

UTAH VALLEY STATE COLLEGE FINANCIAL REPORT 2003



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President's Message

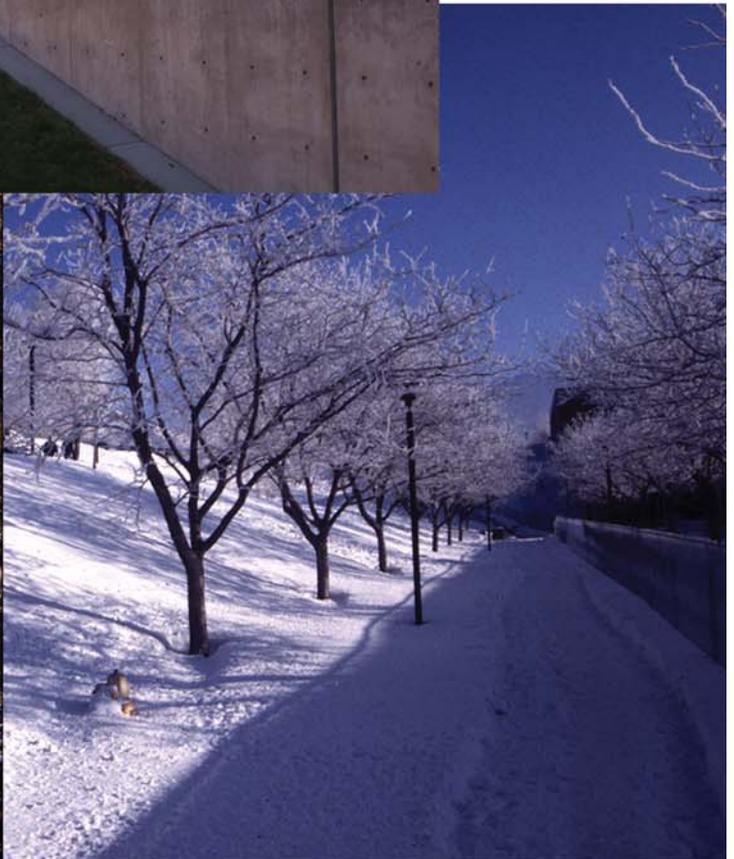
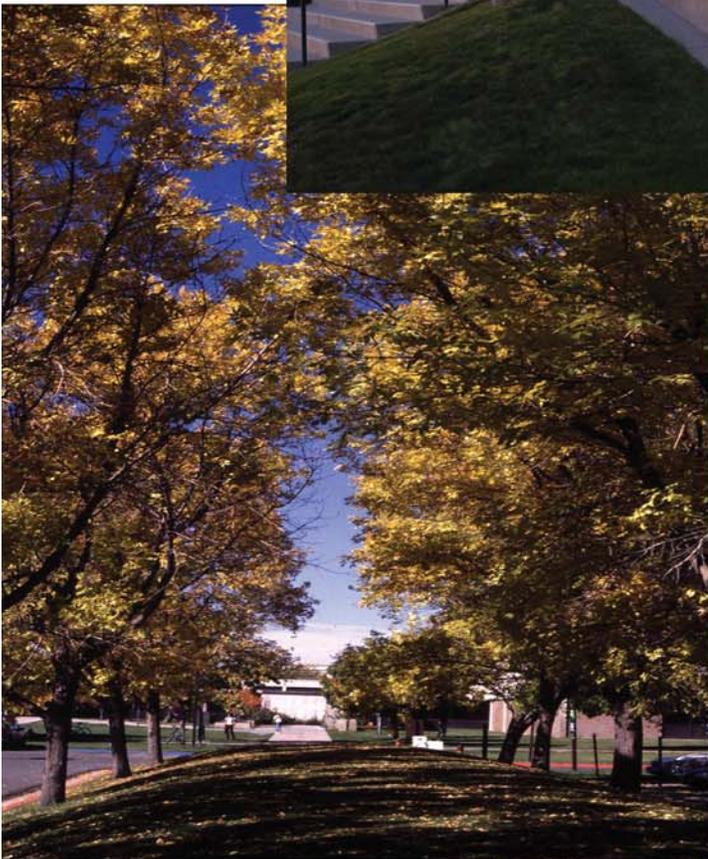
Utah Valley State College is what is today because of the vision, effort and expertise of its employees, alumni, friends, community and governmental leaders. UVSC continues to mature in its role as a two- and four-year comprehensive institution and is gaining in its national notoriety for academic and athletic endeavors. I am honored to now be the one to champion this vision and I am committed to do everything in my power to see it through to fruition.

Through the gracious contributions of time and resource of all who understand UVSC's role in our community and the lives of our children, the current challenges of growth, marketplace positioning, brand awareness and curriculum development will be conquerable. I thank you for your willingness to give of yourself for the greatest cause of humankind—the education and the enlightenment of the human soul.

Sincerely,

A handwritten signature in black ink, reading "William A. Sederburg". The signature is written in a cursive style with a prominent initial "W".

William A. Sederburg
President



ENROLLMENT

Students enrolled Fall 2002 a record of 23,609
Fall 1994 enrollment was just over 10,000
Fall 1998 was 18,174
Projected enrollment for 2012 is 34,610

89% of UVSC student are Utah residents, 9% are from other states and 2% are international
Representing 49 states of the US and 89 countries

The college experienced a 14% increase in students transferring to UVSC from other colleges and universities and a 40% drop in the number of students planning to transfer to other colleges or universities

ACADEMICS

The average incoming high school GPA for freshmen is 3.59

UVSC now offers 32 Bachelor degree programs

Number of graduates Spring 2003: 3,402

- Bachelor of Arts: 41
- Bachelor of Science: 958
- Associate in Arts: 114
- Associate in Science: 1767
- Associate in Applied Science: 347
- One-year Certificate 154

2002-2003 school year \$526,545.97 in scholarships were awarded from 59 endowed and 57 annual funds. A 64% increase from 2000-2001 school year

Interesting Facts and Information

UVSC is the first member of the NJCAA to jump directly to **Division I** status of the NCAA

The college's new Woodbury Art Gallery is booked for the next 3 years

In April 2003 the UVSC Orchestra was the first Utah college or university orchestra to perform at Carnegie Hall

UVSC is home to the largest LDS Institute program in the world, with 6,562 students and 7,246 web students enrolled Fall 2002

UVSC is located on 240 acres

UVSC physical facilities include 31 buildings with the new Liberal Arts building and Wasatch Campus scheduled to open Fall 2003. Total gross square feet is 1,741,200

SOURCES

UVSC Pocket Facts 2003

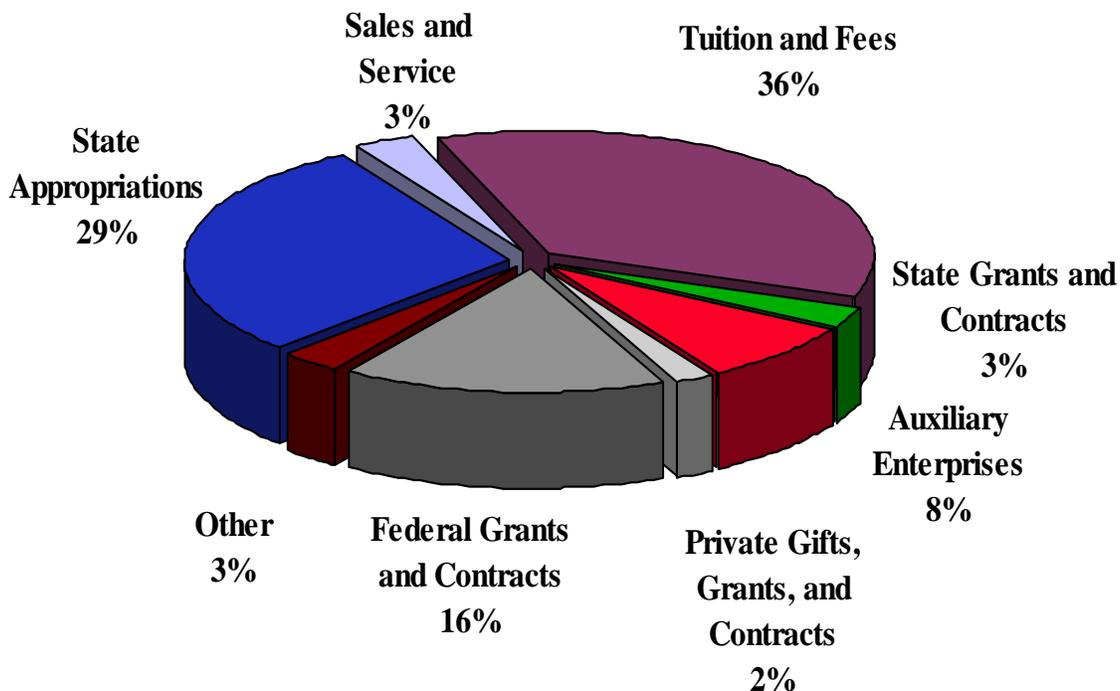
- UVSC Institutional Research & Mgmt Studies
- Utah System of Higher Education, 2001-2002, 2002-2003 Data Books
- Utah System of Higher Education, 2003 Long-term Enrollment Projection Model
- UVSC Fact Book 2002-2003
- Orem LDS Institute Enrollment Officer
- UVSC Planning Facilities Office
- UVSC Athletic Department
- UVSC Institutional Advancement



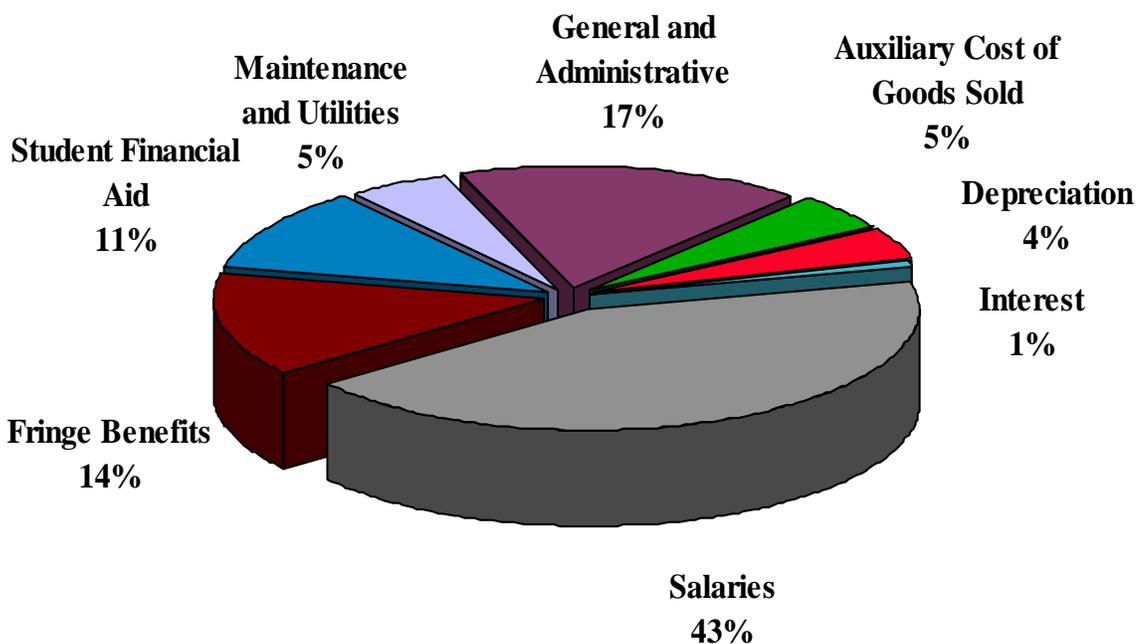
Charts and Graphs

Total Revenues and Expenditures

Revenues 2002 - 2003



Expenditures 2002 - 2003



INDEPENDENT AUDITORS' REPORT

October 2, 2003

Board of Trustees and
William A. Sederburg, President
Utah Valley State College

We have audited the accompanying basic financial statements of Utah Valley State College, a component unit of the State of Utah, as of and for the year ended June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Utah Valley State College Foundation, a component unit of Utah Valley State College. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utah Valley College Foundation, is based solely on the report of the other auditors.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Utah Valley State College as of June 30, 2003, and the results of operations and cash flows 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 a report dated October 2, 2003, on our consideration of Utah Valley State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson, Black & Associates, P.C.

Peterson, Black & Associates, P.C.
Certified Public Accountants



Utah Valley State College

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Utah Valley State College is proud to present its financial statements for the fiscal year ending June 30, 2003. The implementation of GASB Statements 34 & 35 requires that the College report the financial statements with comparative data from fiscal year 2002. Therefore, the discussion will be based on the comparative data presented. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Change in Net Assets; and, the Statement of Cash Flows.

This discussion and analysis of the College's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement or the College's Balance Sheet. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Utah Valley State College. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities or Equity). The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted net assets is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available for expenditure for any lawful purpose of the institution.

Statement of Net Assets

	<u>2003</u>	<u>2002</u>
Assets:		
Current Assets	34,195,355	29,226,170
Accounts, notes receivable	1,552,511	1,539,946
Capital Assets, net	116,362,473	119,691,421
Other Assets	<u>444,206</u>	<u>416,794</u>
Total Assets	<u>152,553,245</u>	<u>150,874,330</u>
Liabilities		
Current Liabilities	10,729,192	8,757,043
Noncurrent Liabilities	<u>19,379,656</u>	<u>20,145,915</u>
Total Liabilities	<u>30,108,848</u>	<u>28,902,957</u>
Net Assets		
Invested in capital assets, net of debt	96,425,875	99,116,748
Restricted- Expendable	6,964,643	6,147,526
Restricted- Nonexpendable	150,500	50,475
Unrestricted	<u>18,903,378</u>	<u>16,656,624</u>
Total Net Assets	<u>122,444,396</u>	<u>121,971,373</u>

The increase in current assets held by the college is mainly due to an increase in actual cash which will be discussed later in the cash flow section. The capital assets of the College decreased primarily due to the depreciation of those assets. The total assets also increased due to the increase in cash held by the institution. The changes in accounting principles that affected the financial statements so dramatically last year, had no such affect on this year's financial statements.

Total liabilities increased this fiscal year due to increased accounts payable owed by the College as well as the removal of all assets held by the College for the Mountainland Applied Technology Center, these were all classified as funds held for others, increasing the liabilities owed by the College.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods or services for those revenues.

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 96,995,195	\$ 85,784,819
Operating expenses	<u>139,713,924</u>	<u>130,964,038</u>
Operating loss	(42,718,729)	(45,179,219)
Nonoperating revenues and expenses	<u>39,933,386</u>	<u>44,428,944</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(2,785,343)	(750,275)
Other revenues, expenses, gains or losses	<u>3,258,366</u>	<u>1,613,062</u>
Increase in Net Assets	473,023	862,787
Net Assets at Beginning of Year, as Originally Reported	121,971,373	162,725,060
Cumulative effect of changes in accounting principle	<u>-</u>	<u>(41,616,474)</u>
Net Assets at Beginning of Year - Restated	<u>121,971,373</u>	<u>121,108,586</u>
Net Assets at End of Year	<u>\$ 122,444,396</u>	<u>\$ 121,971,373</u>

The Statement of Revenues, Expenses, and Changes in Net Assets, reflects a positive year with an increase in the net assets of \$473,023. Explanations of a few of the changes causing the increase in Net Assets follow:

- Operating revenues increased significantly due to a 16 percent increase in student tuition and fees. This also increased due to increased sales by the auxiliary enterprises and other departments.
- Operating revenues also increased during this year due to enrollment growth of over 6 percent.
- Operating revenue also increased over \$3 million mainly due to an increase in Pell grants awarded to students.
- The salary and fringe benefit expenses increased with the enrollment growth. Financial Aid expense also increased nearly \$3 million.

- Nonoperating income decreased by over \$4 million due to budget cuts from state appropriations and a reduction in gifts or donations received.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with the cash used for the acquisition and construction of capital related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Cash Flows

	<u>2003</u>	<u>2002</u>
Cash provided (used) by:		
Operating Activities	\$ (34,724,750)	\$ (44,008,013)
Noncapital Financing Activities	41,461,009	43,300,418
Capital Financing Activities	(1,762,737)	(18,393,171)
Investing Activities	<u>993,943</u>	<u>6,172,670</u>
Change in Cash	5,967,466	(12,928,096)
Cash - Beginning of Year	<u>21,219,572</u>	<u>34,147,668</u>
Cash - End of Year	<u>\$ 27,187,038</u>	<u>\$ 21,219,572</u>

Capital Asset and Debt Administration

The College had no significant capital asset additions for facilities in fiscal year 2003. The College is currently in the process of several capital projects including, but not limited to the Liberal Arts Building and the New Wasatch Campus which are both scheduled to open August of 2003. There were no new bond issues in fiscal year 2003. There have been no significant changes in credit ratings or debt limitations that may affect future financing for the College.

For additional information concerning Capital Assets and Debt Administration, see Note 6, 8, and 10 in the notes to the financial statements.

Economic Outlook

The College is not aware of any currently known facts, decisions, or conditions, other than the current updated budgets, that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The College's overall financial position is strong. Even in a negatively funded year, the College was able to generate a slight increase in Net Assets. The College anticipates the current fiscal year will be similar to the last and will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Michael R. Francis, CPA

Assistant Vice President for Business & Controller

Financial Statements

Utah Valley State College
Statement of Net Assets
June 30, 2003

	Primary Institution UVSC	Component Unit UVSC Foundation	Total for the Year Ended 6/30/03	Total for the Year Ended 6/30/02
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	26,833,303	1,237,779	28,071,082	22,322,266
Short term investments	259,350		259,350	504,711
Cash on deposit with State Agencies	353,735		353,735	482,839
Accounts receivable, net	4,052,957		4,052,957	4,470,009
Notes receivable	266,143	6,209	272,352	306,635
Prepaid expenses, deferred charges	844,532	21,583	866,115	968,718
Inventories	1,584,335		1,584,335	1,880,968
Total Current Assets	34,194,355	1,265,571	35,459,926	30,936,146
<i>Noncurrent Assets</i>				
Notes receivable, net	1,552,211		1,552,211	1,539,946
Contributed assets held		50,731	50,731	63,620
Other long term assets		5,193,930	5,193,930	5,435,792
Long term investments	444,206	9,798,406	10,242,612	11,302,843
Non depreciable capital assets, net	8,133,568	4,451,964	12,585,532	10,758,010
Depreciable capital assets, net	108,228,905	5,040,448	113,269,353	117,436,140
Total Noncurrent Assets	118,358,890	24,535,479	142,894,369	146,536,351
Total Assets	152,553,245	25,801,050	178,354,295	177,472,497
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	2,443,829		2,443,829	1,668,609
Accrued liabilities	2,600,918	726,850	3,327,768	3,725,790
Other liabilities	705,151		705,151	522,678
Deferred revenue	1,963,272	583,867	2,547,139	2,462,651
Current portion of bonds, notes, and capital leases	1,666,017	249,656	1,915,673	1,588,371
Funds held for others	1,350,005		1,350,005	318,459
Total Current Liabilities	10,729,192	1,560,373	12,289,565	10,286,558
<i>Noncurrent Liabilities</i>				
Accrued liabilities	1,109,076		1,109,076	856,112
Bonds, notes, and capital leases	18,270,580	1,764,832	20,035,412	21,427,203
Total Noncurrent Liabilities	19,379,656	1,764,832	21,144,488	22,283,315
Total Liabilities	30,108,848	3,325,205	33,434,053	32,569,873
NET ASSETS				
Invested in capital assets, net of related debt	96,425,875		96,425,875	99,116,748
Restricted for:				
Nonexpendable				
Scholarships	150,500	5,497,177	5,647,677	5,110,983
Expendable				
Scholarships	866,029	16,720,251	17,586,280	18,733,422
U. S. Government grants, refundable	1,573,022		1,573,022	1,504,321
Loans	666,594		666,594	489,166
Capital projects	3,082,523		3,082,523	2,058,571
Debt service	776,475		776,475	693,837
Unrestricted	18,903,378	258,417	19,161,795	17,195,576
Total Net Assets	122,444,396	22,475,845	144,920,241	144,902,624

Utah Valley State College
Statement of Revenues, Expenses, and Changes in Net Assets
for the Year Ended June 30, 2003

	Primary Institution UVSC	Component Unit UVSC Foundation	Total for the Year Ended June 30, 2003	Total for the Year Ended June 30, 2002
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$5,490,917)	50,478,556		50,478,556	45,330,860
Federal grants and contracts	22,744,569		22,744,569	18,244,778
State grants and contracts	4,389,793		4,389,793	4,483,730
Private grants and contracts	4,619		4,619	
Sales and service of education departments	4,295,695		4,295,695	3,599,143
Auxiliary enterprises (net of scholarship allowances of \$808,173)	11,347,049		11,347,049	10,437,272
Other operating revenues	3,734,914		3,734,914	3,689,036
Total operating revenues	96,995,195		96,995,195	85,784,819
EXPENSES				
Operating Expenses:				
Salaries	60,575,653		60,575,653	56,841,719
Fringe benefits	20,539,643		20,539,643	18,878,828
Student financial aid	15,501,060	778,906	16,279,966	13,649,715
Maintenance and utilities	7,130,717		7,130,717	8,526,649
General and administrative	22,939,412	12,760,811	35,700,223	25,812,375
Cost of goods sold - Auxiliary enterprises	7,536,221		7,536,221	7,150,183
Depreciation	5,491,218		5,491,218	4,509,994
Total operating expenses	139,713,924	13,539,717	153,253,641	135,369,463
Operating income (loss)	(42,718,729)	(13,539,717)	(56,258,446)	(49,584,644)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	40,258,071		40,258,071	42,111,745
Gifts	1,202,938	12,584,203	13,787,141	6,532,197
Investment income (net of investment expense of \$ 28,616)	775,994	500,108	1,276,102	297,816
Interest on capital asset-related debt	(1,098,850)		(1,098,850)	(1,324,430)
Other nonoperating revenues (expenses)	(1,204,767)		(1,204,767)	(133,214)
Net nonoperating revenues (expenses)	39,933,386	13,084,311	53,017,697	47,484,114
Income before other revenues, expenses, gains, or losses	(2,785,343)	(455,406)	(3,240,749)	(2,100,530)
Capital appropriations	1,631,836		1,631,836	903,268
Capital grants and gifts	1,626,530		1,626,530	709,794
Total other revenues	3,258,366		3,258,366	1,613,062
Increase (decrease) in net assets	473,023	(455,406)	17,617	(487,468)
NET ASSETS				
Net assets--beginning of year	121,971,373	22,931,251	144,902,624	145,390,092
Net assets--end of year	122,444,396	22,475,845	144,920,241	144,902,624

**Utah Valley State College
Statement of Cash Flows
For the Year Ended June 30, 2003**

	Primary Institution UVSC	Component Unit UVSC Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	50,873,309		50,873,309
Total Cash Rec'd from Grants/Contracts	27,138,981		27,138,981
Net Payments to Suppliers	(35,401,236)		(35,401,236)
Net Payments for Employee Services/Benefits	(81,394,875)		(81,394,875)
Payments for Student Aid: Scholarships/Fellowships	(15,501,060)		(15,501,060)
Total Receipts for Auxiliary/Education Departments Sales and Services	15,642,744		15,642,744
Net Other Operating Receipts/(Payments)	3,917,387	(309,730)	3,607,657
Net cash provided (used) by Operating Activities	(34,724,750)	(309,730)	(35,034,480)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Appropriations	40,258,071		40,258,071
Gifts from grants for other than capital purposes	1,202,938		1,202,938
Private gifts for endowment purposes	-		-
Net cash provided (used) by Noncapital Financing Activities	41,461,009	-	41,461,009
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Capital appropriations	1,631,836		1,631,836
Capital grants and gifts received	1,552,211		1,552,211
Other	-		-
Net Purchases of Capital Assets	(2,509,585)		(2,509,585)
Proceeds from sale of capital assets	163,499		163,499
Principle paid on note payable	(87,719)		(87,719)
Principle paid on capital debt and leases	(1,422,600)	(188,482)	(1,611,082)
Interest paid on capital debt and leases	(1,090,379)	(38,459)	(1,128,838)
Proceeds for capital debt issued	-		-
Net cash used by Capital Financing Activities	(1,762,737)	(226,941)	(2,153,177)
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	250,012	3,749,841	3,999,853
Investment Income:	775,994		775,994
Less: FMV Adjustment	(32,063)		(32,063)
Net Cash from Investments	743,932		743,932
Purchase of investments (other assets)	-	(1,856,856)	(1,856,856)
Net cash provided by Investing Activities	993,943	1,892,985	4,743,784
Net Increase (Decrease) in Cash	5,967,466	1,356,314	7,323,780
Cash - Beginning of Year	21,219,572	235,902	21,455,474
Cash - End of Year	27,187,038	1,592,216	28,779,254

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITY.**

Operating Income (loss)	(42,718,729)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	5,491,218
Changes in Assets and Liabilities	
(increases) decreases in Receivables	343,306
(increase) decrease in Inventories	296,633
(increase) decrease in Prepaid Expenses	101,715
(increase) decrease in due from other funds	-
increase (decrease) Accounts payable	775,220
increase (decrease) Accrued Liabilities	(279,579)
increase (decrease) Due to other funds	-
increase (decrease) Deferred revenue	51,447
increase (decrease) Deposits held for others	1,031,546
Compensated absences	-
Retirement Benefits Payable	-
increase (decrease) Other Liabilities	182,473

Notes

To

Financial

Statements

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Utah Valley State College is a state college comprised of two interdependent divisions. The lower division embraces and preserves the philosophy and mission of a comprehensive community college, while the upper division consists of programs leading to baccalaureate degrees in areas of high community demand and interest. This blend of objectives better serves the state, national, and international communities by providing its students with a wide variety of proficiencies from which to select.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion could cause the financial statements to be misleading or incomplete.

Utah Valley State College (the College) is a component unit of the State of Utah. The College is considered a component unit of the State of Utah because it receives appropriations from the State. The financial activity of the College is included in the State’s Comprehensive Annual Financial Report.

The Utah Valley State College Foundation is a separate but affiliated non-profit corporation. The accounts of the Foundation are reported in the Component Unit Column of the financial statements. The Foundation is administered by a Board of Directors comprised of various members of the local community. The College President is a permanent non-voting member of the Board. The College also provides accounting and financial services to the Foundation. The Foundation has been reported as a discreet component unit as mandated by the State.

The Utah Valley State College Foundation issues separate financial statements which are audited by other independent auditors and are available through the College’s Development Office upon request.

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts of the Foundation are not included in the financial statements as it is a legally separate entity and the College does not appoint any members of its board.

Total Columns

A total (memorandum) column has been added to the statements. The total column is not comparable to a consolidated financial statement, but is presented only to facilitate financial analysis. Data in this column does not purport to present financial position or results of operations in conformity with generally accepted accounting principles

Financial Statement Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management 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 elected to implement as prescribed in GASB Statement No. 35 and therefore have elected to implement as of and for the year ended June 30, 2002. As a component unit of the State of Utah, the College is 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 College's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 Summary of Significant Accounting Policies (Continued)

they conflict with GASB. The College has elected not to exercise this option.

Cash Equivalents

For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Public Treasurer's Investment Fund (PTIF) are considered cash equivalents.

Investments

The College 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 statements 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, the majority of each residing in the State of Utah. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

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

Noncurrent Cash and Investments

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

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at cost on the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Buildings, building additions, building improvements that extend the useful life of the asset, infrastructure, and land improvements are capitalized if the cost is over \$50,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets. The useful lives of the assets are determined based on estimated actual life of the asset using where possible the guidelines of the State of Utah Standard Useful Life Table.

Deferred Revenues

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

Compensated Absences

Employee vacation and compensation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued liabilities in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year.

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 Summary of Significant Accounting Policies (Continued)

Net Assets—The College's net assets are classified as follows:

Invested in capital assets, net of related debt

This amount represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – nonexpendable

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal 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.

Restricted net assets – expendable

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

Unrestricted net assets

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

Classification of Revenues

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

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 1 **Summary of Significant Accounting Policies (Continued)**

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 Federal appropriations, and (4) fees charged to institutional loans.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues 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, such as state appropriations and investment income.

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 2 Deposits and Investments

Listed below is a summary of the deposit and investment portfolio that represents the cash and short-term investments and investments on the June 30, 2003, balance sheet. Investing is governed by the prudent Man rule in accordance with the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. Except certain repurchase agreements, all securities purchased or held and all evidence of deposits and investments must be in the custody of the College or deposited with an agent in the College's name. Investment transactions may only be conducted through qualified depositories, certified dealers, or directly with issuers of investment securities.

Deposits

At June 30, 2003, the carrying amount of the College's deposits was \$34,996, and the bank balance was \$1,266,444, of which \$100,000 was covered by the Federal Deposit Insurance Corporation. At June 30, 2003, the carrying and bank values of the Foundation's deposits were \$92,275 of which \$92,275 was covered by the Federal Deposit Insurance Corporation. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for deposit of public money at individual financial institutions.

Investments

Statutes authorize the College to invest in negotiable and non-negotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations' bonds, and notes; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with applicable bond resolutions.

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 2 Deposits and Investments (continued)

Investments are categorized into three categories of credit risk:

- (1) Insured or registered investments or securities held by the College or its agent in the College's name.
- (2) Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the College's name.
- (3) Uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent, but not in the College's name.

At year end, the College's investment balances were as follows:

	Category			Reported
	1	2	3	Amount/ Fair Value
U. S. Government Securities		444,206		444,206
Certificates of Deposit	1,034,664			1,034,664
Total	1,034,664	444,206		1,478,870
 Utah Public Treasurer's Investment Fund				 25,979,310
 Total Investments				 27,458,180
 College Deposits				34,996
College Petty Cash				43,683
Cash on Deposit with State Agencies				353,735
 Total Cash				 432,414
 Total Cash and Investments				 27,890,594

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 2 Deposits and Investments (continued)

Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required.

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 establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. 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 to participants on the ratio of the participant's average daily balance.

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 2 Deposits and Investments (continued)

UVSC Foundation investment balances were as follows:

	<u>Category</u>			Reported
	<u>1</u>	<u>2</u>	<u>3</u>	Amount/ Fair Value
Government Securities		380,567		380,567
Stocks		1,059,592		1,059,592
Corporate Bonds		827,000		827,000
Certificates of Deposit	616,160			616,160
Money Market Accounts	<u>237,094</u>			<u>237,094</u>
 Total		<u>2,267,159</u>		 3,120,413
 Mutual Funds - Foundation				 6,677,993
Utah Public Treasurer's Investment Fund - Foundation				<u>1,145,504</u>
 Total Foundation Investments				 <u>10,943,910</u>
 Foundation Deposits				 <u>92,275</u>
 Total Foundation Cash				 <u>92,275</u>
 Total Cash and Investments - Foundation				 <u>11,036,185</u>

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 3 Accounts and Notes Receivable

Accounts receivable consisted of the following at June 30, 2003:

	2003
Student tuition and fees	\$ 734,623
Operating activities	761,685
Auxiliary enterprises	603,192
State grants and contracts	79,942
Federal grants and contracts	1,213,956
DFCM Receivables	703,559
	4,096,957
Less allowance for doubtful accounts	(44,000)
Net Accounts Receivable	\$ 4,052,957

Notes receivable consisted of the following at June 30, 2003:

	2003
Loans to students	\$ 1,839,210
Less allowance for doubtful accounts	(20,856)
Net Notes Receivable	1,818,354
Less Noncurrent Portion	1,552,211
Current Portion	\$ 266,143

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 4 Inventories

Current unrestricted fund inventories at June 30, 2003, are as follows:

Auxiliary enterprises	\$1,380,585
Supplies and other inventory	<u>203,750</u>
Total	<u>\$1,584,335</u>

Note 5 Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2003. Under this program, the federal government provides funds for approximately 75% of the total contribution for student loans with the College providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the College to the extent of 10% of the amounts forgiven for loans originating prior to July 1, 1993 under the Federal Perkins Loan Program. No reimbursements are provided for loans originating after this date. The amount refundable to the U.S. Government upon cessation of the program is reflected in the accompanying statement of net assets as U.S. Government Grants refundable. This amount for the year ended June 30, 2003, is \$1,839,210.

As the College 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 allowance for uncollectible loans only applies to College funded loans and the College portion of federal student loans, as the College is not obligated to fund the federal portion of uncollected student loans. The College has provided an allowance for uncollectible loans, which is sufficient to absorb loans that will ultimately be written off. At June 30, 2003, the allowance for uncollectible loans was \$20,856.

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 6 Capital Assets

The following are the changes in capital assets for the year ended June 30, 2003:

	Book Value 6/30/2002	Increases	Decreases	Book Value as of 6/30/03
Capital Assets not Being Depreciated				
Land	\$ 4,235,496	\$ 50,170	\$ -	\$ 4,285,666
Land Improvements - Non-Depreciable	3,036,292	-	-	3,036,292
CIP	<u>141,057</u>	<u>670,553</u>	<u>-</u>	<u>811,610</u>
Totals Nondepreciable	<u>7,412,845</u>	<u>720,723</u>	<u>-</u>	<u>8,133,568</u>
Capital Assets Being Depreciated				
Land Improvements - Depreciable	2,616,084	-	-	2,616,084
Infrastructure	4,436,322	-	-	4,436,322
Buildings	120,060,686	240,756	-	120,301,442
Equipment	18,240,817	2,121,083	(2,224,848)	18,137,052
Library Books	<u>3,192,425</u>	<u>284,474</u>	<u>-</u>	<u>3,476,899</u>
Totals Depreciable	<u>148,546,334</u>	<u>2,646,313</u>	<u>(2,224,848)</u>	<u>148,967,799</u>
Less Accumulated Depreciation				
Land Improvements - Depreciable	819,199	229,086	-	1,048,285
Infrastructure	863,838	147,877	-	1,011,715
Buildings	23,040,411	3,007,565	-	26,047,976
Equipment	10,343,854	1,950,831	(1,020,081)	11,274,604
Library Books	<u>1,200,455</u>	<u>155,859</u>	<u>-</u>	<u>1,356,314</u>
Total Accumulated Depreciation	<u>36,267,757</u>	<u>5,491,218</u>	<u>(1,020,081)</u>	<u>40,738,894</u>
Capital Assets Being Depreciated, Net	<u>112,278,577</u>	<u>(2,844,905)</u>	<u>(1,204,767)</u>	<u>108,228,905</u>
Total Capital Assets, Net	<u>\$119,691,422</u>	<u>\$(2,124,182)</u>	<u>\$(1,204,767)</u>	<u>\$116,362,473</u>

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 7 Deferred Revenue

Deferred revenue consists of the following at June 30, 2003:

	<u>2003</u>
Prepaid tuition and fees	\$1,779,900
Grants and contracts	<u>183,372</u>
	<u>\$1,963,272</u>

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 8 **Bonds Payable**

Bonds payable consist of the Series 1995A Revenue Cross-Over Refunding Bonds, the 1999 Lease Revenue Bonds, and the 2000 Student Center Building Fee and Unified System Revenue Bonds. In 2002, the 1991A and 1991B Bonds were called and paid in full.

The College issued Student Center Building Fee and Unified System Revenue Cross-Over Refunding Bonds, Series 1995A, in the amount of \$4,905,000 on October 15, 1995. The bonds were secured solely by proceeds held in an escrow account until November 1, 2001 (the "Cross-Over Date"). Once the pledge of Pledged Revenues arose under the Indenture on the Cross-Over Date, the 1995A Bonds were secured by a lien on the Pledged Revenues on parity with any additional bonds, notes or other obligations that may be issued from time to time under the Indenture. To meet the reserve requirement of the 1995A Bonds, a Surety Bond was purchased.

The Municipal Building Authority of Utah County, Utah, issued Lease Revenue Bonds (Utah Valley State College Project), Series 1999, in the amount of \$3,480,000 on October 1, 1999. The County, in turn, subleased the Series 1999 Project to the State Board of Regents of the State of Utah on behalf of the College, pursuant to an annually renewable Sublease Agreement dated as of September 1, 1999. The proceeds of the 1999 Bonds were used to finance the purchase of the Education Building and associated land, to fund a debt service reserve fund, and to pay issuance expenses incurred in connection with the issuance and sale of the 1999 Bonds.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Bonds, Series 2000, for and on behalf of the College in the amount of \$11,180,000 on May 1, 2000. The proceeds of the 2000 Bonds have been and will be used for the purpose of financing the costs of construction of an expansion to the College's existing Student Center, purchasing a surety bond to fund a debt service reserve account, and paying the costs associated with the issuance of the 2000 Bonds.

The College believes it is currently in compliance with all bond covenants.

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 8 Bonds Payable (continued)

The bonds payable of the plant funds at June 30, 2003 consist of the following:

	Original	Balance	Due Within
<u>Description</u>	<u>Original Issue</u>	<u>Balance June 30, 2003</u>	<u>Due Within One Year</u>
1995A UVSC Cross-Over Refunding Obligation, due in annual installments through 2011, interest rates 4.75% to 5.7%	\$4,905,000	\$4,415,000	\$510,000
Less Discount	<u>(20,206)</u>	<u>(10,697)</u>	<u> </u>
Total Net 1995A	<u>\$4,884,794</u>	<u>\$4,404,303</u>	<u>\$510,000</u>
1999 UVSC Lease Revenue Obligation, due in annual installments through 2014, interest rates 3.85% to 4.85%	\$3,480,000	\$2,965,000	\$185,000
Less Discount	<u>(9,926)</u>	<u>(7,444)</u>	<u> </u>
Total Net 1999	<u>\$3,470,074</u>	<u>\$2,957,556</u>	<u>\$185,000</u>
2000 UVSC Student Center Building Fee and Unified System Revenue Obligation, due in annual installments through 2014, interest rates 4.85% to 5.8%	\$11,180,000	\$10,450,000	\$515,000
Plus Premium	<u>9,171</u>	<u>7,503</u>	<u> </u>
Total Net 2000	<u>\$11,189,171</u>	<u>\$10,457,503</u>	<u>\$515,000</u>
Total Net Bonds	<u>\$19,544,039</u>	<u>\$17,819,362</u>	<u>\$1,210,000</u>

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 8 Bonds Payable (continued)

Bonds are payable from the net revenues of related facilities and from specific student fees.

The scheduled maturities of bonds payable at June 30, 2003, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$1,210,000	\$940,848	\$2,150,848
2005	1,315,000	877,886	2,192,886
2006	1,380,000	809,463	2,189,463
2007	1,460,000	736,095	2,196,095
2008	1,535,000	657,348	2,192,348
2009-2013	7,595,000	1,924,811	9,519,811
2014-2018	2,165,000	634,365	2,799,365
2019-2021	<u>1,170,000</u>	<u>110,105</u>	<u>1,280,105</u>
Total	<u>\$17,830,000</u>	<u>\$6,690,920</u>	<u>\$24,520,920</u>

In prior years, the College defeased the 1983 Refunding Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2003, \$155,000 of the debt remained outstanding and is considered defeased.

Bonds are payable from the net revenues of related facilities and from specific student fees.

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 9 Operating Leases

The College leases buildings, office space, airport facilities, and land, under noncancelable operating leases. Total costs for such leases were \$852,388 for the year ended June 30, 2003. The following is a schedule by year of future operating lease payments for the previously described operating leases:

Fiscal Year Ending June 30	Operating Leases
2004	871,560
2005	759,615
2006	706,755
2007	707,558
2008	708,375
2009-2013	2,592,171
2014-2018	295,963
2019-2023	206,228
2024-2028	137,622
2029-2033	<u>28,073</u>
Total Future Minimum Lease Payments	<u>\$ 7,013,921</u>

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 10 Capital Lease Obligations

The College has acquired certain equipment under various lease-purchase contracts or other capital lease agreements. The cost of College assets held under capital leases totaled \$2,807,889 as of June 30, 2003. Accumulated amortization of leased equipment totaled \$729,303 at June 30, 2003.

The assets acquired through capital leases are as follows:

Asset:	
Aircraft	\$ 1,298,139
Less: Accumulated Depreciation	(159,983)
Vehicles	687,038
Less: Accumulated Depreciation	(423,973)
Sun Server	352,653
Less: Accumulated Depreciation	(322)
Heidelberg Press	294,359
Less: Accumulated Depreciation	(4,516)
Equipment	175,699
Less: Accumulated Depreciation	<u>(140,508)</u>
 Total Net Capital Lease Assets	 <u>\$ 2,078,585</u>

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2003.

Fiscal Year Ending <u>June 30</u>	Capital <u>Leases</u>
2004	\$ 551,736
2005	447,840
2006	313,255
2007	152,396
2008	152,396
2009-2010	<u>927,935</u>
 Total Future Minimum Lease Payments	 \$2,545,018
Amounts Representing Interest	<u>(427,783)</u>
Present Value of Net Minimum Lease Payments	<u>\$2,117,235</u>

**UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 11 Changes in Long-term Liabilities

The following is a summary of the changes to long-term liabilities during the fiscal year ended June 30, 2003:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Revenue Bonds	\$18,915,000	\$ -	\$(1,085,000)	\$17,830,000	\$1,210,000
Less deferred amounts: For discounts and premiums	<u>(12,031)</u>	<u>-</u>	<u>1,393</u>	<u>(10,638)</u>	<u>(1,392)</u>
Total bonds payable	18,902,969	-	(1,083,607)	17,819,362	1,208,608
Notes Payable	90,120	-	(90,120)	-	-
Capital Leases	<u>1,671,704</u>	<u>783,131</u>	<u>(337,600)</u>	<u>2,117,235</u>	<u>457,409</u>
Total Bonds, Notes, and Capital Leases	20,664,793	783,131	(1,511,327)	19,936,597	1,666,017
Compensated Absences	<u>2,184,999</u>	<u>139,912</u>	<u>-</u>	<u>2,324,911</u>	<u>1,721,352</u>
Total Long-term Liabilities	<u>\$22,849,792</u>	<u>\$923,043</u>	<u>\$(1,511,327)</u>	<u>\$22,261,508</u>	<u>\$3,387,369</u>

UTAH VALLEY STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

Note 12 Pension Plans and Retirement Benefits

Plan Description

The College contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

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 Utah State Retirement Board (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 and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members in the State and School Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and the College is required to contribute 5.91% of their annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 11.90% of their annual covered salary. The contribution rates are the actuarially determined rates and are broken down into 10.4% for the Noncontributory Retirement System and 1.5% to a 401(k) Plan. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The College contributions to the State and School Contributory Retirement System for the years ending June 30, 2003, 2002, and 2001 were \$170,758, \$169,755, and \$200,186, respectively, for the Noncontributory Retirement System the contributions for June 30, 2003,

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Note 12 Pension Plans and Retirement Benefits (Continued)

2002, and 2001 were \$1,754,214, \$1,698,139, and \$2,027,901 respectively, and for the 401(k) Plan for June 30, 2003, 2002, and 2001 were \$253,011, \$244,928, and 222,338 respectively. The contributions were equal to the required contributions for each year.

Teacher's Insurance and Annuity Association provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund.

For the year ended June 30, 2003, the College's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary or \$4,038,074. The College has no further liability once annual contributions are made.

In addition to the pension benefits described above, the College provides an early retirement option to qualified employees who are approved by the administration in accordance with College policy as approved by the State Board of Regents. Eligible employees are those who retire from the College on or after age 57 and whose combined total of age and years of service is 75 or greater. Benefits are payable for 5 years or until the retiree reaches age 65, whichever occurs first. The benefits include a semi-monthly stipend equal to 20% of the retiree's salary at the time of active employment, along with health care and life insurance. During the fiscal year ended June 30, 2003, 28 employees participated in the early retirement plan, of which 28 retirees received health care and life insurance benefits. The cost of these retiree health care and life insurance benefits has been accrued at present value in the financial statements. These benefits are funded on a pay-as-you-go basis from current funds each year. For the year ended June 30, 2003, the expenses for the 20% incentive stipend were \$215,694 and the expenses for health care and life insurance were \$165,095.

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Note 13 Risk Management

Due to the diverse risk exposure of the College, the insurance portfolio contains a full variety of coverage. The College participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Department of Risk Management. In addition to these basic policies, the College's Department of Risk, Plant and Property Management establishes guidelines in risk assessment, risk avoidance, risk acceptance, and risk transfer.

The buildings and contents are insured for replacement value. Each loss incident is subject to a \$1,000 deductible.

Note 14 Commitments and Contingent Liabilities

The College, through an Interlocal Cooperation Agreement (Agreement), is a participant with Utah County (County) in a joint venture to operate the McKay Events Center (Center) located on the College's campus. The Agreement provides that the title to the Center be held by the College and neither the County nor any other party may obtain any property interest in the land or the facility. The agreement also provides that in consideration of the financial contribution made by the county, at least 40% of the usage of the Center be for public and/or community use. The investment in the Center is accounted for in the College's plant funds, and the operating results are accounted for in the College's general fund. There are no separately issued financial statements for this joint venture.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. It is highly unlikely that any disallowances would be material.

Note 15**Natural Classifications with Functional Classifications**

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

Year Ended June 30, 2003

Functional Classification	Natural Classification							Total
	Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	
Instruction	\$33,029,518	\$10,658,365	\$59,238	\$866,785	\$5,985,177	-	-	\$50,599,083
Academic Support	6,004,889	2,226,256	53,528	125,322	3,874,337	-	-	12,284,332
Student Services	6,489,477	2,531,758	48,100	108,918	2,726,081	-	-	11,904,334
Institutional Support	8,100,704	3,112,065	125,298	1,018,159	6,927,990	-	-	19,284,216
Operation and Maintenance of Plant	2,977,264	1,334,995	-	4,621,826	1,244,221	-	-	10,178,306
Student Financial Aid	1,371,290	4,669	16,022,219	4,072	117,852	-	-	17,520,102
Public Service	109,854	43,041	850	65	26,761	-	-	180,571
Auxiliaries	2,487,663	627,638	(808,173)	385,570	2,027,866	7,536,221	-	12,256,785
Other	4,994	856	-	-	9,127	-	-	14,977
Depreciation	-	-	-	-	-	-	5,491,218	5,491,218
Total Expenses	60,575,653	20,539,643	15,501,060	7,130,717	22,939,412	7,536,221	5,491,218	139,713,924

**THIS REPORT IS PREPARED BY THE OFFICE OF THE
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UTAH VALLEY STATE COLLEGE