tuition dollars, as a result of lower student headcount, which nets to a negligible change in the overall budget. The University believes it is well positioned to manage current and future budget challenges.

## **Summary**

The accompanying financial statements, including footnotes, reflect the budgeting challenges of this past year while continuing to show that the University's financial position remains solid during these challenging times.



# SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2013

	University	Southern Utah University Foundation	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents (Note B)	\$ 28,083,537	\$ 94,600	\$ 28,178,137
Short-term Investments (Note B)	8,752,118	257,000	9,009,118
Receivables, Net of Allowance (Note C)	5,521,127	180,569	5,701,696
Due From Related Parties (Note D)	493,428		493,428
Loans Receivable, Net (Note E)	402,720		402,720
Inventories (Note F)	1,045,105		1,045,105
Prepaid Expenses (Note G)	4,946,695		4,946,695
Total Current Assets	49,244,730	532,169	49,776,899
Noncurrent Assets:			
Restricted Cash and Cash Equivalents (Note B)	24,795,994		24,795,994
Investments (Note B)	10,773,239		10,773,239
Pledges Receivable (Note C)	3,041,331		3,041,331
Loans Receivable, Net (Note E)	1,443,673		1,443,673
Real Estate Held for Sale (Note H)	51,400	1,230,914	1,282,314
Capital Assets, Net of Accumulated Depreciation (Note H)	130,839,062		130,839,062
Total Noncurrent Assets	170,944,699	1,230,914	172,175,613
Total Assets	220,189,429	1,763,083	221,952,512
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts and Interest Payable (Note I)	1,879,642	630	1,880,272
Due to Related Parties (Note D)	578,863		578,863
Payroll and Withholding Taxes Payable (Note I)	915,920		915,920
Accrued Health Insurance Benefits (Note Q)	2,169,711		2,169,711
Deposits and Other Liabilities (Note J)	503,043	1,843	504,886
Unearned Revenues (Note G)	5,142,065		5,142,065
Compensated Absences and Termination Benefits (Note K)	1,845,111		1,845,111
Bonds, Notes, and Contracts Payable (Notes K & L)	1,589,437	23,280	1,612,717
Total Current Liabilities	14,623,792	25,753	14,649,545
Noncurrent Liabilities:			
Compensated Absences and Termination Benefits (Note K)	1,254,763		1,254,763
Bonds, Notes, and Contracts Payable (Notes K & L)	18,975,576	246,434	19,222,010
Total Noncurrent Liabilities	20,230,339	246,434	20,476,773
Total Liabilities	34,854,131	272,187	35,126,318
<b>NET POSITION:</b>			
Net Investment in Capital Assets	110,341,762		110,341,762
Restricted Nonexpendable:			
Scholarships	9,603,284		9,603,284
Other	6,778,836		6,778,836
Restricted Expendable:			
Scholarships	3,594,581		3,594,581
Capital Projects	19,580,564		19,580,564
Loans	2,277,593		2,277,593
Other	5,139,927	614,000	5,753,927
Unrestricted	28,018,751	876,896	28,895,647
Total Net Position	\$ 185,335,298	\$ 1,490,896	\$ 186,826,194

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

# SOUTHERN UTAH UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	University	Southern Utah University Foundation	Total
<b>Operating Revenues:</b>			
Student Tuition and Fees (net of scholarship discounts and allowances of \$13,800,967)	\$ 35,085,930	\$ -	\$ 35,085,930
Governmental Grants and Contracts	1,383,092		1,383,092
Sales and Services of Educational Activities	16,934,022	72,347	17,006,369
Sales and Services of Auxiliary Enterprises (net of scholarship discounts and allowances of \$1,029,374)	4,054,074		4,054,074
Interest Income on Student Loans	36,520		36,520
<b>Total Operating Revenues</b>	<b>57,493,638</b>	<b>72,347</b>	<b>57,565,985</b>
<b>Operating Expenses:</b>			
Salaries	49,360,224		49,360,224
Benefits	20,269,164		20,269,164
Depreciation	6,405,846		6,405,846
Repairs and Maintenance	1,074,066	444	1,074,510
Services and Supplies	14,647,657	2,273	14,649,930
Student Aid	8,385,822		8,385,822
Utilities	2,641,674	2,919	2,644,593
Other Operating Expenses	10,494,824	100,949	10,595,773
<b>Total Operating Expenses</b>	<b>113,279,277</b>	<b>106,585</b>	<b>113,385,862</b>
<b>Operating Income (Loss)</b>	<b>(55,785,639)</b>	<b>(34,238)</b>	<b>(55,819,877)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Government Appropriations - State	30,649,260		30,649,260
Government Grants and Contracts	20,825,103		20,825,103
Private Gifts and Grants	3,001,796		3,001,796
Investment Income	1,379,319	410	1,379,729
Other Nonoperating Revenue (Expense)	(28,980)		(28,980)
Interest on Indebtedness	(1,026,147)		(1,026,147)
<b>Net Nonoperating Revenue</b>	<b>54,800,351</b>	<b>410</b>	<b>54,800,761</b>
<b>Income (Loss) Before Other Revenue</b>	<b>(985,288)</b>	<b>(33,828)</b>	<b>(1,019,116)</b>
<b>Other Revenue</b>			
Capital Appropriations	644,989		644,989
Capital Grants & Gifts	13,062,365		13,062,365
Nonreciprocal Transfers In (Out)	547,654	(547,654)	-
Additions to Permanent Endowments	1,258,360		1,258,360
<b>Total Other Revenue</b>	<b>15,513,368</b>	<b>(547,654)</b>	<b>14,965,714</b>
<b>Increase (Decrease) in Net Position</b>	<b>14,528,080</b>	<b>(581,482)</b>	<b>13,946,598</b>
<b>Net Position - Beginning of Year</b>	<b>170,807,218</b>	<b>2,072,378</b>	<b>172,879,596</b>
<b>Net Position - End of Year</b>	<b>\$ 185,335,298</b>	<b>\$ 1,490,896</b>	<b>\$ 186,826,194</b>

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

# SOUTHERN UTAH UNIVERSITY

## STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2013

	University	Southern Utah University Foundation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tuition and Fees	\$ 34,442,184	\$ -	\$ 34,442,184
Receipts from Grants/Contracts	1,417,984		1,417,984
Receipts from Auxiliary and Educational Services	20,109,167	146,664	20,255,831
Collection of Loans to Students and Employees	438,632		438,632
Loans Issued to Students and Employees	(418,323)		(418,323)
Payments for Employee Services and Benefits	(69,823,086)		(69,823,086)
Payments to Suppliers	(25,326,729)	(111,988)	(25,438,717)
Payments for Student Financial Aid	(8,385,822)		(8,385,822)
Net Cash Provided (Used) by Operating Activities	(47,545,993)	34,676	(47,511,317)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Appropriations	30,649,260		30,649,260
Receipts from Grants/Contracts	20,274,887		20,274,887
Gifts/Grants for Other Than Capital Purposes	3,535,805	(21,927)	3,513,878
Receipts for Permanent Endowments	1,258,360		1,258,360
Agency Account Receipts	1,471,267		1,471,267
Agency Account Payments	(1,486,272)		(1,486,272)
Net Cash Provided (Used) by Noncapital Financing Activities	55,703,307	(21,927)	55,681,380
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Receipts from Capital Grants/Gifts	8,759,277		8,759,277
Purchases of Capital Assets	(2,070,440)		(2,070,440)
Principal Paid on Capital Debt/Leases	(835,153)		(835,153)
Interest Paid on Capital Debt/Leases	(1,026,147)		(1,026,147)
Net Cash Provided (Used) by Capital Financing Activities	4,827,537		4,827,537
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale/Maturity of Investments	13,235,710		13,235,710
Receipt of Interest/Dividends from Investments	832,594	410	833,004
Purchase of Investments	(6,475,206)		(6,475,206)
Net Cash Provided (Used) by Investing Activities	7,593,098	410	7,593,508
Net Increase (Decrease) in Cash	20,577,949	13,159	20,591,108
Cash & Cash Equivalents - Beginning of Year	32,301,582	81,441	32,383,023
Cash & Cash Equivalents - End of Year	\$ 52,879,531	\$ 94,600	\$ 52,974,131

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

# SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS (CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2013

	University	Southern Utah University Foundation	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (55,785,639)	\$ (34,238)	\$ (55,819,877)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,405,846		6,405,846
Operations and Maintenance Expense paid by Division of Facility Construction and Management	397,686		397,686
Changes in Assets and Liabilities:			
Receivables (Net)	(736,815)	67,778	(669,037)
Due from Related Parties	(26,353)		(26,353)
Student Loans Receivable	99,749		99,749
Inventories	(191,024)		(191,024)
Prepaid Expenses	(185,447)		(185,447)
Accounts Payable	2,882,449	336	2,882,785
Due to Related Parties	(175,001)		(175,001)
Accrued Liabilities	368,581	800	369,381
Accrued Payroll	(377,492)		(377,492)
Deferred Revenues	(492,487)		(492,487)
Compensated Absences	269,954		269,954
Net Cash Provided (Used) by Operating Activities	\$ (47,545,993)	\$ 34,676	\$ (47,511,317)
<b>Noncash Investing, Noncapital Financing, and Capital Financing Transactions</b>			
Change in Fair Value of Investments Recognized as Investment Income	\$ 632,192	\$ -	\$ 632,192
Change in Investment Premium and Discount Recognized as Investment Income	(86,578)		(86,578)
Donation of Investment Securities	962,399		962,399
Re-investment of Investment Dividends and Interest	105,647		105,647
Nonreciprocal Transfers In (Out)	547,654	(547,654)	
Repairs and Maintenance paid by Division of Facility Construction and Management	397,686		397,686
Capital Projects paid by Division of Facility Construction and Management	644,989		644,989
Loss on Retirement of Capital Assets	(28,980)		(28,980)
Write-off of previously capitalized Construction in Progress	(2,735,638)		(2,735,638)
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>			
Cash and Cash Equivalents Classified as Current Assets	\$ 28,083,537	\$ 94,600	\$ 28,178,137
Cash and Cash Equivalents Classified as Noncurrent Assets	24,795,994		24,795,994
Total Cash and Cash Equivalents	\$ 52,879,531	\$ 94,600	\$ 52,974,131

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



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# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

## **NOTE A. Summary of Significant Accounting Policies**

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

### **Reporting Entity**

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

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

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

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

In preparing the financial statements, all significant transactions and balances between the University and its component units are not 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 Position or Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Position, 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.

### **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 (PTIF) are also considered cash equivalents. The Utah State Treasurer's Office operates the Utah PTIF which is invested in accordance with the State Money Management Act. The State Money Management Council provides regulatory oversight for the PTIF.

### **Investments**

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The valuation of real estate investments at June 30, 2013 is based on an analysis of changes in the local market applied to the most recent appraisals for all material real estate investments.

### **Accounts Receivable**

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff, and other private parties. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Donor pledges are also included as accounts receivable. Only those pledges deemed by management as collectible are recorded; therefore, no estimate is made for uncollectible amounts.

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

## **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 Position.

## **Capital Assets**

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

## **Unearned Revenues**

Unearned 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. Unearned 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 Position, and as a

component of salaries and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Position.

## **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 Position**

The University’s Net Position is classified as follows:

*Net investment in capital assets:* 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 position 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 position 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 position 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.

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

## Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

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

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

## Scholarship Discounts and Allowances

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

## Effect of New GASB Pronouncements

During the year ending June 30, 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of*

*Resources, and Net Position* and early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements had no material effect on the University financial statements and did not require any restatement of prior balances.

In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27*, effective for fiscal years 2014 and 2015, respectively. These new accounting and reporting standards may impact the University's recognition and timing of assets and liabilities in the financial statements. The requirements of these statements may require restating the beginning net position of the University. The University is not planning to early implement these Standards and has made no estimation of the effect these Standards will have on the financial statements.



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**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 noncurrent investments (instruments having an original maturity greater than 3 months and equity type investments) are recorded at fair value. At June 30, 2013, cash and cash equivalents and short-term investments consisted of:

	<u>University</u>	<u>Foundation</u>	<u>Total</u>
<u>Cash and Cash Equivalents - Current</u>			
Cash	\$ 349,137	\$ 931	\$ 350,068
Utah PTIF	27,734,400	93,669	27,828,069
Total (fair value)	\$ 28,083,537	\$ 94,600	\$ 28,178,137
 <u>Cash and Cash Equivalents - Restricted</u>			
Cash	\$ 244,092	\$ -	\$ 244,092
Money Market	2,056,759		2,056,759
Utah PTIF	22,495,143		22,495,143
Total (fair value)	\$ 24,795,994	\$ -	\$ 24,795,994
 <u>Short-term Investments</u>			
Certificates of Deposit	\$ 1,001,261	\$ -	\$ 1,001,261
Corporate Securities	7,759,685		7,759,685
Net Premiums/Discounts	(8,828)		(8,828)
Other Equity Investments		257,000	257,000
Total (fair value)	\$ 8,752,118	\$ 257,000	\$ 9,009,118

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

Except for endowment funds, the University follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository.

The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents R541, Management and Reporting of Institutional Investments (R541).

According to the Uniform Prudent Management of Institutional Funds Act, Section 13-29 of the Utah Code, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

The endowment income spending policy at June 30, 2013, was 2.5% of the 12-quarter moving average of the fair value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made. The amount of net appreciation on investments of donor-restricted endowments available for authorization

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

for expenditure at June 30, 2013 was approximately \$2,600,000. The net appreciation is a component of restricted, expendable net position.

## 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, 2013, the University's bank balances were \$4,027,974, of which \$3,277,974 was uninsured and uncollateralized.

## Investments

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

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; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund. At June 30, 2013 the University had some holdings with ratings below the required "A" rating. These holdings were downgraded below an "A" rating after their respective dates of purchase or were a gift to the University.

The UPMIFA and R541 allow the University to invest endowment funds (including gifts, devises, or bequests of

property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission; investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

At June 30, 2013, the investment portfolio composition was as follows:

	<u>Noncurrent Investments</u>	
Mutual Funds	\$	7,779,272
Common Stocks		897,611
Securities		1,970,106
Alternative Equity Investments		126,250
Total (fair value)	\$	<u>10,773,239</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

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

increasing interest rates is to comply with the Utah Money Management Act or UPMIFA and R541, 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 days - 15 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

For endowment funds, R541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Utah Money Management Act, UPMIFA, and R541 as previously discussed.

As of June 30, 2013, the University had the following investments with the following maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	Fair Value	Less than 1	1-5	6-10	More than 10
State of Utah PTIF	\$ 50,323,212	\$ 50,323,212	\$ -	\$ -	\$ -
Corporate Securities	7,762,803	7,759,685	1,078	1,155	885
Federal Securities	1,966,988		1,966,988		
	<u>\$ 60,053,003</u>	<u>\$ 58,082,897</u>	<u>\$ 1,968,066</u>	<u>\$ 1,155</u>	<u>\$ 885</u>
 <u>Other Investments/ Endowment Funds</u>					
Equity Mutual Funds	7,779,272				
Equity Investments	1,023,861				
Total Investments	<u>\$ 68,856,136</u>				

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council or the UPMIFA and R541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. For endowment funds, R541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments.

R541 also limits investments in alternative investment funds based on the size of the University's endowment fund. SUU's endowment fund size limits these alternative investment funds to between 0% and 10%.

*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, 2013, the University had \$9,729,791 in debt securities and \$897,611 in equity securities which were held by Wells Fargo Bank, N.A. but not in the University's name.

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

At June 30, 2013, the University had the following investments with the following quality ratings:

<u>Investment Type</u>	Fair	<u>Quality Ratings</u>						
	Value	AA+	A+	A	A-	BBB+	<B	Unrated
State of Utah PTIF	\$ 50,323,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,323,212
Corporate Notes	7,762,803		2,522,872	1,707,973	2,005,214	1,492,646	4,098	
Federal Notes	1,966,988	1,966,988						
Total	<u>\$ 60,053,003</u>	<u>\$ 1,966,988</u>	<u>\$ 2,522,872</u>	<u>\$ 1,707,973</u>	<u>\$ 2,005,214</u>	<u>\$ 1,492,646</u>	<u>\$ 4,098</u>	<u>\$ 50,323,212</u>

**NOTE C. Receivables**

Receivables consisted of the following at June 30, 2013:

	<u>University</u>	<u>Foundation</u>	<u>Total</u>	<u>Current Portion</u>
Student Tuition and Fees	\$ 1,401,079	\$ -	\$ 1,401,079	\$ 1,401,079
Federal, State, and Private Grants and Contracts	651,695		651,695	651,695
Auxiliary Service Charges	506,910		506,910	506,910
Continuing & Professional Studies Fees	476,179		476,179	476,179
Utah Shakespearean Festival Ticket Sales	557,600		557,600	557,600
Interest and Dividends Receivable	34,974		34,974	34,974
Contributions and Gifts (Pledges)	5,117,479		5,117,479	2,076,148
Other Operating	187,542	254,087	441,629	441,629
Allowance for Doubtful Accounts	(371,000)	(73,518)	(444,518)	(444,518)
Total	<u>\$ 8,562,458</u>	<u>\$ 180,569</u>	<u>\$ 8,743,027</u>	<u>\$ 5,701,696</u>



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**NOTE D. Due To/Due From Related Party**

Southern Utah University receives and provides services, supplies, repairs and maintenance, and capital projects through departments, agencies, and other component units of the State of Utah. The following tables are a summary of the amounts due from and to the Division of Facilities and Construction Management (DFCM) for repairs and maintenance and capital projects and all other related parties for services and supplies as of the year ended June 30, 2013.

Related Party Receivables consisted of the following at June 30, 2013:

	Balance
State of Utah	\$ 346,543
Governor's Office of Econ Dev	70,399
University of Utah	67,733
Other related parties	8,753
Total	\$ 493,428

Related Party Payables consisted of the following at June 30, 2013:

	Balance
DFCM	\$ 451,745
Other related parties	127,118
Total	\$ 578,863



**NOTE E. Loans Receivable**

Student loans made through the Federal Perkins Loan Program (the Program) comprised substantially all of the loans receivable at June 30. The Program provided for

cancellations of loans at rates of 10% to 30% per year up to a maximum of 100% if the participant complied with certain provisions. In the past, the Federal Government has reimbursed the University for amounts cancelled under these provisions; however, for the past few years there have been no reimbursements.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal Government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2013, the current and long-term loans receivable amounts net of allowance were \$402,720 and \$1,443,673, respectively. The allowance for uncollectible loans was \$83,300.

**NOTE F. Inventories**

Total inventories at June 30, 2013 were \$1,045,105. They consisted of a gifted collection of *Westward America*, Deluxe and Collector Editions held for resale in the amount of \$13,115, as well as Bookstore inventory in the amount of \$1,031,990.

**NOTE G. Prepaid Expenses and Unearned Revenues**

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

Prepaid Expenses and Unearned Revenues at June 30, 2013, consisted of the following:

	Prepaid Expenses	Unearned Revenues
Utah Shakespeare Festival	\$ 3,321,872	\$ 2,883,254
Student Tuition and Fees		1,574,558
Grants and Contracts		81,205
Miscellaneous	1,624,823	603,048
Total	\$ 4,946,695	\$ 5,142,065

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**NOTE H. Capital Assets and Real Estate Held for Sale**

along with \$1,230,914 held in the SUU Foundation. All of the property is donated property.

Land held for sale is stated at the lower of cost at the date of acquisition (donation) or market. As of June 30, 2013, the University held real estate for sale recorded at \$51,400

Capital assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts and consisted of the following at June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Land	\$ 8,659,821	\$ 3,844	\$ -	\$ 8,663,665
Land Imp/Infrastructure	8,666,778	1,532,725		10,199,503
Buildings	172,405,202	342,798	(1,451,769)	171,296,231
Equipment	12,210,093	336,047	(278,156)	12,267,984
Vehicles	1,568,866		(84,758)	1,484,108
Intangibles	640,174			640,174
Art Work/Collections	2,394,765	204,725	(2,580)	2,596,910
Library Collections	6,826,928	217,338	(72,396)	6,971,870
Construction-in-Progress	3,105,250	454,202	(3,105,251)	454,201
Total	216,477,877	3,091,679	(4,994,910)	214,574,646
 Less: Accumulated Depreciation				
Land Imp/Infrastructure	5,766,248	397,229		6,163,477
Buildings	59,797,866	4,025,964	(1,451,769)	62,372,061
Equipment	8,251,904	1,505,722	(249,175)	9,508,451
Vehicles	1,165,732	107,744	(84,758)	1,188,718
Intangibles	469,693	77,399		547,092
Art Work/Collections	565,273	19,469	(2,580)	582,162
Library Collections	3,173,699	272,319	(72,395)	3,373,623
Total	79,190,415	6,405,846	(1,860,677)	83,735,584
Capital Assets, net	\$ 137,287,462	\$ (3,314,167)	\$ (3,134,233)	\$ 130,839,062

The Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for State institutions, maintains records, and furnishes cost information for recording capital assets on the books of the University. Construction projects are recorded on the books of the University as funds are expensed or when projects are substantially completed if funded through State Appropriations administered through DFCM. The University is committed to the completion of all projects that are added to construction-in-progress. Remaining estimated costs to be incurred by the University in completion of these projects as of June 30, 2013, was

\$29,780,798. Of the remaining cost, \$7,180,277 is contractually committed to DFCM for the projects included in construction-in-progress as of June 30, 2013.

During the year, the University combined the Southern Utah Museum of Art and the Utah Shakespeare Theatre construction projects into one project titled the Center for the Arts. The combination of these projects requires new architectural designs, as the previous designs were not adequate for the new project. As a result, \$2,735,638 of architectural design fees previously included in construction-in-progress were expensed.

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

Construction in progress at June 30, 2013 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
Valley Farm Arena	\$ 15,000	\$ 10,295	69%
SUMA	8,730,000	79,745	1%
USF Outdoor Theatre	13,730,000	125,416	1%
Center for the Arts	7,500,000	68,509	1%
USF Storage Building	260,000	170,236	65%
Total	<u>\$ 30,235,000</u>	<u>\$ 454,201</u>	

**NOTE I. Accounts, Interest, and Payroll Related Payables**

Accounts and Interest payable consisted of the following at June 30, 2013:

	University	Foundation	Total
Vendors	\$ 1,715,330	\$ 630	\$ 1,715,960
Interest	136,276		136,276
Sales Tax	21,619		21,619
Other	6,417		6,417
Total	<u>\$ 1,879,642</u>	<u>\$ 630</u>	<u>\$ 1,880,272</u>

Payroll and Withholding Taxes payable consisted of the following at June 30, 2013:

	Balance
Accrued Payroll	\$ 635,280
FICA & Medicare	42,189
Federal and State Taxes	2,429
Workers Compensation	9,886
Retirement	226,136
Total	<u>\$ 915,920</u>

**NOTE J. Deposits and Other Liabilities**

Deposits and Other Liabilities consisted of the following at June 30, 2013:

	Balance
Agency Funds	\$ 160,981
Enrollment	152,300
Housing	7,229
Housing - Foundation	1,843
Gift Certificates - USF	166,389
Gift Certificates - Bookstore	5,655
Other	10,489
Total	<u>\$ 504,886</u>



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**NOTE K. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b>Bonds, Notes, and Contracts Payable</b>					
Bonds Payable	\$ 20,415,000	\$ -	\$ (1,005,000)	\$ 19,410,000	\$ 1,085,000
Unamortized Bond Premium	853,103		(115,441)	737,662	114,572
Unamortized Bond Discount	(38,299)		2,938	(35,361)	(2,864)
Deferred Series 2003 Refunding	(282,350)		282,350		
Notes Payable	385,000			385,000	385,000
Remainder Annuity Trusts	74,742		(7,030)	67,712	7,729
Remainder Annuity Trusts - Foundation	291,641		(21,927)	269,714	23,280
Total	21,698,837	-	(864,110)	20,834,727	1,612,717
<b>Compensated Absences &amp; Termination Benefits</b>					
Compensated Absences	1,641,743	1,434,386	(1,406,607)	1,669,522	1,387,314
Termination Benefits	1,188,177	566,477	(324,302)	1,430,352	457,797
Total	2,829,920	2,000,863	(1,730,909)	3,099,874	1,845,111
<b>Total Long-Term Liabilities</b>	<b>\$ 24,528,757</b>	<b>\$ 2,000,863</b>	<b>\$ (2,595,019)</b>	<b>\$ 23,934,601</b>	<b>\$ 3,457,828</b>



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**NOTE L. Bonds and Notes Payable**

Revenue bonds payable consisted of the following at June 30, 2013:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid 2012-13	Balance June 30, 2013
<b>Bonds Payable</b>					
Auxiliary System, Series 2002A	1/22/2002	3.000-5.250%	\$ 4,540,000	\$ 595,000	\$ 625,000
Auxiliary System, Series 2008	7/22/2008	3.500-5.250%	12,025,000	335,000	10,745,000
Auxiliary System, Series 2011	8/11/2011	2.000-4.000%	8,285,000	75,000	8,040,000
<b>Total Bonds Payable</b>			<b>\$ 24,850,000</b>	<b>\$ 1,005,000</b>	<b>\$ 19,410,000</b>

The scheduled maturities of the revenue bonds are as follows at June 30, 2013:

Year	Principal	Interest	Total
2014	1,085,000	817,656	1,902,656
2015	1,135,000	771,544	1,906,544
2016	1,165,000	733,844	1,898,844
2017	1,205,000	695,144	1,900,144
2018	1,250,000	655,094	1,905,094
2019-2023	7,030,000	2,467,925	9,497,925
2024-2028	2,885,000	1,315,250	4,200,250
2029-2033	3,655,000	548,988	4,203,988
<b>Total Bonds payable before unamortized premium</b>	<b>\$ 19,410,000</b>	<b>\$ 8,005,445</b>	<b>\$ 27,415,445</b>

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

The University is required to maintain certain debt service reserves aggregating \$2,363,456. As of June 30, 2013, the balance in the debt service reserve funds met or exceeded this requirement.

**Note Payable**

The University holds a note payable in the amount of \$385,000 that bears interest at zero percent. At the request of the note holder, the maturity of the note was moved from January 2012, to “mid-to-late 2013.”



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**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, 2013:

	Date Created	Interest Rate	Present Value	Current Portion
Charitable Remainder Annuity Trusts:				
J & C Wadsworth	9/25/2001	6.200%	\$ 269,714	\$ 23,280
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	67,712	7,729
Total Annuities Payable			\$ 337,426	\$ 31,009

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2014	\$ 31,009	\$ 21,733	\$ 52,742
2015	33,043	19,728	52,771
2016	35,213	17,589	52,802
2017	37,527	15,306	52,833
2018	39,996	12,869	52,865
2019-2022	160,638	24,496	185,134
Total	\$ 337,426	\$ 111,721	\$ 449,147



# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

**Operating Lease**

Southern Utah University has entered into operating leases to rent both additional office space and classroom space. The terms of the leases vary depending on the lease and the lessor. While one of the leases includes annual escalations to the amount due based on the Consumer Price Index (CPI), the remainder of the leases do not include any escalation clauses with respect to the annual charges. For the fiscal year ended June 30, 2013, payments of \$456,797 were paid on these leases and are included in Other Operating Expenses on the Statement of Revenues, Expenses, and changes in Net Position.

Future minimum payments of the operating leases, adjusted for an average CPI of 1.33% where applicable, are as follows:

Year	Payments
2014	426,663
2015	352,443
2016	203,431
2017	97,083
2018	74,547
2019-2020	78,017
Total	\$ 1,232,184

**NOTE M. Auxiliary System Bond Revenue Fund**

The following schedule reflects the pledged receipts and disbursements of the Bond Revenue Fund of the Auxiliary System for the year ended June 30, 2013:

**Pledged Receipts:**

Operating Revenues	\$ 7,691,079
Operating & Maintenance Expenses	(4,834,914)
Total Pledged Net Receipts	\$ 2,856,165
Transfers to:	
Debt Service	\$ 1,851,503
Trustee and Other Fees	15,225
Renewal & Replacement Reserves	828,137
Other Lawful Purposes	161,300
Total Transfers of Pledged Receipts	\$ 2,856,165
Debt Service Reconciliation:	
Debt Service Principal and Interest payments	\$ 1,868,706
Bond Reserve Interest applied to Debt Service	(17,203)
Total Transfer to Debt Service	\$ 1,851,503



**NOTE N. Retirement Plans**

As required by state law, the University participates in three retirement plans covering substantially all of its regular employees. Faculty and administrative employees participate in the Teachers Insurance and Annuity Association (TIAA) and/or Fidelity Investments while all other staff employees participate in the Utah State Retirement System. The total payroll expenses for the years ended June 30, 2013, 2012, and 2011 were \$49,360,224, \$47,659,575, and \$44,552,301, respectively.

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

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

<b>Retirement Program</b>	Covered Payroll Expenses		
	2013	2012	2011
TIAA	\$ 20,480,890	\$ 20,545,464	\$ 18,541,285
Fidelity	7,591,344	6,661,475	5,270,822
State-Contributory	461,157	53,977	51,180
State-Noncontributory	10,507,318	10,767,228	10,162,265
State-Public Safety	216,787	197,089	196,571
Total	\$ 39,257,496	\$ 38,225,233	\$ 34,222,123

<b>Retirement Program</b>	Retirement Contributions		
	2013	2012	2011
TIAA	\$ 2,908,286	\$ 2,917,456	\$ 2,632,862
Fidelity	1,077,971	945,929	748,457
State-Contributory	48,614	9,892	9,125
State-Noncontributory	2,117,860	1,963,091	1,806,858
State-Public Safety	80,840	67,024	64,377
Salary Deferral 401(k) - Employer	184,667	191,500	163,489
Salary Deferral 401(k) and 457 - Employee	292,411	314,129	286,346
Total	\$ 6,710,649	\$ 6,409,021	\$ 5,711,514

Retirement Contributions represent the funds which were contributed by the University, which includes 20.27% of covered employees' salaries participating in the Utah State Retirement Contributory System, 20.26% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Noncontributory System, 38.79% (including 1.5% to a 401(k) salary deferral program) of covered employees' salaries participating in the Utah State Retirement Public Safety Noncontributory System and 14.20% of covered employees' salaries participating in the Teachers Insurance and Annuity Association or Fidelity Investments. The employees' and employer's shares of the contributions were paid by the University. Total contributions made were equal to the required contributions for those years.

*Utah Public Employee Contributory, Noncontributory, and Public Safety Retirement Systems* are multi-employer, cost-sharing, defined benefit pension plans that are administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and

specified by the Utah State Retirement Board (Board). Beginning July 1, 1986, all new participants in the Systems must be enrolled in the Noncontributory system or the Public Safety systems. Employees enrolled prior to that date could elect to participate in either the Contributory or Noncontributory systems.

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

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

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 full 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 full retiree health care benefits payments for the year ended June 30, 2013 was \$68,565. The number of participants for the year ended June 30, 2013 was 13.

The University, as authorized by its Board of Trustees, offers an early retirement incentive option to eligible employees that includes a stipend of an amount equal to the lesser of 20 percent of the employee's annual base salary at the time of early retirement or the employee's estimated Social Security benefit at full retirement age, along with the continuation of certain health care insurance premiums for a period of the lesser of 5 years or until the employee reaches Social Security full retirement age. Eligible employees were offered a stipend of 23 percent if they retired between March 1, 2009 and July 31, 2009. Full-time University employees whose accumulated age plus years of service equal at least 75 and are at least 57 are eligible to apply. The cost of early retiree benefits is funded on a pay-as-you-go basis. The total early retiree stipend and benefits payments for the year ended June 30, 2013 was \$255,737. The number of participants for the year ended June 30, 2013 was 21.

The projected future cost of the full retiree health care benefits, early retirement stipends, and early retirement 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 5.35, 1.03, and 2.67 percent, respectively. These increases are based on historical data. The net present value of the total projected costs is calculated using the estimated yield (0.50 percent) for short term investments. The net present value is the amount recognized on the financial statements as a liability for termination benefits.

## **NOTE O. Funds Held in Trust by Others**

Funds held in trust by others are neither in the possession of nor under the management of the University. These funds, which are not recorded on the University's financial records and which arose from contributions, are held and administered by external fiscal agents, selected

by the donors, who distribute net income earned by such funds to the University, where it is recorded when received. Funds held in trust at June 30, 2013 were \$355,455 at cost and \$377,059 at fair value.

## **NOTE P. Functional Classification**

At June 30, 2013, the University's operating expenses by functional classification were as follows:

Instruction	\$	28,584,418
Research		173,874
Public Service		13,859,803
Academic Support		8,628,450
Student Services		11,573,849
Institutional Support		19,032,939
Operation and Maintenance of Plant		11,648,330
Student Aid		8,385,822
Auxiliary Enterprises Expenses		5,092,531
Depreciation		6,405,846
Total	\$	<u>113,385,862</u>

## **NOTE Q. Insurance Coverage**

The University insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage through policies administered by the State of Utah Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a \$1,000 per occurrence deductible. All revenues from the University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils. Additionally, the University is protected against employee dishonesty exposures under a \$10 million crime policy. The Utah State Risk Management Fund provides coverage to the University for general, automobile, personal injury, errors or omissions, and malpractice liability at \$10 million per occurrence. The University qualifies as a "governmental body" under the Utah Governmental Immunity Act which limits applicable claim settlements to \$674,000 for one person in any one occurrence or \$2,308,400 for two or more persons in any one occurrence and \$269,700 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.

# SOUTHERN UTAH UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

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

University has recorded the investments of the Health Care Plan funds at June 30, 2013 and the estimated liability for self-insurance claims at that date in the Statement of Net Position. 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 Position.

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

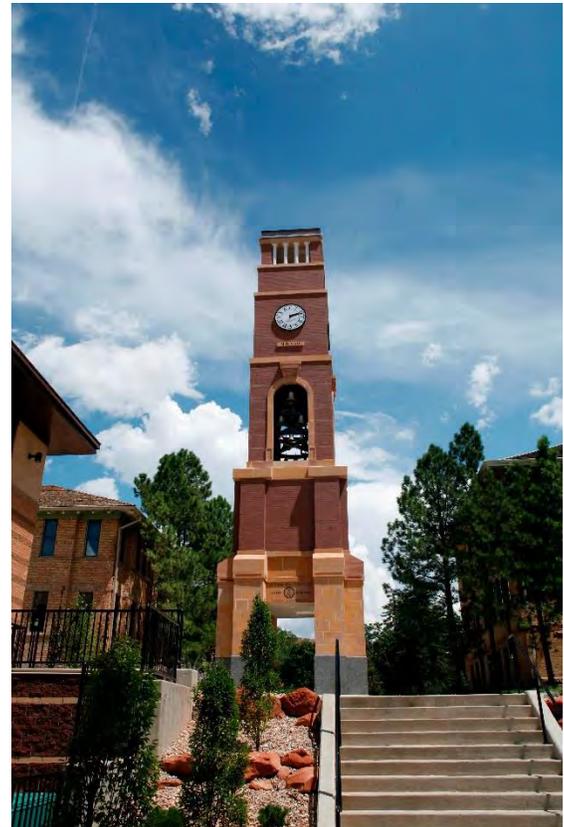
	Medical	Dental	Total
Estimated Claims Liability - Beginning of Year	\$ 1,645,070	\$ 120,406	\$ 1,765,476
Net Current Year Claims and Administration Expenses	9,095,332	560,337	9,655,669
Cash Paid for Claims	(8,658,690)	(592,744)	(9,251,434)
Estimated Claims Liability - End of Year	\$ 2,081,712	\$ 87,999	\$ 2,169,711

**NOTE R. Festival City Development Foundation Transactions**

The University receives from the Festival City Development Foundation an in-kind contribution of a portion of the housing needs for actors and technicians participating in the Shakespearean Festival. The value of the donated housing is estimated to be \$343,200. 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 S. Nonreciprocal Transfers**

The University does not eliminate transactions between it and the Southern Utah University Foundation. As such, during the year ended June 30, 2013, a pledge agreement between a donor and the Foundation was modified to be between the donor and the University. The modification resulted in the need to transfer \$541,915 of pledges receivable from the Foundation to the University. Additionally, there were current year transfers from the Foundation to the University in the amount of \$5,739 accounting for the total nonreciprocal transfers of \$547,654.





# SOUTHERN UTAH UNIVERSITY

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## SOUTHERN UTAH UNIVERSITY BOARD OF TRUSTEES

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*Annual Financial Report prepared by*  
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**435.586.7724**